

TAX ALERT
July 21, 2008

New Exemptions from Sales and Use Tax are Approved

Three laws have been recently enacted to provide various exemptions from the Puerto Rico Sales and Use Tax (“IVU” for its Spanish acronym).

Act No. 107 of July 11, 2008 – Equipment for Persons with Disabilities

Act 107 amends the Puerto Rico Internal Revenue Code of 1994 (the “PR Code”) to, effective August 10, 2008, exempt from the IVU articles and equipment expressly designed to meet the physical and physiological needs of to persons with disabilities, as such term is defined in the Puerto Rico Technical Assistance Program Act and the Puerto Rico Bill of Rights of Persons with Disabilities.

This IVU exemption includes technological assistance equipment used to maintain, increase or improve the capabilities of persons with disabilities (e.g., wheelchairs, scooters, adapted computers and software, communication assistance equipment, hearing-aids, and mechanical reading equipment).

The person claiming the IVU exemption must provide the seller with a certification as to his/her exempt status in a form to be issued by the Puerto Rico Treasury Department.

Act No. 108 of July 11, 2008 – Bread, Crackers, Other Food Products

Act 108 amends the PR Code to exclude bread, crackers and any other product considered food by the Nutritional Assistance Program from the definition of the term “Confectionery Products.”¹ Consequently, effective August 10, 2008, bread, crackers and any other product considered food by the Nutritional Assistance Program will be exempt from the IVU.

House Bill 4070 – Back to School Tax Holiday

House Bill 4070 (“H.B. 4070”) was recently signed into law by the Puerto Rico Governor. As of the date of this Tax Alert, no number had been assigned to this new act. H.B. 4070 exempts from the IVU certain articles that are normally bought for the so called to the back to school shopping period. The “Back to School Tax Holiday” will run from the second Monday through the second Wednesday of July each year beginning in 2009.

¹ The term in Spanish used in the PR Code is “productos de repostería.”

The IVU exemption applies exclusively to retail sales of the following four major classes of items:

- General use clothing with a sales price of \$100 or less per garment or article;
- Computers, computer programs, and educational materials for computers with a total sales price of \$750 or less;
- School, art, and educational materials up to a sales price of \$50 per item; and
- Books with a sales price of \$200 or less per book.

H.B. 4070 provides specific rules, exclusions and limitations with respect to each of the classes listed above. In addition, H.B. 4070 includes special provisions for certain sales (e.g., buy-one get-one free), lay-aways, discounts, -rebates, rain checks, gift certificates, transportation fees, and retail sales made by mail, phone and the internet.

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If you have any questions or comments, or wish additional information regarding the matters discussed herein, you may contact any of the attorneys listed below, all members of our Retail Practice Area:

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