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TAX ALERT

Puerto Rico Treasury Department issues guidance on new sales and use tax rules, extends validity of reseller and municipal sales and use tax exemption certificates, introduces PICO and re-launches SISCON

On July 14, 2014, the Puerto Rico Treasury Department (“Treasury”) issued Administrative Determination 14-10 (“AD 14-10”) and Circular Letter 14-04 (“CL 14-04”) to provide guidance related to SUT amendments scheduled to become effective on August 1, 2014. Further, on July 17, 2014, Treasury issued Circular Letter 14-05 (“CL 14-05”) to provide guidance on the import declaration process. Below we summarize the provisions of AD 14-10 and CL 14-04 and 14-05.

AD 14-10

AD 14-10 extends the validity of Reseller and Municipal Sales and Use Tax Exemption Certificates (including those issued provisionally; the “Certificates”), expiring during 2014, and establishes the requirements and due date to file a renewal application with respect to such Certificates.

Pursuant to AD 14-10, Certificates set to expire during 2014 will remain valid through December 31, 2014. Renewal of such Certificates must be requested no later than October 31, 2014. Merchants that comply with the applicable requirements and submit their application on or before said date, will receive their new Certificate for 2015 no later than December 15, 2014.

AD 14-10 further provides that, for purposes of the 1% municipal SUT exemption, merchants must treat those Certificates with a set date of expiration during 2014 as valid up to December 31, 2014.

CL 14-04

CL 14-04 provides guidance with respect to a new electronic application designed by Treasury that will allow merchants to undertake transactions related to the SUT and provides instructions to complete the registration process related to such application known as the Merchant’s Integrated Portal (“PICO” for its Spanish acronym).

PICO will allow merchants to electronically file Use Tax Declarations for Release of Tangible Personal Property, Monthly Use Tax Returns on Imports and Monthly Sales and Use Returns, and make the related payments. It will also provide access to the merchant’s filing and payment history and allow for registration in Treasury’s Merchants Registry and the IVU Loto Program. Furthermore, PICO will allow merchants to file the SUT related returns by entity rather than per location.

All merchants that will import property into Puerto Rico must register in PICO no later than **July 31, 2014**. PICO went on-line on **July 18, 2014**. Once registered in PICO, merchants may authorize other users to undertake certain transactions on their behalf within their PICO account.

CL 14-05

CL 14-05 establishes that effective August 1, 2014, every duly licensed carrier will be required to transmit their manifests electronically to Treasury's Consumption Tax Bureau through SISCON (the Spanish Acronym for Treasury's Tax Systems), which can be found in the following link: <https://siscon.hacienda.gobierno.pr>.

The following information will be required: 1) the consignee's employer identification number or social security number; 2) the Merchant's Registration Number of the consignee, if applicable; 3) the merchandise's identification under the "United States Harmonized Tariff Schedule" codes, which are available at <http://usitc.gov/tata/hts/bychapter/index.htm>; and 4) a detailed description of the merchandise to be imported.

Manifests must be transmitted no later than one day before the importation date provided in the bill of lading, and at least 24 hours before the estimated hour of arrival of the merchandise to Puerto Rico. Once the manifest has been transmitted by the carrier, and revised by Treasury, copy of the bill of lading included in the manifest will be available on PICO. PICO will allow consignees to choose the bill of lading in order to prepare and file the corresponding declaration. Consignees must comply with these requirements to obtain the release of the imported property.

Amendments to shipping documents must be done via e-mail correccionce@hacienda.gobierno.pr within 48 hours after any error is observed.

For updates on this matter, you may contact any of the attorneys of our Tax Practice Group listed below:

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