

September 3, 2014 [www.mcvpr.com](http://www.mcvpr.com)**TAX ALERT*****PR Department of Treasury issues further guidance on the filing and payment of the Sales and Use Tax***

On August 26, 2014, the Puerto Rico Department of the Treasury (“Treasury”) issued Administrative Determination No. 14-19 (“AD 14-19”) to (1) clarify that all merchants are required to file the monthly sales and use tax returns (“SUT Returns”) and to pay the sales and use tax (“SUT”) electronically and (2) establish the procedure for the filing of the SUT Returns and the payment of the SUT for reporting periods prior to August 2014.

As we indicated in our [McV Tax Alert of August 7, 2014](#), effective August 1, 2014, all merchants are required to use Treasury’s Merchants Integrated Portal (“PICO” for its Spanish acronym) to electronically file the import returns on the 10<sup>th</sup> day of the month following the import of property (“Import Return”) and the SUT Returns on the 20<sup>th</sup> day of the month following a transaction subject to the SUT, and to electronically remit the SUT to Treasury.

For reporting periods prior to August 2014, AD 14-19 establishes that, by September 1, 2014, no paper SUT Returns or cash or check SUT payments will be accepted by Treasury. Thus, all merchants had until August 31, 2014 to file all pending SUT Returns, and remit the corresponding SUT payment for reporting periods prior to August 2014 through paper forms and cash or check payments.

Effective September 1, 2014, merchants will only be able to file SUT Returns and make the corresponding SUT payments for reporting periods prior to August 2014 electronically at <https://ivu.hacienda.gobierno.pr> or through PICO by clicking on the “Radicar Planilla de IVU de periodos previos a agosto 2014” link.

Furthermore, pursuant to AD 14-19, effective September 1, 2014, participating Puerto Rico banking and cooperative institutions will not be accepting SUT Returns or SUT payments. However, merchants will continue to be able to pay SUT debts reflected in a debt certificate from Treasury at participating Puerto Rico banking and cooperative institutions by means of cash or checks.

-Alternative Procedure to comply with Use Tax on Imports

As informed in our August 7, 2014 McV Tax Alert, on August 5, 2014 Treasury issued Administrative Determination No. 14-15 (“AD14-15”) which suspended PICO and provided an

alternative procedure for merchant's to take possession of imported property without paying the use tax at the time of import.

On August 29, 2014, Treasury issued Administrative Determination No. 14-20 ("AD 14-20") to establish the procedure to complete and submit the Declaration on Imported Property in connection with property for which Treasury authorized its automatic release pursuant to the procedure provided in AD 14-15 ("Complementary Declaration") and to establish the procedure for filing the Import Return in cases where the Complementary Declaration was submitted. .

Pursuant to AD 14-20, every importer that obtained automatic release through the procedure established in AD 14-15, will have to file a Complementary Declaration and the corresponding use tax payment no later than the 10<sup>th</sup> day of the month following the automatic release of the imported property, unless the merchant is a use tax bonded importer, in which case the use tax payment is due with the filing of the Import Return. The Complementary Declaration is to be filed through PICO pursuant to the procedure provided in Section II of Treasury's Internal Revenue Circular Letter No. 14-06 of July 24, 2014 ("CL 14-06").

The information provided in the Complementary Declaration must be consistent with the information in the bill of lading and the commercial invoice for the imported property, and the merchant must upload a PDF document containing the following:

1. Bill of Lading Identification Number;
2. Date of arrival to Puerto Rico per the Bill of Lading;
3. Carrier's Name;
4. Name of the seller/supplier of the imported merchandise;
5. Commercial invoice number and date;
6. Cost of all imported property per the commercial invoice; and
7. A detail of the imported merchandise's cost segregated by: imports for use, exempt imports for resale, and taxable imports for resale.

AD 14-20 refers to a table that, in addition to the information otherwise required therein, will apparently be considered as the commercial invoice necessary for PICO to identify the importer's credit for the use tax paid on property imported for resale. However, no other information is provided in AD 14-20 with respect to such table.

Merchants required to submit the Complementary Declaration will be required to file an Import Return which is due on the same date as the Complementary Declaration (*i.e.*, the 10<sup>th</sup> day of the month following the import of property). PICO will automatically complete the Import Return using the information in the Complementary Declaration and in the use tax on import declarations submitted pursuant to AD 14-15. The Import Return completed by PICO must be reviewed by the merchant prior to its submission.

The provisions of AD 14-20 will apply for SUT reporting periods commencing with the reporting period of August 2014 and will be in effect until Treasury notifies that it has reestablished the procedures provided in CL 14-06. See our August 7, 2014, McV Tax Alert.

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

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