



THE POWER
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FILING AND PAYING THE 4% SPECIAL TAX

Year 2015 Issue #21

The Puerto Rico Treasury Department (hereinafter "PRTD") issued Administrative Determination 15-23 (hereinafter "AD 15-23") with the purpose of: 1) establishing the procedures to complete the Monthly Sales and Use Special Tax of 4% Declaration (hereinafter "Special Tax Declaration"); 2) establish the procedures to inform the services received from non-resident persons; and 3) how to remit the Special Tax on such services.

Designated Professional Services Providers:

The Special Tax Declaration (Form SC 2915 F) is an additional form that will apply to merchants that provide designated professional services or services rendered between merchants (business to business services). This declaration should be filed by all merchants whose merchant register certificate identifies them as a withholding agent (green certificate). The monthly declarations are due on the 20th day of the next month during which the tax was bill or collected, depending if to taxpayer is under the cash or accrual method. Every merchant must file the form regardless if no services were billed or collected during the month and/or they were considered not subject to the Special Tax (4%) due to any exemption. This declaration should be filed and paid solely through the Integrated Merchant Portal (known as "PICO") using the following webpage:

<https://comerciantes.hacienda.pr.gov/>.

It is important to note that the election to use the cash basis method for purposes of the Special Tax Declaration is required to be made in the first return that is due on November 20th, 2015. Otherwise, the accounting method used for purposes of the income tax return will be automatically chosen.

Business to Business Transactions:

All business to business transactions that are currently subject to a 4% Special Tax must be reported on this new special tax declaration.

(Continued)

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FILING AND PAYING THE 4% SPECIAL TAX (CONTINUED)

Merchants that are currently filing monthly Sales and Use Tax Declaration and Declarations of Imports:

The merchants that currently file the Sales and Use Tax Declaration and the Declaration of Imports should also file the Special Tax Declaration every month.

It is important to know that the exempt services that should be reported on the Special Tax Declaration are solely those **designated professional services** that are exempt of the special tax. Services rendered between merchants that are not subject to the sales tax due to any exemption must be reported as exempt on the regular Sales and Use Tax Declaration (Form SC 2915 A).

Services provided by non-residents of Puerto Rico and merchants with gross income less than \$50,000.

Every merchant that receive services from a non-resident company or individual should file the Sales and Use Tax Declaration and self-impose the Special tax (4%) or regular tax (11.5%), as applicable.

For those merchants who do not have the obligation to charge the Special Tax because their gross income is less than fifty thousand dollars (\$ 50,000), and a certificate to these effects was issued, are not required to file monthly Sales and Use Tax Declarations. However, they are required to file the applicable sales and use tax return if they receive services from a non-resident company or individual.

Reminders & Due Dates

- November 10, 2015 – Monthly Declaration of Imports
- November 10, 2015 – Monthly Excise Tax Return
- November 10, 2015 – Deposit of Income Tax withheld on payments for services rendered
- November 16, 2015 – Deposit of Income Tax withheld on salaries of those employers classified as monthly depositors
- November 20, 2015 – Monthly Sales & Use Tax Return.
- November 20, 2015 – Monthly Special SUT Return.

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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