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CHANGES TO SALES & USE TAX (SENATE BILL #1433)

Year 2015 Issue #17

The Senate and the House of Representatives have approved Senate Bill #1433 (hereinafter "Bill"). The bill introduces several amendments to the recently approved Act #72-2015 and the Puerto Rico Internal Revenue Code of 2011, as amended in general. These changes are mainly related to the Sales & Use Tax and Special 4% SUT. The Bill is still pending for the Governor's signature.

The Special 4% SUT will be effective in October 1, 2015. However, the Bill proposes, among others, the following changes:

I - Certain designated professional services will not be subject to the 4% Special SUT:

- Services provided to homeowners associations;
- Services provided to Bonafide Farmers certified by the Department of Agriculture;
- Services provided to public or private entities created by Law, in which the Act specifically states that the entity shall be exempt from all types of taxes;
- Certain legal services will not be subject to the 4% Special SUT. The legal services excluded from the Special 4% SUT are those rendered by attorneys admitted to practice before the Supreme Court or any foreign jurisdiction and related to legal representations before a court or a governmental agency. Services rendered by attorneys that can also be performed by other professionals will still be subject to the 4% Special SUT, such as: financial consulting, lobbying services, etc.

II - Certain services provided between merchants will be exempt from the 4% Special SUT:

- Advertising and promotion services issued through any media, including both electronic methods or printed forms.
- Subcontracted services. The exemption shall only apply to subcontracted services limited on the construction and/or telecommunication fields.
- Toll manufacturing or contract manufacturing services subject to obtaining a waiver certificate from the Puerto Rico Treasury Department.
- Freight services (including direct ground, maritime and/or air transportation charges).

Here at RSM we are prepared to answer your inquiries related to these new rules. If you have any questions, please contact us.

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