



## Puerto Rico

<b>General</b>	Types of indirect taxes (VAT/GST and other indirect taxes).	Sales and use tax (SUT), or <i>Impuesto Sobre Ventas y Uso</i> (IVU).
	Are there other indirect taxes?	Excise Tax on manufacturing and imports of various goods (sugar, cement, vehicles, cigarettes, liquor and petroleum).
	What are the standard or other rates (i.e. reduced rate) for VAT/GST and other indirect taxes?	<p>Excise tax: depends on the category of goods.</p> <p>Sales and use tax:</p> <ul style="list-style-type: none"> <li>— 11.5% — most goods and services</li> <li>— 10.5% — goods and services not subject to municipal SUT</li> <li>— 6% preexisting construction contracts</li> <li>— 4% designated professional services and services rendered to other merchants.</li> </ul> <p>Designated professional services:</p> <ul style="list-style-type: none"> <li>— agronomists</li> <li>— architects and landscape architects</li> <li>— certified public accountants</li> <li>— agents, vendors and real estate companies</li> <li>— professional draftsmen</li> <li>— professional appraisers of real estate</li> <li>— geologists</li> <li>— engineers and surveyors.</li> </ul>
Who is required to register for VAT/GST and other indirect taxes?	<p>All entities engaged in a trade or businesses are required to register with the Merchant's Registry of the Puerto Rico Treasury Department. In order to determine if an entity is considered to be in the business of selling taxable items or has nexus in Puerto Rico, the following factors shall be considered:</p> <ul style="list-style-type: none"> <li>— if the merchant has establishments or offices in Puerto Rico</li> <li>— if the merchant has employees, agents or representatives in Puerto Rico who solicit business, carry out business or carry out transactions in the name of said retail seller</li> </ul>	

<b>General (continued)</b>	<b>Who is required to register for VAT/GST and other indirect taxes? (continued)</b>	<ul style="list-style-type: none"> <li>— if the merchant owns tangible personal property or real property in Puerto Rico</li> <li>— if the merchant creates a nexus with Puerto Rico in any way, including, but not limited to the execution of purchase deeds in Puerto Rico; direct marketing; purchases by mail or radio; distribution of unsolicited catalogs; purchases online, via television or other electronic means, or advertisements in magazines or newspapers</li> <li>— if the merchant accepts, expressly or implicitly, the tax levied by subtitle BB of the code</li> <li>— if the merchant has sufficient connection, or a relationship, with Puerto Rico or its residents of some sort, other than those described in the above mentioned clauses, with the purposes or objective of creating a sufficient nexus with Puerto Rico to impose on the merchant the responsibility of collecting sales and use tax.</li> </ul>
<b>VAT/GST registration</b>	<b>Is voluntary registration for VAT/GST and other indirect taxes possible for an overseas company (e.g. if the annual turnover is below the relevant VAT/GST and other indirect taxes registration threshold)?</b>	<p>Yes, merchants who do not have a commercial establishment in Puerto Rico and for any reason have created a nexus with Puerto Rico due to (but not limited to) the following:</p> <ul style="list-style-type: none"> <li>— the execution of direct marketing; purchases by mail or radio; distribution of unsolicited catalogs; purchases online, via television or other electronic means, or advertisements in magazines or newspapers, or any other means</li> <li>— the existence of an agreement or reciprocity or implicitly with their origin jurisdiction</li> <li>— the merchant's acceptance, expressly or implicitly, of the tax levied by the code</li> <li>— the creation of a sufficient connection or relationship with Puerto Rico or its residents of some sort with the purpose or objective of creating a sufficient nexus with Puerto Rico.</li> </ul>
	<b>Does an overseas company need to appoint a fiscal representative?</b>	No.
	<b>Which forms and supporting documentation does an overseas company need to submit for VAT/GST and other indirect tax registrations?</b>	Application for merchant's registration certificate and exemption certificate (form AS 2914.1).
	<b>Is grouping* for VAT/GST and other indirect taxes possible?</b>	No.
<b>VAT/GST compliance</b>	<b>How frequently are VAT/GST and other indirect tax returns submitted?</b>	Monthly.
	<b>What are the exchange rate rules in your country?</b>	Puerto Rico uses the US dollar. There are no specific rules on exchange rates.

\* By 'grouping' we mean: either a consolidation mechanism between taxpayers belonging to the same group (payment and refund are compensated but taxpayers remain distinct) or a fiction for VAT/GST purposes (several taxpayers are regarded as a single taxpayer).

<b>VAT/GST recovery</b>	Can an overseas company recover VAT/GST and other indirect taxes if it is not registered for VAT/GST and other indirect taxes locally?	No.
	Are there any exemptions with the right to recover or deduct input VAT?	Any merchant who claims a credit against his or her obligation to pay the sales tax will keep, and have available for the secretary, all of the documentation needed to verify the merchant's right to such credit.  The secretary may reject a credit claimed in the monthly sales and use tax return insofar as it is not supported by the information required in which case the amount owed will be considered a deficiency.
	Are there any restrictions to the deduction of taxes paid?	Merchants who are resellers and who do not hold an exemption certificate at the moment of paying the sales tax for items that they resell shall not be entitled to claim a credit for taxes paid for such items.
<b>Invoices</b>	Is a business required to issue tax invoices?	No.
	Is it possible/mandatory to issue invoices electronically?	It is possible, but not mandatory.
	Is it possible for the vendor to issue an invoice, i.e. is self-billing possible?	Yes.
<b>Audits</b>	Do tax audits take place on a regular basis?	The indirect tax is the most active tax pursued by treasury. Frequency depends on industry. An annual communication or request for information could be expected.
	Are audits done electronically in your country (e-audit)? If so, what system is in use?	Treasury is currently implementing this.
	What penalties can arise from non-compliance?	Depending on the infringement, specific penalties may apply.
<b>Special indirect tax rules</b>	Are there any special rules for the sale of a company by one taxpayer to another where VAT is not due on the sale?	The sale of a company is not subject to SUT.
	Are there unique specific indirect tax rules that you would not expect to find in 'standard' VAT jurisdictions?	Puerto Rico has a sales and use tax.
	Does a reverse charge mechanism apply for goods or services?	Yes, on services rendered by non-residents.
	Are there indirect tax incentives available (e.g. reduced rates, tax holidays)?	Yes, for back-to-school goods. On or before 1 June of each year, the Secretary of Treasury will issue a circular letter specifying a period of 3 days in the month of July during which the retail sale of those covered articles as defined by the Puerto Rico Internal Revenue Code of 2011, as amended (the Code) are exempt from the payment of sales tax. In those years for which no circular letter is issued, it shall be understood that the period begins at 12:01am on 15 July and ends at midnight on 17 July of each year.
<b>Rulings</b>	Are rulings and decisions issued by the tax authorities publicly available?	No, most determinations are private.