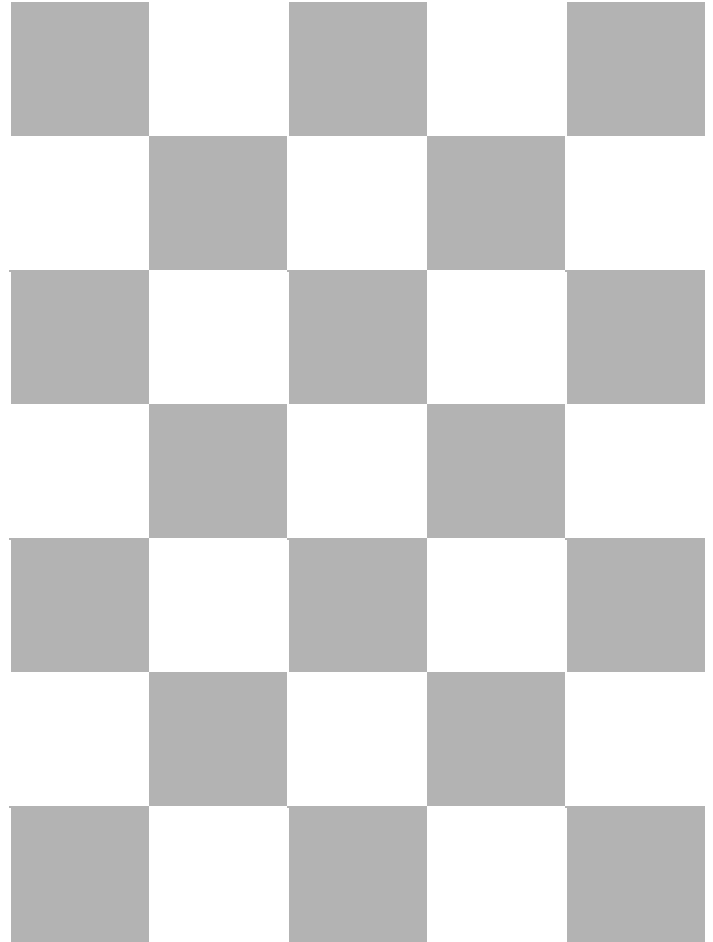
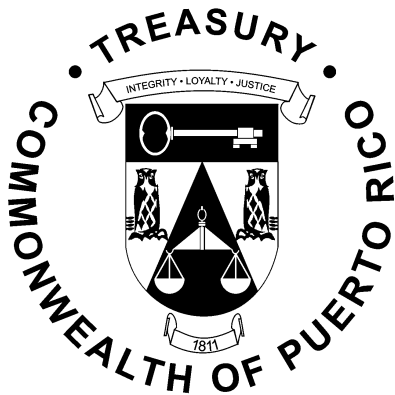


Publication 07-01

10 Aug 07
DFP

**UNIFORM SALES
AND USE TAX
(SUT)
IN ALL
MUNICIPALITIES**



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UNIFORM SUT IN ALL THE MUNICIPALITIES

Act No. 80 of July 29, 2007 amends several provisions related to the Sales and Use Tax (SUT). The most relevant aspects of said amendments are set forth below.

- **Uniformity of the SUT**

Effective August 1st, 2007, the collection of the 1.5% SUT is uniform in all the municipalities of Puerto Rico. This means that, in all the commercial establishments in Puerto Rico, a total tax of 7% (5.5% + 1.5%) shall be collected for all items for which the state tax used to be collected. As a general rule, the sale of food and food ingredients (unprepared foods), as such term is defined in Section 2301 of the Puerto Rico Internal Revenue Code of 1994, as amended (Code), is not subject to the SUT.

However, some municipalities will approve ordinances or modify those that have been in effect until the July 31st, 2007 in order to impose a 1% tax on the sale of food and food ingredients (unprepared foods), as such term is defined in Section 2301 of the Code. No municipality may impose more than a 1% tax on the sale of food and food ingredients (unprepared foods).

From the total tax of 7%, 6% shall be administered by the Department of the Treasury and 1% by the municipalities. The 1% administered by the municipalities shall have the same base, exemptions, and limitations of Subtitle BB of the Code.

SUMMARY Act No. 80 of July 29, 2007
Section 6189 of the Code <ul style="list-style-type: none">• All the municipalities shall establish a 1.5% tax that will be administered together with the 5.5% tax established by Sections 2401 and 2402 of the Code.
Administration of the Tax <ul style="list-style-type: none">• 1% administered by the municipalities• 6% administered by the Department of the Treasury
The 1% administered by the municipalities shall have the same base, exemptions, and limitations included in Subtitle BB of the Code.
The municipalities, with the approval of the Municipal Legislature, may impose a 1% tax on food and food ingredients.

- **Presentation of the SUT on Receipts or Invoices**

The merchant will have the option of displaying the total 7% tax on sales receipts, or segregating it between the 6% administered by the Department of the Treasury and the 1% administered by the municipalities.

When the merchant chooses to segregate the 6% and the 1%, he or she will display said information with phrases similar to the following:

“IVU,” “SUT,” or “TAX 1”

“IVU 2,” “SUT 2,” or “TAX 2”

The text to be used does not have to be exactly the same as this one. Any similar phrase that reflects the taxes collected will be accepted.

The following examples illustrate the options that merchants have for displaying the SUT in sales receipts or invoices. It is important to note that, in the three examples, when the phrase “TAX” is used, it refers to the total amount of the SUT collected in such sale. On the other hand, when the total amount of the tax collected is segregated, the phrase “TAX 1” is used to identify the 6% SUT collected which is administered by the Department of the Treasury and “TAX 2” is used to identify the 1% SUT collected which is administered by the corresponding municipality.

Example 1: Sale of Taxable Items in Any Municipality (Participating or Non Participating)

A merchant sells furniture to a customer for \$800.

Regardless of the municipality in which he or she is located, at the time of the sale, the merchant shall collect \$56 (\$800 x 7%) for the SUT. From this sale, the merchant shall remit \$56 to the Department of the Treasury, provided that the sale takes place at a Participating Municipality. However, if the sale takes place at a Non Participating Municipality, the merchant shall remit \$48 to the Department of the Treasury and \$8 to the Non Participating Municipality.

In this case, the merchant shall select one of the following two options to display the collected SUT in the sales receipt or invoice:

Option 1 (Joint SUT)		Option 2 (Segregated SUT)	
Furniture	\$800.00	Furniture	\$800.00
TAX	\$ 56.00	TAX 1	\$ 48.00
		TAX 2	\$ 8.00

Example 2: Non Participating Municipality that imposed the 1% tax on Food and Food Ingredients through a Municipal Ordinance

A merchant sells a 3-pound bag of rice for \$1.

In this case, the merchant shall collect 1 cent (\$1 x 1%) for the SUT. The merchant shall not collect the 6% SUT administered by the Department of the Treasury, because the bag of rice is a food and food ingredient and is exempt from the 6% SUT.

In this case, the merchant shall select one of the following two options to display the SUT collected on the sales receipt or invoice:

Option 1 (Joint SUT)		Option 2 (Segregated SUT)	
Rice	\$ 1.00	Rice	\$ 1.00
TAX	\$ 0.01	TAX 1	\$ 0.00
		TAX 2	\$ 0.01

If the sale had taken place at a Participating Municipality or at a Non Participating Municipality that has not imposed the 1% tax on foods and food ingredients, then the sale indicated above would not have been subject to the SUT.

In this case, the merchant may select one of the following two options to display the SUT collected on the sales receipt or invoice, or simply decide not to display any details of the SUT collected:

Option 1 (Joint SUT)		Option 2 (Segregated SUT)	
Rice	\$ 1.00	Rice	\$ 1.00
TAX	\$ 0.00	TAX 1	\$ 0.00
		TAX 2	\$ 0.00

Example 3: Non Participating Municipality that imposed the 1% tax on Food and Food Ingredients through a Municipal Ordinance

A merchant sells a detergent for \$2, a pack of plastic cups for \$3, a three-pound bag of rice for \$1, and two pounds of ground meat for \$5.

In this case, the merchant shall collect 30 cents (\$5 x 6%), which he shall remit to the Department of the Treasury, and 11 cents (\$11 x 1%), which he shall remit to the municipality where the commercial establishment is located.

In this case, the merchant shall select one of the following two options to display the SUT collected on the sales receipt or invoice:

Option 1 (Joint SUT)		Option 2 (Segregated SUT)	
Detergent	\$ 2.00	Detergent	\$ 1.00
Cups	3.00	Cups	3.00
Rice	1.00	Rice	1.00
Ground Meat	5.00	Ground Meat	5.00
Total	\$11.00	Total	\$11.00
TAX.....	\$ 0.41	TAX 1.....	\$ 0.30
		TAX 2.....	\$ 0.11

- **Deposit of the SUT**

Once the merchant has collected the SUT, he or she shall remit it to the Department of the Treasury and file the SUT Monthly Return, Form AS 2915.1, no later than the twentieth (20th) day of the month following the month during which the collection was made. Effective for transactions carried out after July 31, 2007, all merchants shall have to remit a total of 6% to the Department of the Treasury and 1% to the municipality in which their commercial establishments are located. However, if the municipality in which the commercial establishment is located is a Participating Municipality because it has a collection agreement with the Department of the Treasury, it shall remit the total 7% tax to the Department of the Treasury.

- **New Monthly Return**

The new SUT Monthly Return for the deposit of collections made during the month of August of 2007 shall be available in all the Internal Revenue Collector's Offices on and after September 1st, 2007. Merchants may also file the SUT Monthly Return through our Web site: www.hacienda.gobierno.pr/ivu

For the deposit of collections made before August 1st, 2007, merchants shall use the SUT Monthly Return effective on August 20, 2007 (Form AS 2915.1, January 18, 2007 Revision).

To obtain information related to municipal documents, the merchant shall refer to the municipality in which his or her commercial establishment is located.

- **Questions about the SUT**

If a merchant has questions, he or she may call 1-888-721-5551.