

August 26, 2015

Tax Update

Treasury Issues Guidance on the Computation of Excise Taxes on Natural Gas

On August 10, 2015, the Puerto Rico Department of the Treasury issued Administrative Determination No. 15-16 (“AD 15-16”) to:

1. clarify that transactions and transfers of natural gas are subject to the excise taxes imposed by Sections 3020.07 and 3020.07A of the Puerto Rico Internal Revenue Code of 2011, as amended (“Natural Gas Excise Taxes”) (summarized in our prior [Legal Update](#)); and
2. establish a new measurement system to be used for the computation of the Natural Gas Excise Taxes.

Pursuant to AD 15-16, importers, distributors and local manufacturers of natural gas must determine the volume of natural gas subject to the Natural Gas Excise Taxes using “barrels-of-oil equivalent” (“BOE”). In order to obtain the BOE units, each cubic foot of natural gas must be converted into British thermal units (“BTU”) using a factor of 1,025 BTU per cubic foot of natural gas. Likewise, 5,800,000 BTU must be used to make the final conversion to BOE.

AD 15-16 is effective as of August 10, 2015.

You may access AD 15-16 (in Spanish) [here](#).

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