

## Tax Update

*Certain PICO functionalities to be restored by November 18<sup>th</sup>*

### Background

*Internal Revenue Circular Letter No. 14-06*

On July 24 2014, the Puerto Rico Treasury Department (“Treasury”) issued Internal Revenue Circular Letter No. 14-06 (“CC 14-06”) setting forth the process to be followed as of August 1, 2014 for the declaration and payment of the use tax on property imported to Puerto Rico through Treasury’s Merchants Integrated Portal (“PICO”, for its Spanish acronym). This process was to be followed by merchants (both bonded and non-bonded).

Pursuant to CC 14-06, upon transmission of a manifest to Treasury, PICO should reflect the bills of lading included in such manifest and allow the merchant to select and declare its shipments by filing Form AS 2970.1, Declaration of Imports (“Declaration”). Depending on whether the merchant is a bonded or non-bonded importer, PICO should allow the merchant to either charge the applicable use tax against its bond or make the corresponding payment through ACH Debit, respectively. Afterwards, the merchant should be able to obtain through PICO the Authorization for Release of Imports for Use (Form SC 2015A) for the shipments declared and paid/charged against the bond. On or before the 10<sup>th</sup> day of the month following the month in which the goods were imported, the merchants should file through PICO Form AS 2915.1D, Tax on Imports Monthly Return (“Imports Return”) (along with the applicable use tax payment in case of bonded importers).

*Administrative Determinations Nos. 14-15 and 14-20*

After a system failure, Treasury temporarily postponed the use of PICO for the declaration and release of shipments. On August 5, 2014, Treasury issued Administrative Determination No. 14-15 (“AD 14-15”) establishing a temporary process that allowed for the automatic release of property imported to Puerto Rico (“Temporary Process”). Further, on August 29, 2014, Treasury issued Administrative Determination No. 14-20 (“AD 14-20”) setting forth an alternate process for completing and submitting a Supplemental Declaration for shipments that obtained automatic release under the Temporary Process.

### Administrative Determination No. 14-27

On November 6, 2014, Treasury issued Administrative Determination No. 14-27 (“AD 14-27”). AD 14-27 is addressed only to bonded importers and cancels, effective November 18, 2014, the Temporary Process set forth in AD 14-15, thus re-establishing the process of CC 14-06 for the release of imports.



For more information on the above, please contact any of the following attorneys in the tax practice:

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### *Cancellation of Temporary Process*

From November 1<sup>st</sup> through November 17<sup>th</sup> bonded importers have obtained or will obtain automatic release under the Temporary Process. For such imports, importers shall file the Supplemental Declaration through PICO (following the process set forth in AD 14-20) no later than December 10, 2014, and prior to filing the Imports Return.

### *Declaring and Paying the Use Tax on Imported Property*

Effective November 18, 2014, the process set forth in CC 14-06 related to the declaration and payment of the use tax on property imported by bonded importers (see Section II, Part D, Subpart c of CC 14-06) is reinstated. Thus, as of said date bonded importers shall follow such process to:

- (i) obtain release of the imported property,
- (ii) file the Declaration and the Imports Return, and
- (iii) pay the use tax on the imported property.

The foregoing shall be completed through PICO.

The provisions of AD 14-27 will apply to property imported as of November 18, 2014 and to imported property that, as of such date, has not been declared and released.

The abovementioned publications are available at the following links (in Spanish): [CC 14-06](#), [AD 14-15](#), [AD 14-20](#), [AD 14-27](#).

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