



THE POWER  
OF BEING  
UNDERSTOOD

## PREEXISTING CONTRACTS FOR TAXABLE SERVICES

Year 2015 Issue #12

The Department of the Treasury issued Circular Letter 15-11 to provide information regarding the exclusion to pay a 4% State Sales and Use Tax (herein "SUT") on existing contracts as of June 30, 2015 for services provided between merchants or designated professional services.

The Circular Letter states that a qualified contract for services provided between merchants or designated professional services for the 4% SUT exclusion must meet the following requirements:

1. A written contract signed before July 1, 2015;
2. The service will be provided by the merchant **on or after** October 1, 2015 and;
3. Entire fees have been paid **on or before June 30, 2015**

If the contract meets the requirements for a qualified contract, the merchant that provides the service and the person or merchant that receives the service must request to the Department of the Treasury a Qualified Contract Subject to the Sales and Use Tax Certificate in order to be exempt from the 4% SUT after September 30, 2015. Both parties must submit the following documents to the Department of the Treasury in order to obtain the Certificate:

- ⇒ Form AS 2921- Application for the Qualified Contract Subject to the Sales and Use Tax Certificate. The form must be completed and notarized by the merchant providing the services and by the person or merchant receiving the services.
- ⇒ Copy of the contract signed by both parties.
- ⇒ Form AS 2745- Power and Declaration of Representation.
- ⇒ Any other information that might be requested by the Department of the Treasury by written request after the application is submitted.

The Department of the Treasury will evaluate the application and will determine if the contract qualifies for the Certificate. If the application is rejected by the Department of the Treasury, the merchant will have 30 days to submit an appeal to the Treasury's Appeals Office.

Please contact us here at RSM where we are prepared and committed to answer all your inquiries related to these new rules.

· Telephone: 787-751-6164

· Fax: 787-751-6865

· Email: [tax@rsm.pr](mailto:tax@rsm.pr)

· Webpage: [www.rsm.pr](http://www.rsm.pr)