# **kpmg** TaxNewsFlash

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# Puerto Rico: Estimated sales tax rules; room occupancy tax amendments

Puerto Rico's governor signed Act 46-2017 amending the island's sales tax and room occupancy tax.

Act 46-2017 was signed July 19, 2017, and amends Puerto Rico Internal Revenue Code of 2011 (Act 1-2011, as amended) and the Puerto Rico Room Occupancy Tax Act (Act 272-2003, as amended). The new provisions are effective and applicable with respect to the tax month of July 2017.

## Estimated sales and use tax payments

In general, remittances of sales and use tax are to made to the Treasury Department no later than on the 20th day of the month.

The new amendments require certain taxpayers to remit to the Puerto Rico Treasury Department the sales and use tax on the fifteenth (15th) day and on last day of the month. Taxpayers subject to these provisions are merchants deemed to be "large taxpayers" as defined by the Code—for instance, business with an annual volume of over \$50 million, private banks, brokerage houses, insurance companies, telecommunication businesses, among others—and merchants whose monthly average sales tax deposited over the prior calendar year exceeded \$2,000.

The requirement to remit sales and use tax will be deemed to have been satisfied if during the calendar month, the lesser of one of the following amounts was deposited:

- 80% of the sales tax determined for month, or
- 70% of total sales tax remitted during the same month for the previous calendar year

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Merchants will be subject to a 10% penalty for a failure to remit the estimated sales and use tax amounts.

#### Room tax

The new law broadens the definition of certain terms to clarify the application of the room tax and to close current loopholes that may have allowed certain types of lodging to evade the room occupation tax (e.g., boats, RVs, among others). In addition, the new definition targets specifically "intermediaries" that use internet platforms or applications to offer or facilitate lodging (e.g., Airbnb) including short term rentals.

For more information, contact a tax professional with KPMG in Puerto Rico:

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