

Deloitte Tax LLP

Puerto Rico Tax Alert – March 2019 – Number 4

DESIGNATED PROFESSIONAL SERVICES AND SERVICES RENDERED TO OTHER MERCHANTS

The Puerto Rico Treasury Department (PRTD) issued Internal Revenue Circular Letter No. 19-05 (IR CC 19-05), to provide further guidance related to the amendment introduced by Act No 257 of 2018 related to the Sales and Use Tax (SUT).

As of March 1, 2019, merchants with an annual volume of business of less than two hundred thousand (\$200,000) dollars, previously fifty thousand (\$50,000) dollars, will not be required to collect the SUT on designated professional services and services rendered to other merchants.

The two hundred thousand dollars (\$200,000) threshold is determined using the volume of business for the preceding calendar year.

Beginning March 1, 2019, a Non-Withholding Agent Merchant Registration Certificate will be automatically issued through the merchant account in the Unified Internal Revenue System (SURI) to those merchants that meet all the following requirements:

- total income reported in the SUT Monthly Returns is derived solely from designated services or services provided to other merchants, including exempt service;
- are in compliance with its tax obligations related to SUT;
- the sum of all income from designated professional services, services provided to other merchants and exempt services reported in the SUT Monthly Returns filed for the 2018 calendar year does not exceed two hundred thousand (\$200,000) dollars.

Eligible Merchants that, as of March 25, 2019, are in compliance with the SUT obligations will receive the Non-Withholding Agent Merchant Registration Certificate by March 31, 2019. The Merchant Registration Certificate will be valid for transactions made since March 1, 2019.

Merchants, with an annual volume of business of two hundred thousand (\$200,000) dollars or less, that render services to other merchants and also have sales of taxable items will continue to hold a Merchant Registration Certificate as a Withholding Agent. However, as of March 1, 2019, these Merchants will not be required to collect the SUT on designated professional services and services rendered to other merchants.

This exemption applies to Merchants using the accrual method of accounting on transactions invoiced after March 1, 2019. For cash method taxpayers, on transactions paid after February 28, 2019.

ELECTRONIC FILING REQUIREMENT: CORPORATION INCOME TAX RETURN

PRTD issued Circular Letter 19-08 to notify the Corporation Income Tax Returns must be filed electronically.

There are various exceptions to the electronic filing requirement, such as:

- A foreign corporation not engaged in trade or business in Puerto Rico only files to report the sale of real property located in Puerto Rico;
- A foreign corporation not engaged in trade or business in Puerto Rico filing Schedule U;
- A foreign corporation whose only Puerto Rico source income is its distributable share of net income from a conduit entity engaged in trade or business in Puerto Rico;
- A corporation that liquidates prior its fiscal year end;
- A corporation that files for a period of less than twelve (12) months;
- A corporation following a 52-53 accounting period;
- A corporation that must file Schedule Q and Q1 with the return;

- A corporation that cannot file its return due to an error in its Employer Identification Number or due to system's error; and,
- A corporation not required to be a Registered Merchant.

The corporation must attach Form 483.40, Exception to Electronic Filing Corporation Income Tax Return, with its return.

Act 6-2019 APPRAISAL OF REAL PROPERTY

On February 12, 2019, the Governor of Puerto Rico signed Act 6-2019 to amend the "Municipal Property Tax Act of 1991", to authorize the appraisal of real property, contracted by the owner.

When there is no mortgage creditor, any natural or legal person may choose to hire the services of an Authorized Professional Evaluator (APE) with a valid license in Puerto Rico to appraise their real property to determine their classification and the tax on real property that has not been previously appraised by the (Municipal Revenue Collection Center) CRIM, this includes improvements.

The imposition, notification and collection of the corresponding tax will be prospective as of the date on which the appraisal is made and until CRIM performs its assessment pursuant to MLTA.

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