

# Sales tax semi-monthly deposits compliance

May 15, 2019

Back on July 28, 2017, the Puerto Rico Treasury Department (“PRTD”) issued Administrative Determination 17-07 (“AD 17-07”) explaining the requirements to comply with the sales tax payment in semi-monthly installments.

According to AD 17-07, the obligation to remit the sales tax in semi-monthly installments has been effective since August 2017 for Large Taxpayers and from the month of September 2017 for those merchants with monthly sales tax deposits for the prior year in excess of \$2,000 (“2,000-criteria”). Nevertheless, Administrative Determination 17-15 extended the effectiveness of the semi-monthly installments until December 2017 only for merchants under the 2,000-criteria due to the passage of Hurricanes Irma and María.

The deadlines for making the semi-monthly sales tax deposits are the following:

- first semi-monthly installment – fifteenth (15<sup>th</sup>) day of each month
- second semi-monthly installment – the last day of the month

Pursuant to Section 4042.03(a)(2)(A)(iv) of the Puerto Rico Internal Revenue Code of 2011 (the “Code”), every person required to remit the sales tax in two semi-monthly installments who fails to comply with such obligation, will be subject to the imposition of a penalty of 10% on the amount of tax that should have been deposited in semi-monthly installments, in addition to any other penalty established by the Code.

During the past few months many merchants have been noticing some outstanding balances reflected in their SURI accounts. Please be advised that it could be related to the failure of making the semi-monthly sales tax deposits. This rule has been in place since the year 2017 but apparently it was not until this year (2019) that the Puerto Rico Treasury Department commenced to impose the corresponding penalties.

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We recommend you review AD 17-07 to determine the applicability of the semi-monthly sales tax deposits to avoid any assessments in the future.

Please contact our Tax Department should you require additional information regarding this or any other tax issue. We will be glad to assist you.



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