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TAX ALERT

Act No. 72 to Amend the Puerto Rico Internal Revenue Code of 2011

This is the second of two Tax Alerts on Act No. 72 (the "Act"), which the Governor of Puerto Rico signed into law on May 29, 2015, to amend the Puerto Rico Internal Revenue Code of 2011, as amended (the "Code"). Below is a summary of the most significant provisions of the Act amending the sales and use tax (the "SUT") provisions of Subtitle D of the Code, and adding a new Subtitle DD to the Code to include the value added tax provisions (the "VAT").

Some of the SUT changes discussed herein will apply starting on July 1, 2015, while others will be effective on October 1, 2015. It is expected that on April 1, 2016, the VAT will replace the SUT. The VAT contains many definitions and details that must be analyzed carefully as they relate to each particular transaction. This Tax Alert provides a road map that will be useful in this analysis.

SALES AND USE TAX

A. Introduction

Until the implementation of the VAT on April 1, 2016, the Act provides that the state portion of the SUT rate will be increased up to 10.5% from July 1, 2015 to March 31, 2016, which will result in a combined state and 1% municipal SUT tax of 11.5% during this period.

The Act also provides that a new special state SUT rate of 4% will be imposed from **October 1, 2015** until March 31, 2016 on certain services rendered to a merchant or to a person engaged in a trade or business (known as "B2B Services"), and designated professional services.

As explained in further detail below, municipalities may continue to impose the municipal SUT rate of 1% on or after April 1, 2016.

B. Changes to Taxable Services

1. Exclusions and Exemptions

In general, goods or services currently excluded or exempted from the SUT definition of taxable items will continue to be excluded or exempted. During the period from July 1, 2015 until March 31,

2016, the following services will continue to be **excluded** from the application of the state SUT (i.e., they are **not** considered taxable services subject to the 10.5% state SUT **or** services rendered to merchants subject to the 4% state SUT:

- Services provided by the Government of PR including sewer services;
- Educational services, including registration fees;
- Interest and other charges for the use of money and service charges established by financial institutions (excluding banking charges considered taxable services, as described below);
- Insurance services and commissions, including the underwriting of any insurance contract, and including, but not limited to life, health, property, and contingency insurance, warranty and extended warranty service contracts, title deeds, reinsurance and excess limit, disability, credit insurance, annuities and bonds, and service fees for the underwriting of the aforementioned instruments;
- Health or medical-hospital services;
- Services rendered by a person whose annual volume of business does not exceed \$50,000 (amount determined taking into consideration the volume of business of all members of the controlled group, if applicable); and
- Services rendered to a member of a controlled group of corporations or related entities as defined in Sections 1010.04 and 1010.05 of Code.

2. Increase in SUT Rate to 10.5%

From July 1, 2015 until March 31, 2016, the sale or use of taxable items, and the following services already subject to the 7% SUT, will be subject to a state SUT of 10.5%:

- Banking charges and fees imposed by financial institutions to their business clients for the management of their deposit accounts;
- Collection services;
- Security services, including armored services and private investigation services;
- Cleaning services;
- Laundry services;
- Repair and maintenance services;
- Telecommunication services;
- Waste disposal services; and
- Daily rental of motor vehicles.

3. New SUT Rate of 4%

Commencing on October 1, 2015 and ending on March 31, 2016, services rendered to merchants and designated professional services that prior to the Act were generally excluded from the application of the SUT will be subject to a state SUT rate of 4% (the 1% municipal SUT will not apply to these services). The term “services rendered to merchants” covers B2B Services, **except** the above taxable services that are subject to the state SUT tax rate of 10.5% from July 1, 2015

until March 31, 2016, or excluded as exempt services, as indicated above. Effective from October 1, 2015 until March 31, 2016, the term “designated professional services” subject to the 4% state SUT rate includes services rendered by persons duly registered as “specialists” with the PR Treasury. These services are those related to the preparation or review of tax returns, statements or refund claims in connection with taxes imposed by the Code or the U.S. Internal Revenue Code.

For taxable events after September 30, 2015, merchants engaged in the rendering of designated professional services can use the cash receipts method of accounting for SUT purposes.

C. Person Responsible for the Payment of the SUT

The state SUT applicable to the services rendered by a nonresident of PR to a person in PR must be paid by the recipient of the services in PR.

D. SUT Tax Credits

Commencing on and after July 1, 2015, a merchant reseller can claim **up to 100%** of the SUT obligation shown in the monthly return. The 75% credit limitation and the requirements to claim a full credit will not be in effect on or after said date.

E. SUT Rate Applicable to Contracts and Bids, and Construction Projects

Sales of taxable items covered by executed contracts or approved bids at auction before July 1, 2015, will be subject to the SUT rate in effect as of June 30, 2015. This rate applies to taxable items acquired under such contract or bid within the earlier of 12 months or the term of the contract. If the taxable items are taxable services, such services must be paid before July 1, 2015 for the SUT rate as of June 30, 2015 to be applicable.

Commercial, industrial or residential construction projects that as of May 30, 2015 have already commenced any of their phases may register in a Register to be established by the Department of Economic Development and Commerce (“Preexisting Projects”). Such construction projects that comply with the criteria listed below, as well as the sales of goods or services attributable to such projects, will be subject to the SUT provisions in place on or before June 30, 2015. Eligible construction projects must register in the Registry within 90 days of May 30, 2015 to avail themselves of the existing SUT provisions.

To qualify as an eligible construction project, the existing project must meet one of the following three criteria:

- (i) has filed for or been issued, a location approval, construction consultation application or municipal preliminary development application (“anteproyecto”),
- (ii) has acquired goods or contracted services, *or*
- (iii) has executed a purchase and sale agreement or option to purchase agreement for a housing unit.

VALUE ADDED TAX**A. Introduction**

It is expected that effective on April 1, 2016, every supply of goods and services generally will be subject to the VAT, unless the transaction falls outside the scope of the VAT system. The VAT will be collected at every stage of the supply chain, with the tax paid on purchases (“Input VAT”) and the tax charged on sales (“Output VAT”). Generally, the VAT system will allow registered merchants to deduct the tax charged on their inputs from the tax they will collect on sales, which is why the tax should be transparent to most merchants. The actual VAT burden therefore will be borne by the final consumer.

B. Tax on Goods and Services

The VAT will be imposed on certain “Taxable Articles” introduced into PR, which is defined as articles that are not “Exempt Articles,” and on the following “Taxable transactions,” computed applying the applicable rate to the “sales price” of the “good” or “service”:

- The sale or transfer of goods and the rendering of services in PR by a “Merchant” in exchange for consideration;
- The rendering of services by a nonresident person to a person in PR; and
- A “combined transaction.”

“Goods” generally include real and personal property, including admission rights, computer programs and prepaid calling cards. Admission rights do not include passenger air and maritime transportation tickets, among others.

“Services” include designated professional services, the warehousing of goods, certain leases, computer programming, installations and repairs of goods.

“Sales price” is the total consideration paid, including the cost of goods sold, transportation costs and service charges, among others, and excluding discounts, warranties, delivery and installation charges (which are considered taxable services), among others.

“Merchant” includes any person engaged in any business in PR (which is broadly defined under nexus rules), with certain exceptions, including independent distributors in a multilevel business.

“Combined Transactions,” with certain exclusions, is the sale of two or more different and identifiable goods or services sold at a total price.

The following are excluded from the definitions of “goods,” “services,” “sales,” or “imports,” so that they are not considered Taxable transactions and fall **outside the scope** of the VAT (“Out of Scope”):

- Money, stocks, bonds, notes, and other securities and obligations;
- Intangibles (except computer programs);
- Blood and products derived from blood, tissues and human organs;
- Electricity;
- Water supplied by the PR Aqueduct and Sewer Authority;
- Any property of the Commonwealth of PR or of the U.S. Government;
- Sales by non-merchants;
- Exempt transfers under Subtitle A of the Code;
- The delivery of donated goods;
- Goods introduced into foreign trade zones;
- Alcoholic beverages deposited in a bonded warehouse under certain conditions;
- Certain promotional materials introduced into PR;
- Services rendered between affiliated entities when they are engaged in business in PR, except that they could be taxable if the payment is a reimbursement of expenses for services rendered by persons that are not affiliated;
- Services rendered by the PR Government and by the U.S. Government;
- Services rendered as an employee; and
- Shipping services of goods by air or sea, including delivery charges by air or sea.

The Act provides separate lists for “Exempt Articles” introduced into PR and for “Taxable transactions” that are within the scope of the VAT, but are **exempt** from the VAT. The list of “Exempt Articles” **introduced or imported** into PR that are **exempt** from the VAT is as follows:

- Articles for manufacturing (raw materials, certain machinery and equipment, among others) imported by manufacturing plants that hold an Exemption and Zero Rate Certificate for Manufacturing Plant;
- Prescription medicines, including bottles, security caps, labels and bags necessary to dispense the prescription medicine;
- Articles for the treatment of health conditions, including certain defined medical devices;
- Articles that supplement physical deficiencies;
- Articles paid or that qualify for reimbursement by Medicare, Medicaid and the PR Government’s Health Insurance Plan;
- Articles imported by the U.S. Government and the PR Government;
- Petroleum derivatives subject to excise tax;
- Certain unprepared foods and food ingredients;
- Certain machinery, equipment and articles by hospital units that hold an Exempt Purchases Certificate;
- Agriculture products by bona fide farmers;
- Certain articles by hotels;
- Printed books; and

- Motor vehicles, boats and heavy equipment subject to excise tax.

The list of “Taxable transactions” that are within the scope of the VAT, but are **exempt** from the VAT is as follows:

- “Financial Services” includes certain specific services (other than bank charges, which are taxable), as well as insurance services rendered by entities regulated by the Office of the Commissioner of Insurance of PR, as further described below;
- The sale of prescription medicines, including bottles, security caps, labels and bags necessary to dispense the prescription medicine;
- The sale of articles for the treatment of health conditions;
- Certain sales of articles that supplement physical deficiencies;
- Sales and services that qualify for Medicare, Medicaid and the PR Government’s Health Insurance Plan;
- The sale of goods and services to the U.S. Government and the PR Government;
- The sale of petroleum derivatives subject to excise tax;
- Certain hotel room charges;
- The sale of certain unprepared foods and food ingredients;
- The sale of goods acquired with PAN or WIC funds;
- The sale of real property;
- Real property leases by individuals, as well as commercial property leases, including office, sales, warehouse and parking spaces;
- The sale of donated goods by non-profit entities;
- Sales of machinery and equipment to hospital units that hold an Exempt Purchases Certificate;
- The sale of agriculture products to bona fide farmers;
- The sale of certain articles to hotels;
- The sale of motor vehicles, boats and heavy equipment subject to excise tax;
- Certain education and childcare services;
- The sale of printed books; and
- The rendering of certain defined health and medical-hospital services.

As mentioned above, the “Financial Services” exempt from the VAT include services rendered in connection with any type of deposit, loan, credit card service, lien, letter of credit, currency exchange, and other similar financial services provided by financial businesses. Exempt “Financial Services” also includes insurance services rendered by entities regulated by the Commissioner of Insurance of PR, including the issuance of insurance contracts, warranty and extended warranty contracts.

Taxable transactions that are not exempt from the VAT generally will be subject to a 10.5% tax, except that the following transactions will be subject to a **0% tax rate**:

- Sale of goods for export, which includes goods sold to cruise ships that benefit from certain government programs;

- Services for export, which includes services rendered to cruise ships that enjoy certain benefits under various laws; and
- Sale of articles for manufacturing (raw materials, certain machinery and equipment, among others) imported by manufacturing plants that hold an Exemption and Zero Rate Certificate for Manufacturing Plant.

c. **Person Responsible for the Payment of the Tax**

Generally, the person responsible for the payment of the VAT will be:

- Imports – the person that imports the goods to PR.
- Transfers of goods in PR (non-retail) – the seller as withholding agent for the buyer is primarily responsible, but the person that buys the goods or services is also responsible.
- Retail sales – the seller as withholding agent for the buyer.
- Services rendered by a non-resident to a PR resident – the person in PR that receives the service.

d. **Collection of the Tax**

Merchants that sell goods or render services are obligated to collect the VAT as withholding agent.

1. Sales to Merchants

- a. Fiscal Statement – Merchants that purchase goods or services may request the Merchant-seller that withheld the tax to provide a Fiscal Statement. The Merchant-seller, however, will not have the obligation to supply the statement if the goods or services are exempt, are subject to a 0% tax rate, are sold to a “small merchant” (gross sales under \$125,000), or are sold at retail. The statement of account must contain certain specific information.
- b. Debit and Credit Notes – At the request of a Merchant-purchaser, Merchant-sellers that issue a Fiscal Statement are required to issue to the Merchant-purchaser a Debit Note when there has been an increase in the value of the sale. If there has been a decrease in the value of the sale, the Merchant-seller is obligated to issue to the Merchant-purchaser a Credit Note. Debit and Credit Notes must contain certain specific information.

2. Retail Sales

A Merchant-seller is required to issue a receipt showing the VAT separately from the price of the goods or services sold. If it would be impractical to show the VAT separately due to the nature of the business, the Secretary of the Treasury is authorized to waive this requirement at the request of the Merchant or by its own determination.

3. Release from Collection of the Tax

A Merchant-seller will be released from the requirement of charging, withholding and depositing the VAT in a taxable transaction if the Merchant-purchaser possesses an Exempt Purchases Certificate or an Exemption and Zero Rate Certificate for Manufacturing Plant (see H below). These certificates are presumed to be valid, and the Merchant-seller does not have to request additional documentation from the Merchant-purchaser.

4. Collection of the Tax on Sales by Mail

All merchants in the business of mail sales must register as Merchants and collect the VAT. This includes the sale of goods ordered through the mail, via Internet or other means of communication, to a merchant who receives the order outside of PR and that transports the good from any place within or without PR, to a person in PR.

E. Time and Form of Payment

1. Accounting Method

- Merchants must use the same accounting method they use in their income tax returns to report earnings.
- Not-for-profit organizations must use the accounting method they use in their accounting books.
- Merchants engaged in rendering designated professional services can use the cash receipts accounting method.

2. Time of Payment

In the case of Merchants that use the accrual method of accounting, the obligation to pay the VAT arises upon one of the following events, whichever happens first:

- Issuance of an invoice;
- Receipt of payment from the customer; or
- 30 days after the delivery of the goods or finalizing the rendering of the service.

When importing goods, the obligation to pay the VAT arises at the time the product is imported into PR.

As with the SUT, there will be an Imports Declaration upon the introduction of goods into PR as a pre-requirement to obtain the release of the imported goods. No later than the 10th day following the closing of each month, a Monthly Imports Return will be required. In addition, a VAT Monthly Return will be required no later than the 20th day following the closing of each month.

Payment must be made before taking possession of the goods, except in the case of bonded Importers, who will make the payment with the Monthly Imports Return.

Merchants with a Small Business Registration Certificate will only be required to file a Small Business Annual Informative Return no later than 60 days counted from the filing of the small merchant's income tax return, including any applicable extension.

The Secretary is expressly authorized to establish the method and requirements for filing, including electronic filing and payment, through the issuance of a regulation, circular letter or administrative determination.

3. Payment Amount or Overpayment

The amount of VAT to be paid in the Imports Declaration or the Monthly Imports Return will be the value of imported goods, as reflected in the commercial invoice, multiplied by the VAT 10.5% rate.

In the VAT Monthly Return, the VAT to be paid will be the sales price of the goods and services sold times the VAT 10.5% rate. This amount will be increased or reduced by the applicable adjustments and credits and available overpayments discussed below. For purposes of this return, the sales price of the goods and services sold will not be reduced by any returns.

4. Form of Payment

The VAT can be paid by money order, credit card, debit card, electronic transfer or any other means established by the Secretary. Upon the issuance of a returned check, the Secretary can require subsequent payments to be made by certified or manager's check. Payments required by electronic means must be made by the 10th or 20th day, even if it falls on a holiday or weekend day.

F. Adjustments, Credits and Reimbursements

The VAT Monthly Return will show the Merchant's VAT liability for a month computed as follows:

- VAT (0% or 10.5%) on goods and services sold during a month
- Plus: VAT on adjustments that increase the sales price of goods sold
- Minus: VAT on adjustments that decrease the sales price of goods sold
- Minus: Credit for VAT paid on goods or services purchased (imported)
- Minus: Credit for Consumption Tax Paid to Foreign Countries
- Equals: VAT Liability or Overpayment

The following provides a description of the various items in the computation of the VAT liability (or overpayment) of a Merchant for any given month.

1. Sales Price Adjustments that Increase/Decrease VAT

The Merchant will determine its VAT monthly liability (or overpayment) by increasing or decreasing the VAT computed on the sales of goods and services made during a month by the VAT calculated

over the adjustments made, due to corrections, discounts, returns or uncollectible accounts, on the sales price of goods sold (“Adjustments”).

The following items will increase the VAT to be remitted to Treasury:

- any Adjustment on the VAT disclosed in a Fiscal Statement sustained by a Credit Note received by a Merchant;
- any Adjustment on the VAT disclosed in a Fiscal Statement sustained by a Debit Note issued by a Merchant; and
- any Adjustment in the VAT collected or withheld due to an increase in the sales price, including any correction, made after a sale to purchasers that did not receive a Fiscal Statement (“Sales without Fiscal Statements”).

The following items will decrease the VAT to be remitted to Treasury:

- any Adjustment in the VAT disclosed in a Fiscal Statement sustained by a Credit Note issued by a Merchant;
- any Adjustment in the VAT disclosed in a Fiscal Statement sustained by a Debit Note received by a Merchant; and
- any Adjustment in the VAT collected or withheld in a Sale without Fiscal Statement due to (i) a reduction in the sales price, or (ii) a reduction in whole or in part of an account receivable that was classified as uncollectable by a Merchant under the accrual method of accounting.

2. Credit for VAT Paid

All Merchants that have not received a Small Merchant Certificate can claim in their VAT Monthly Returns a credit against their VAT liability, computed as stated above, for an amount equal to the VAT paid during the month (the “Credit”).

The Credit is computed by adding the following items:

- a. the VAT paid on the introduction of goods as reported on the Monthly Imports Return that is directly or indirectly related to the sale of taxable goods or to the performance of taxable services,
- b. the VAT paid on the purchase of goods and services as disclosed in the Fiscal Statement that is directly or indirectly related to the sale of taxable goods or to the performance of taxable services, and
- c. the VAT paid by a Merchant for services rendered by a non-resident person, as disclosed in the VAT Monthly Return.

Only the VAT paid under a. and b. above that is directly or indirectly related to the sale of taxable goods or to the performance of taxable services (i.e., subject to the 0% or 10.5% tax rate) can be claimed as a Credit.

If the VAT is indirectly related to the sale of taxable goods or services, an allocation should be made to determine which portion of the VAT indirectly related to the sale of goods and services will be attributed to the taxable sales. In general, such allocation will be made based on the proportion of taxable sales against all sales applied to the total taxable sales of goods and services.

Notwithstanding the above, Merchants “mainly” engaged in the sale of non-prepared food or supplies, or in the sale of prescription medicines, medicines or articles for the treatment of health conditions, will be able to claim on their VAT Monthly Return a credit in the total amount of the VAT paid or accrued during the month. For these purposes, “mainly” means that during the three taxable years immediately before, an average of 70% or more of the Merchant’s retail sales are attributable to the sale of non-prepared food and supplies, or to the sale of prescription medicines, medicines or articles for the treatment of health conditions.

3. Credit for Consumption Tax Paid to Foreign Countries

A Merchant to which a related entity (not engaged in trade or business in PR) has rendered a service may claim a credit, subject to certain limitations, for the amount of consumption taxes paid to foreign countries pertaining to the services rendered.

4. VAT Overpayment

A VAT Overpayment will be the excess of the Adjustments and Credit over the VAT computed on the sales of goods and services made during a month (“Overpayment”).

- If the Overpayment does not exceed \$10,000, it must be applied against any VAT liability of the Merchant, as computed in the VAT Monthly Return, in the following month and the months thereafter, until exhausted.
- If the Overpayment exceeds \$10,000, the Merchant may request a reimbursement if it holds an Eligible Merchant Certificate (see H below), or is the third consecutive month in which an Overpayment is reflected in the Merchant’s VAT Monthly Return (“Reimbursement”).

The Reimbursement must be requested in writing using the VAT Monthly Return or any other form or return required by the Secretary. The Secretary must issue a determination granting or denying, in whole or in part, the Reimbursement within 30 business days following the date that the request was filed by the Merchant. Once approved, Treasury must pay the Reimbursement within 5 business days following the date of the Secretary’s approval.

The VAT paid by a Merchant that is directly or indirectly related to services rendered to a **related** person will not be reimbursed if the person receiving the services is mainly engaged in transactions exempted from the VAT. For these purposes, “mainly” means that the Merchant generates more than 80% of its gross sales from exempt transactions.

H. Registry, Certificates and Permits

1. Merchants and Small Business Registry

Any person who wants to do business in PR will be required to register with Treasury before commencing operations. There will be a Merchant's Registry and a Small Business Registry. A Small Business Registry Certificate can be requested by all those who qualify as such.

Every Merchant that qualifies as an exhibitor that is required to collect and remit the VAT must register with the Register of Exhibitors using the form to be provided by the Secretary.

The Merchants that are part of a controlled group, or of a related group of entities, can elect to be treated as one Merchant.

As with the SUT, the Registry Certificate must be visible to the public. Any person doing business in PR without the Registry Certificate will be subject to certain penalties.

2. Exemption and Zero Rate Certificate for Manufacturing Plant

The Exemption and Zero Rate Certificate for Manufacturing Plant may be issued subject to certain requirements. This certificate will allow the Manufacturing Plant the right to import goods for manufacturing exempt from the VAT, and to purchase goods for manufacturing at a 0% rate. It will be effective for 3 years.

3. Exempt Purchases Certificate

This certificate will be issued to: (i) the U.S. Government, the States, and the PR Government; (ii) a hospital unit; (iii) Merchants engaged in the tourism business; and (iv) bona fide farmers, subject to certain requirements. It will allow Merchants to acquire or import goods and services exempt from the VAT. It will be effective for 3 years and a bond may be required.

4. Eligible Merchant Certificate

This certificate will be issued to Merchants with an annual volume of business in excess of \$500,000 for a 3-year period, whose total sales in excess of 80% are subject to a 0% rate. Such Merchants should comply with certain requirements, including evidence of no debts and filing of returns, and the posting of a bond. It will allow the Merchant to claim the refund of an Overpayment of the VAT.

5. Multilevel Business

As with the SUT, a multilevel business can request through the filing of a closing agreement, that its independent distributors not be considered Merchants for purposes of collecting and remitting the VAT.

6. Permit for Direct Payment of the VAT

The Merchant that is granted this permit will pay the VAT directly to Treasury and will have a full exemption when purchasing goods and services. The Merchant must purchase goods and services annually with a value of \$800,000 or more, excluding goods and services for which an Exemption Certificate would have been issued under the provisions of the VAT.

I. Other Administrative Provisions

- Merchants will be required to keep evidence of all goods and services acquired or sold, such as commercial bills and Credit and Debit Notes, among others, for a period of no less than 6 years.
- A Merchant may be required by the Secretary to deposit cash, post a bond, letter of credit or any other instrument, to obtain or retain any of the Certificates issued by the Secretary.
- Special funds, including various Municipal Funds, are created with their corresponding allocation of VAT funds.

J. Transitory Provisions

- The bonds approved under the Code will continue to be in effect until their expiration date.
- Any credit or overpayment generated under the SUT provisions, which has not been claimed as a reimbursement and is available as of March 31, 2016, may be taken as a credit in subsequent monthly tax returns in chronological order until fully exhausted. Such credits will not be reimbursed.
- Letter rulings or closing agreements issued to a Merchant under the 1994 PR Internal Revenue Code, or under the provisions of Subtitle D of the Code, which are similar to the provisions of the VAT and that have an impact on the tax liability of taxable events occurring after April 1, 2016, will be deemed issued under the corresponding provisions of the VAT. The Merchant, however, must obtain from the Secretary an official document confirming that the letter ruling or closing agreement will remain in effect under the VAT regime.
- Sales covered by agreements or auctions related to goods, and to services paid before April 1, 2016, that were granted before April 1, 2016, may not be subject to the VAT if they were excluded from the SUT. Merchants with agreements subject to these provisions must obtain written authorization from the Secretary to sell goods or to render services exempt from the VAT.

K. Municipalities

Municipalities are prohibited from imposing or collecting any excise or tax on sales and use, goods or services, value added, or any other similar tax, except as provided by law, over articles, goods, services or transactions that are subject to or exempt from the VAT.

Notwithstanding, the 1% municipal SUT provided under Subtitle D of the Code is excluded from said limitation, as well as construction excise taxes and the municipal license tax which imposition is expressly authorized.

Therefore, municipalities will be allowed to impose and collect the 1% municipal **SUT** after the VAT is implemented on April 1, 2016.

L. Other Provisions

- The powers granted to the Secretary to apply and administer the SUT under the Code have been extended to cover the VAT as well.
- The Secretary is required to issue reports about the status of SUT and VAT collections, and the results of an Audit Plan.
- An Interagency Website for the Audit of the Tax Liability of Individuals and Corporations is established.
- Authority is granted to the Secretary to extend the application of the SUT provisions if the implementation of the operational system necessary for the VAT has not been completed as of March 31, 2016. The extension is for a period of up to 60 days from March 31, 2016.
- A newly-created commission must issue a report no later than 60 days from May 29, 2015 with recommendations to the Governor and the Legislature. If the report contains findings and recommendations about the possibility of transforming the present consumption tax system to a general excise tax system, the commission must submit legislation to such effect within 10 days after issuing the report.

If you have any questions, you may contact any of the attorneys of our Tax Practice Group listed below:

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