

A PUBLICATION FROM THE TAX DIVISION

TREASURY DEPARTMENT ANNOUNCES PROCEDURES TO UPDATE MERCHANT REGISTRY DATA FOR PROVIDERS OF LEGAL AND DESIGNATED PROFESSIONAL SERVICES



Please contact your account service partner should you have any questions or comments or if you need additional information regarding these matters.

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This week, The Treasury Department issued Circular Letter No. 2015-12 ("CL 15-12") informing providers of legal and designated professional services that they should update their Merchant Registration data **no later than September 30, 2015**.

Act No. 72-2015 amended the Internal Revenue Code of Puerto Rico of 2011, as amended, to, among other things, establish a 4% sales and use tax ("SUT") on business-to-business services ("B2B") and on the provision of services rendered by designated professional services starting on October 1st, 2015.

According to CL 15-12, the requirement to update the Merchant Certificate specifically applies to the following professionals:

- Lawyers
- Architects (including landscape architects)
- Engineers and surveyors
- Agronomists
- Brokers, sellers and real estate companies¹
- Draftsmen
- Real estate appraisers
- Geologists
- Certified public accountants

Generally, providers of these services are already enrolled in the Merchants Registry as *non-withholding* agents. However, starting on October 1st, 2015, these merchants could become *withholding* agents².

¹ On August 10, 2015, the House of Representatives filed Bill No. 2566 ("HB 2566") proposing, among other measures, to exclude from the taxable services subject to the 4% sales and use tax the services provided by brokers, sellers and real estate companies. As of the date of this **Tax Alert**, HB 2566 has not been approved.

² In which case the Merchant Certificate shall change from **red** to **green**.

PROCEDURES TO UPDATE MERCHANT REGISTRY DATA (continued)

Registration Process

The Secretary informed that starting September 1st, 2015, the Treasury Department's SUT portal (www.hacienda.gobierno.pr/ivu/registro-de-comerciante) will include a section for updating merchants' data and withholding status.

Merchants will be required to access the portal and provide certain information (name, merchant number, billing system, business volume, etc.). After completing the process, merchants will receive a confirmation and will be informed whether they will be issued a new certificate or not³. Merchants who receive a new **green** certificate shall also register into the PICO system.

After the September 30, 2015, merchants who have not updated their registry despite having the obligation to do so, will be subject to a **\$500 penalty**. This penalty shall also apply to those who have ceased operations but who have not notified the Treasury Department and have not completed the process of updating the Registry.

Merchants who do not have internet access may visit any of the following district offices from 8:00 am to 4:30 pm: Aguadilla, Arecibo, Bayamón, Caguas, Humacao, Mayaguez, Ponce, or San Juan.

Additional Information

The Treasury Department will offer additional information on the application of these provisions as follows:

| Event | Date | Time | Location |
|-------------|--------------------|----------|-----------------------------------|
| Webcast | August 28, 2015 | 10:00 AM | To be announced |
| Orientation | September 11, 2015 | 8:00 AM | SJ Convention Center ⁴ |

³ Merchants with a business volume not exceeding \$50,000 will not be issued a new Merchant Certificate.

⁴ Livestream available, to be announced.

PROCEDURES TO UPDATE MERCHANT REGISTRY DATA (continued)

NAICS (North American Industry Classification System)

For your information and easy reference, we include the NAICS applicable to legal and designated professional services referred to above.

| Code | Description |
|--------|--|
| 541690 | Agronomists |
| 531320 | Appraisers (real estate) |
| 541310 | Architects |
| 531210 | Brokers, sellers and real estate companies |
| 541211 | Certified public accountants |
| 541340 | Draftsmen |
| 541330 | Engineers |
| 541360 | Geologists |
| 541320 | Landscape architects |
| 541110 | Law firms |
| 541100 | Law services |
| 541190 | Other legal services |

Future Developments

The Secretary also announced that Treasury will issue several publications on the applicability of these provisions, including available exemptions and the filing of monthly returns, among others.

Stay tuned to our **Tax Alerts** to keep abreast of future developments.

Contact our **Business Solutions Division** to arrange for a consultation and additional support in the implementation of these new provisions.

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