

Tax Alert: Procedures to update Merchant's Registry for designated professional services

During 2015, Act 72-2015, Act 101-2015 and Act 107-2015 were approved to introduce changes to the Puerto Rico Tax System, including changes in the taxation structure of the Sales and Use Tax.

Among these changes the Puerto Rico Internal Revenue Code ("Code") was amended to impose a **4% tax on services rendered by a merchant to other registered merchants as well as on services rendered by designated professionals**. The new tax will apply to services provided after September 30, 2015 but before April 1, 2016. Such tax shall be levied, collected and paid by the merchant who provides the service.

The Code defines "**Designated Professional Services**" as legal services and professional services regulated by their respective Examining Boards under the Puerto Rico Department of State. Such services include:

- agronomists;
 - architects and landscape architects;
 - certified public accountants;
 - brokers, sellers and real estate companies;
 - professional draftspersons;
 - professional real estate appraisers;
 - geologists;
 - engineers and surveyors; and
 - tax return specialists
- (Starting on 9/30/2015)

Currently, these services are exempt from sales and use tax and every merchant engaged in providing these services must be registered as a non-withholding agent.

As a result of the imposition of the 4% special tax, merchants providing designated professional services will become withholding agents. Consequently, their corresponding Merchant's Registry Certificates ("MRC") must be updated to show this change in classification.

On August 17, 2015, the Puerto Rico Department of Treasury ("PRTD") issued Circular Letter 15-12 to establish the procedures required to complete this change. Such process will be completed only by electronic means through <http://www.hacienda.gobierno.pr/ivu/registro-de-comerciante>, and select "**Update Merchant's Registry**". The mechanism for the update process will be available starting on September 1, 2015.

A penalty of \$500.00 will be imposed to those who fail to complete the process on or before September 30, 2015. This also applies to merchants that have ceased operations but have not yet completed the process of notification of such cease in operations. Moreover, MRCs will be automatically cancelled for those merchants that fail to complete the update as of December 31, 2015.



Contact us

For assistance in this matter, please contact us via maria.rivera@pr.gt.com or javier.ovola@pr.gt.com



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Finally, once the process is completed, a new MRC will be issued by the PRTD and the merchant must register in Integrated Merchant Portal (PICO) in order to be able to file a Monthly return by electronic means. Please note that merchants with an annual volume of business of \$50,000 or less, will continue as a non-withholding agents, however they must follow the steps provided by CL 15-12 in order to re-certify their status as non-withholding agents.



Please contact our Tax Department should additional information is required regarding this or any other tax issue. We will be glad to assist you.

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