



Treasury is About to Launch a New Electronic System

By Sandra M. Torres-Martínez

General and Background Information

On January 27, 2016, the Secretary of the Puerto Rico Treasury Department (“Treasury”) announced a new electronic system called **Internal Revenue Unified System (“SURI” for its Spanish acronym)** to improve the tax administration by integrating all previous systems into this new one. Treasury is betting on SURI to increase its collections by improving auditing measures.

The current systems (and related “subsystems”) used by Treasury are mainly composed of seven systems, most of them in use for more than 20 years and with little or no communication between them. SURI is expected to integrate most of them, in a three phase process, allowing Treasury to be able to access all the taxpayers’ related information, their taxes and related communications or notices in just one platform.

The first phase will start with the sales and use tax (“SUT”) with the elimination of the current on-line platform used by taxpayers to handle this tax (i.e. the “Integrated Taxpayers’ Portal “or “PICO” for its Spanish acronym).

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Treasury is About to Launch...
Continued from Page 1

SUT Phase Major Changes

This phase will start on October 31, 2016 and will require all registered merchants to do an update of its SUT's merchant's registry through Treasury's PICO platform. This update will **only** be available from October 15 through October 28, 2016. Treasury has stated that SUT's business registries will be eliminated for all merchants that fail to **complete this update by the October 28, 2016 due date**. Once SURI starts on October 31st, merchants that completed this update will be able to print their new SUT merchant's registry (ies) certificates. Starting on October 31, 2016, those merchants that completed the update above, will be able to perform the following transactions through **SURI**:

1. File their imports declarations and monthly SUT returns,
2. Pay the SUT reported on the declarations and returns mentioned on item #1 above,
3. **Pay any SUT debt**,¹
4. Make any **SUT** related **payment** with a **major credit card**,²
5. Amend their merchant's registry (such as change of address and cease of operations),³
6. Include all applicable NAICS codes ⁴ under their merchant's registry,⁵ and
7. Print their merchant's registry certificate.

In terms of the SUT monthly returns, it is very important to take note that **SURI will consolidate the three returns currently in use into only one** return.⁶ In addition, merchants with more than one business location should be prepared to report **sales per location** on this new monthly SUT return.⁷

Furthermore, in the case of individuals that are not engaged in a trade or business, one of the major change SURI will bring is on the declaration of imports: these individuals will no longer be required to create an account on Treasury's system but will be able to file the declaration just using his/her social security number.

It is important that all merchants take care of the updates needed to start the SURI platform and to take notice that since SURI is expected to start on October 31, 2016, Treasury has stated that it will **shut down PICO on Friday October 28, 2016** (approximately after 4:30pm). This is turn means that no electronic system will be available until Monday October 31, 2016 for taxpayers to handle any SUT related matter.

SURI's Remaining Phases

SURI's second phase, expected to be launched by December, 2017, will include corporate taxpayers and excise taxes. The third and last phase, expected to be launched by December, 2018, will integrate individual taxpayers, withholding, and estate and gift taxes. In the specific case of individual taxpayers, SURI should provide a wide range of services including payment of tax debts and the procurements of tax certificates.

ATBA Comments:

Treasury's implementation of a unified tax administration system was long overdue. We expect SURI to assist taxpayers fulfill their tax responsibilities by simplifying the interaction between Treasury and the taxpayers, facilitating the compliance with the tax returns filing requirements, and providing more payment methods and easier access to official certificates. Furthermore, once SURI's three phases implementation is complete, errors caused by the manual processing of returns and by the limitations of the current systems should be minimized thus reducing the time and money incurred by taxpayers when handling Treasury's notices.

In addition, even though SURI is expected to include all historic data from PICO and previous electronic systems used to manage the SUT, we recommend that you verify your SUT backup records to determine if further action may be required on your behalf.

At ATBA we may assist you with the conversion process from PICO to SURI, including verifying the completeness of the information in your records and any question you may have regarding the updates needed or any other related concerns.

ABOUT THE AUTHOR

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Sandra is a Member at Alvarado Tax & Business Advisors LLC. Prior to that, she was Partner at Zaragoza & Alvarado LLP. Her Curriculum Vitae also includes previous experience in the corporate and individual tax advisory area with various international and local firms.

Sandra provides corporate and expatriate tax services for clients in the manufacturing, advertising, retail and health industries. Her experience includes representation before the U.S. Internal Revenue Service, the Puerto Rico Department of Treasury and other local tax authorities. She also has experience in the negotiation of tax exemption grants, research on income, property, excise and municipal licenses issues, as well as with the review and preparation of individual and corporate Puerto Rico and United States tax returns. She leads Alvarado Tax & Business Advisors' consulting practices for non-for-profit organizations and participates on a regular basis as speaker in seminars sponsored by the Puerto Rico Society of Certified Public Accountants related to taxation of non-profit entities and other tax issues.

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Treasury is About to Launch... Continued from Page 2

Since Treasury currently manages approximately 25 kinds of taxes, we are eager to see progress in this area and will keep you informed on any major changes or action required regarding this subject.

Notes

¹ This is an important change since the current process for taxpayers to be able to pay any SUT debt is composed of the following two steps:

- a. visit Treasury to obtain an updated payment coupon, and
- b. subsequently, visit a qualified banking institution to process the required payment.

This is cumbersome not only because of the two step process mentioned above but also because the payment coupon has to be dated with the exact date when the taxpayer visits the banking institution to process such payment. Then the taxpayer has to wait until the banking institution sends Treasury the payment and then for that payment to be reflected on Treasury's records.

² Currently, the only options to pay SUT on imports or with a monthly SUT return are through ACH debit or credit.

³ At the moment, the merchant's registry may only be amended by personally filing at Treasury the hard copy form (s) designed for such purposes.

⁴ "NAICS" stands for the Northern America Industry Classification System and is the standard used by federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing and publishing statistical data related to the United States business economy. Treasury uses NAICS codes to identify the related business industry (ies) of a merchant for SUT purposes.

⁵ Currently, a merchant that has different business activities under one location is required to have a separate merchant's registry for each activity that has a different NAICS code.

⁶ At the moment, there are three applicable SUT monthly returns:

- a. SUT Monthly Return (Form AS 2915.1),
- b. SUT Monthly Return Applicable to Services Rendered to Other Merchants and Designated Professional Services (Form AS 2915 F), and
- c. SUT Monthly Return Applicable to Preexisting Contracts and Auctions (Form AS 2915.1 E).

⁷ These sales are currently informed on a consolidated basis on Form AS 2915.1 mentioned on note # 6 above.

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