

March 10, 2016

Tax Update

Treasury Issues Guidance on the Postponement of the Implementation of the Value Added Tax

As indicated in our Legal Update of [March 8, 2016](#), the Secretary of the Puerto Rico Treasury Department (“Secretary”) announced *via* press release the complete postponement of the implementation of the value added tax (“VAT”) until June 1, 2016. On March 8, 2016, the Puerto Rico Treasury Department (“Treasury”) issued Administrative Determination No. 16-04 (“AD 16-04”) to:

- 1) formally extend the effectiveness of the sales and use tax (“SUT”) provisions of the Puerto Rico Internal Revenue Code of 2011, as amended, and delay the commencement of the VAT regime;
- 2) repeal Treasury’s Administrative Determination No. 15-26, discussed in our Legal Update of [January 4, 2016](#); and
- 3) repeal certain provisions of Treasury’s Administrative Determination No. 16-01 (“AD-16-01”), discussed in our Legal Update of [February 26, 2016](#).

According to AD 16-04, the provisions of AD 16-01 discussed below will remain in effect.

Applications for Renewal of SUT Certificates

Effective March 1, 2016, Treasury is not accepting applications for renewal of the Reseller and Municipal SUT Exemption Certificate or the Manufacturing Plant Exemption Certificate (“Certificates”).

Certificates valid as of December 31, 2015 are automatically extended until Treasury notifies their cancellation and the process to request their renewal. Applications for renewal pending before Treasury in connection with Certificates after December 31, 2015 will be cancelled.

Certificates that expired on or before December 31, 2015 must be renewed following the process applicable under the SUT regime.

New merchants that are eligible to apply for any of the Certificates must do so following the process applicable under the SUT.

SUT Rulings and Closing Agreements

As a general rule, SUT rulings and closing agreements will continue to apply with respect to similar VAT provisions. However, a Ratification Letter must be obtained from the Secretary to ensure continued application of such rulings and/or closing agreements.

AD 16-01 details the information and documentation to be included with a Request for Ratification Letter and the process in connection therewith.



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You may access AD 16-04 (in Spanish) [here](#).

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