

Changes to the Municipal License Tax Rates in the Municipality of San Juan

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The Municipality of San Juan (“**San Juan**”) has changed some of the municipal license tax rates payable by businesses operating in San Juan (Municipal Ordinance No. 41, Series 2016-2017 approved on March 23rd, 2017, as amended by the Municipal Ordinance No. 48, Series 2016-2017, approved on March 31st, 2017 (the “**Ordinances**”)).

A. Tax Rates

Financial businesses will not be affected, and they will continue to be subject to a 1.50% municipal license tax rate. However, the municipal license tax rates applicable to other businesses, commencing with the fiscal year that begins on July 1st, 2017 and ends on June 30th, 2018 (the “**2017-2018 Fiscal Year**”) will be as follows:

Volume of Business	Municipal License Tax Fixed Amount or Rate Applicable to the Volume of Business
Up to \$12,500	Exempt
\$12,500.01 to \$100,000	\$25.00
\$100,000.01 to \$300,000	0.20% of the volume of business
More than \$300,000.01	0.50% of volume of business

B. Pre-Payment Options

The Ordinances establish two pre-payment options for the municipal license tax corresponding to the 2017-2018 and 2018-2019 fiscal years. In order to benefit from these alternatives, the taxpayer must be current with all of its municipal sales and use tax and municipal license tax payments.

- I. Under the first option, if the municipal license tax that will be due for the 2017-2018 Fiscal Year is paid in full on or before June 30th, 2017, (instead of the two equal installments on July 17th, 2017 and January 16th, 2018) the payment can be made pursuant to the prior tax rates (as prescribed by the Municipal Ordinance No. 52 Series 2003-2004 (“**MO-52**”)), which were as follows:
 - a. For financial businesses, the municipal license tax rate was 1.50% (thus, no change or benefit for a pre-payment); and
 - b. For other businesses, the municipal license tax rates were: (a) 0.20% if the volume of business was up to \$1 million, and (b) 0.50% on the volume of business, if it was more than \$1 million.



II. Taxpayers will also have the option (separately, or jointly with the first option) of paying in advance, and on or before December 15th, 2017, the total municipal license tax for the 2018-2019 Fiscal Year. The basis for such pre-payment will be the taxpayer's volume of business included in the Volume of Business Declaration for the 2017-2018 Fiscal Year at the previous tax rates listed above (as provided by MO-52). Under this pre-payment option, the taxpayer expressly waives any credit or refund claims for such payments (e.g., if its 2018-2019 volume of business is lower than its 2017-2018 volume of business). Likewise, San Juan waives its authority to impose an additional municipal license tax when the taxpayer's actual volume of business is greater than the one used as a basis for the pre-payment, provided that such waiver will not apply if San Juan proves that there was fraud, deceit or misrepresentation of a material fact.

This option, contrary to the first one, can benefit financial businesses, and other businesses with volume of business in excess of \$300,000, and even in excess of \$1 million.

Please note that these provisions will have an impact on the Volume of Business Declaration for the 2017-2018 Fiscal Year, which must be filed with San Juan on or before Tuesday, April 25th, 2017.



The above summary is intended for information purposes only. It cannot be considered a legal opinion, and it does not intend to consider all the tax and legal considerations that could be relevant to any particular person or entity

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