

1 October 2019

# Indirect Tax Alert

News from Americas Tax

## Puerto Rico's reduced sales and use tax rate for prepared food sales effective 1 October 2019

### EY Tax News Update: Global Edition

EY's Tax News Update: Global Edition is a free, personalized email subscription service that allows you to receive EY Global Tax Alerts, newsletters, events, and thought leadership published across all areas of tax. Access information about the tool and registration [here](#).

### EY Americas Tax

EY Americas Tax brings together the experience and perspectives of over 10,000 tax professionals across the region to help clients address administrative, legislative and regulatory opportunities and challenges in the 33 countries that comprise the Americas region of the global EY organization. Access more information [here](#).

Beginning 1 October 2019, the reduced sales and use tax (SUT) rate of 7% applies to the sale of prepared foods in Puerto Rico, instead of the general 11.5% rate. The Puerto Rico Treasury Department (PRTD) issued Administrative Determination (AD) 19-03 to provide guidance on the procedure for merchants to obtain authorization to collect the 7% reduced SUT rate.

#### Eligibility

To obtain authorization to collect the reduced SUT on sales of prepared food, the merchant must:

- ▶ Have a Merchant Register Certificate
- ▶ Have complied with its SUT return and declaration obligations
- ▶ Not have any outstanding tax debts
- ▶ Have a tax terminal installed at each point of sale

The terminals must comply with the specifications established in Regulation No. 8049 of 21 July 2011, as amended, and AD 15-20. Even though AD 15-20 provides an exception to the installation of tax terminals for merchants with a volume of business of less than US\$125,000, the PRTD advises all merchants, regardless of their sales' volume, to have a tax terminal at each point of sale.

Merchants that do not have a terminal at each point of sale should contact a certified processor to have the terminals installed. AD 19-03 contains a list of certified processors.

### **Procedure for obtaining authorization to collect the reduced SUT rate**

Merchants that meet the eligibility requirements will receive a certificate through SURI (i.e., the PRTD's integrated tax system) that will authorize them to collect the reduced SUT rate on the sale of prepared food beginning 1 October 2019. The certificates will expire on 30 September 2020, regardless of when they are issued. Merchants that continue to qualify for the reduced SUT rate will automatically receive a new certificate through SURI.

If a merchant does not receive a certificate, the merchant will receive a notice through SURI with the reason the merchant did not qualify. Once the merchant satisfies the requirements, the merchant may submit a request for a certificate through SURI. The PRTD started receiving certificate requests on 24 September 2019.

If a merchant receives a certificate, but no longer meets the eligibility requirements, the merchant should request that the certificate be cancelled and should collect the 11.5% SUT on the prepared food.

### **Implications**

The PRTD has already issued over 5,000 certificates to eligible merchants. The Secretary of the PRTD has also reported that consumers who want to know which merchants have been certified by the PRTD to collect the reduced 7% can access SURI and go to the link "Negocios autorizados a cobrar 7% en alimentos preparados." The merchants are grouped by municipality location.

---

For additional information with respect to this Alert, please contact the following:

#### **Ernst & Young Puerto Rico LLC, State and Local Taxation Group, San Juan**

- |                          |                               |
|--------------------------|-------------------------------|
| ▶ Rosa M. Rodríguez      | rosa.rodriguez@ey.com         |
| ▶ Pablo Hymovitz Cardona | pablo.hymovitz@ey.com         |
| ▶ Noeliz Suarez Archilla | noeliz.suarezarchilla@ey.com  |
| ▶ Luz Grycell Rivera     | luzgrycell.rivera@ey.com      |
| ▶ David Montanez-Miranda | david.montanez-miranda@ey.com |
| ▶ James McCandless       | james.e.mccandless@ey.com     |

#### **Ernst & Young LLP (United States), State and Local Taxation Group, Miami**

- |                |                      |
|----------------|----------------------|
| ▶ Marcel Ramos | marcel.ramos1@ey.com |
|----------------|----------------------|

**About EY**

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](https://ey.com).

Indirect Tax

© 2019 EYGM Limited.  
All Rights Reserved.

EYG no. 004419-19Gbl

1508-1600216 NY  
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

**[ey.com](https://ey.com)**