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TAX ALERT

Act 80-2014 Amends Sales Tax Provisions of the Puerto Rico Internal Revenue Code of 2011

On July 2, 2014, the Governor of Puerto Rico signed House Bill 2041 into law, which became Act 80-2014 ("Act 80"). Act 80 became effective immediately upon its enactment.

As informed in our [Tax Alert of June 19, 2014](#), Act 80 introduces changes to the sales and use tax ("SUT") provisions of the Puerto Rico Internal Revenue Code of 2011, as amended ("Code"). Below we summarize the most significant amendments to the Code.

Introduction of items into a Foreign Trade Zone

A new provision is added to recognize the introduction of tangible personal property into a Foreign Trade Zone as a taxable event for purposes of the use tax.

Manufacturers, Eligible Wholesalers and Registered Wholesalers Waivers

Act 80 postpones the effectiveness of use taxation on inventory introduced to Puerto Rico until August 1, 2014 (originally to be effective on July 1, 2014). It also extends the validity of the Manufacturers, Eligible Wholesalers and Registered Wholesalers Waivers until July 31, 2014.

New Use Tax Declaration for Release and a Monthly Return for Use Tax on Imports

Act 80 creates a new Use Tax Declaration for Resale and a Monthly Return for Use Tax on Imports, in addition to the Monthly SUT Return. The use tax will be due on the 10th day of the month following the month in which the merchant took possession of the item, unless the time to pay such tax is extended by the Secretary of the Puerto Rico Treasury Department upon consideration of the volume or frequency of the imports, as well as the merchant history or projection on the payment of the SUT.

Monthly SUT Tax Return

Act 80 amends the due date to file the Monthly SUT Return and pay the corresponding sales tax (and the use tax on inventory withdrawn for use by the merchant) from the 10th to the 20th day of the month following the date of the taxable event.

Use Tax Bond

Act 80 establishes that the Use Tax Bond amount will include, in addition to an amount equivalent to the corresponding use tax, a 25% of said amount to guarantee the payment of any surcharges, interest, penalties or administrative fines imposed to the merchant. Said 25% excess in coverage may not be used to obtain the release or to take possession of the imported property. The bond amount may be increased or decreased at the merchant's discretion, but in no event may be less than \$10,000.

Sales and Use Tax Credit

Registered merchants with Reseller Certificates will be allowed to claim a credit of the SUT paid on the purchase or import of merchandise for resale of up to 75% of the SUT liability reflected in the Monthly SUT Return. The 75% limitation could be increased or decreased by regulation. Act 80 eliminates the provision that requires the opening of a deposit account in a local financial institution to allow a credit of 100% of the SUT paid.

Reseller Credit Control Account

Act 80 creates a Reseller Credit Control Account which will reflect the amount of credit available to a reseller and requires the taxpayer to manage certain adjustments to such account.

For updates on this matter, you may contact any of the attorneys of our Tax Practice Group listed below:

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