



August 9, 2012

www.mcvpr.com

TAX ALERT

Sales and Use Tax Exemption for Churches and Religious Organizations

Act 118-2012 amended the Puerto Rico Internal Revenue Code of 2011 ("Code") to add a new Section 4030.21 that exempts from the sales and use tax ("SUT Exemption") certain retail sales and occasional services undertaken by churches or religious organizations exempt from income taxation under Section 1101.01(a)(1) of the Code.

The SUT Exemption covers retail sales (as defined in Section 4010.01(tt) of the Code) and occasional services (as will be further defined by the Secretary of Treasury): (i) with the purpose of raising funds for permanent improvements to facilities; (ii) activities directly related to their ministry, such as subsidizing charity work; and (iii) services that promote the development of social well-being. Services subsidized through funds that are the product of exempt retail sales must be provided free of charge.

The SUT Exemption will apply as long as the retail sales or occasional services are undertaken within the premises of the place of worship of the church or religious organization and:

- 1) any labor related to the retail sale or occasional services are undertaken for the church or religious organization free of charge; or
- 2) the sale consists of religious articles or merchandise that has been received as a donation or contribution.

The following businesses owned or operated by churches or religious organizations are expressly excluded from the SUT Exemption:

- Libraries, cafeterias or stores operated in or for schools;
- Nursing homes;
- Museums;
- Libraries, cafeterias, flower shops or stores operated in or for hospitals or funeral homes; and
- Any other trade or business of similar nature.

For further information on this matter, you may contact any of the attorneys listed below, all members of our Tax Practice Group:

Carlos E. Serrano	787.250.5698	ces@mcvpr.com
Roberto L. Cabañas	787.250.5611	rlc@mcvpr.com
Esteban R. Bengoa	787.250.5626	erb@mcvpr.com
Isis Carballo	787.250.5691	ici@mcvpr.com
Liz Annette Pérez	787.250.2615	lap@mcvpr.com
Alba I. Joubert	787.250.5649	aj@mcvpr.com
Edwin O. Figueroa	787.250.5690	eof@mcvpr.com

E-ALERT



The content of this McV Alert has been prepared for information purposes only. It is not intended as, and does not constitute, either legal advice or solicitation of any prospective client. An attorney-client relationship with McConnell Valdés LLC cannot be formed by reading or responding to this McV Alert. Such a relationship may be formed only by express agreement with McConnell Valdes LLC.