



## CHANGES TO SALES AND USE TAX

On June 30, 2013 was signed Act No. 40, known as the "Law for the Redistribution and Adjustment of the Tax Responsibility"

This Act provides for significant amendments to the 2011 Puerto Rico Internal Revenue Code. One of the affected areas is the Sales and Use Tax (SUT) and some of the changes are:

### Services Business to Business (B2B)

The following services will not be exempt under the B2B exemption:

- Bank charges on commercial accounts
- Accounts collections services
- Security services
- Cleaning services
- Repairs and maintenance services of real and personal property
- Telecommunications services
- Waste collection services

In regards of the repair services, the law provides that the merchant provider is not required to collect the SUT; the merchant recipient of the repair service is the responsible of remitting the SUT on his monthly return.

The Treasury Department issued the Internal Revenue Circular Letter No. 13-04 where stated that merchants must collect SUT on the above services starting on July 1, 2013.

### Reseller Exemption Certificate

The law eliminates the reseller exemption certificate and the purchases of goods for resale will be subject to the SUT. The Treasury Department issued the Administrative Determination No. 13-06 where stated that all reseller exemption certificate issued will expire on August 15, 2013.

The law provide to the Treasury Department to issue the following certificates:

1. **Exemption Certificate** – issued to manufacturers merchants and allowed them to purchase materials and items used in the manufacturing process exempt from the SUT. This certificate will be valid for three (3) years.
2. **Eligible Reseller Certificate** – issued to eligible resellers that purchase taxable items for resale to clients that can purchase exempt from the SUT or for exportation. This certificate will be valid for one (1) year. To obtain this certificate, the merchant must submit additional information in regards of its sales, to the Treasury Department.

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3. **Reseller Certificate** – issued to merchants that purchase taxable items for resale. The reseller will be subject to the SUT on the purchases of inventory.

The certificate objective is to identify the reseller that can claim a credit up to 70% of the SUT paid and not to be presented by the reseller to its suppliers. Unused amounts of the credits can be carried forward indefinitely. This certificate will be valid for one (1) year.

Administrative Determination No. 13-07 issued by the Treasury Department stated that the Reseller Certificate will be in force on August 16, 2013.

### Leasing of motor vehicles

A motor vehicle "operating lease" that constitutes a "daily rental" will be a taxable service subject to the SUT.

### Higher education institutions

Higher education institutions and universities will be subject to the SUT on purchases of taxable items.

### Health Service Institutions

Purchase of materials or goods for the use in the administrative operation or in the commercial operation (including parking, rent of medical offices or pharmacy) of exempt health entities under Act 168 of June 30, 1968 and Section 1101.01 of the PR Internal Revenue Code, will not be under the tax exemption and subject to the SUT.

### Sales and Use Tax Rate

The Sales and Use Tax Rate will be reduced to 6.5% on December 1, 2013.

### Other Changes

- Merchants with annual business volume in excess of \$100,000 (reduced from \$200,000) must remit the SUT collected by electronic means.
- The Secretary of Treasury will request to the Merchants to establish a demand deposit account from which may collect SUT directly. Said bank account must be established in a financial institution doing business in P.R. and this applies also to merchants exempt from the collection of SUT.

At KRESTON TLSR, LLC we are ready to assist you, if you need any help. Contact us for additional information.

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