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NEW SPECIAL TAX APPLICATION ON SERVICES PROVIDED BY NON-RESIDENTS OF PUERTO RICO

Year 2015 Issue #15

The Puerto Rico Treasury Department (hereinafter "PRTD") issued Circular Letter 15-12 requiring an update of the Merchant's Registry Certificate (hereinafter "MRC") for certain merchants.

As you may recall, Act #72-2015 established a special Sales Tax rate of 4% on designated professional services starting on October 1, 2015 through March 31, 2016.

Designated professional services are defined in Code Section 4010.01(II) of the Puerto Rico Internal Revenue Code and include the following:

- Legal services;
- Agronomists;
- Architects and landscape architects;
- Certified Public Accountants;
- Brokers, sellers and real estate companies;
- Professional draftspersons;
- Professional real estate appraisers;
- Geologists;
- Engineers and surveyors.

At this moment, most of the merchants providing designated professional services possess a Non-Withholding MRC (red certificate); therefore, the PRTD is now requiring that these merchants update their records according to the new dispositions.

The registry update must be completed by September 30, 2015 using the following link: <http://www.hacienda.gobierno.pr/ivu/registro-de-comerciante>. The option to update the registry will be available on September 1, 2015. Also, the PRTD has established that the update requirements apply to all merchants providing designated professional services regardless of their annual volume of business. Merchants who do not update their records will be subject to a penalty of \$500. The update requirements also apply to merchants who have ceased operations, but haven't notified it to the PRTD by cancelling their MRC.

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

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