

May 2, 2016

## Tax Update

*Treasury Publishes Draft of VAT Monthly Return whilst House of Representatives Pursues Elimination of VAT with Substitute Bill*

On Friday, April 29<sup>th</sup>, the Puerto Rico Treasury Department published a draft of what would be the Value Added Tax Monthly Return, Form 2915.1G (the "Return"). The Return is available (only in English) [here](#).

Notwithstanding the above, also on Friday, April 29<sup>th</sup>, the Treasury and Budget Commission of the Puerto Rico House of Representatives have proposed a bill that seeks to substitute House Bill 2032, House Bill 2838, House Bill 2839 and House Bill 2840 (the "Substitute Bill"). Each of the foregoing House Bills intended to substitute the sales and use tax ("SUT") and the value added tax ("VAT") regime currently set to commence on June 1, 2016 by introducing measures aimed at (i) the imposition of a tax on the repatriation of earnings (tollgate tax), (ii) the introduction of a different consumption tax, (iii) the imposition of a general excise tax on imports, and (iv) the increase of the current excise tax on certain purchases by foreign persons.

The new Substitute Bill similarly would eliminate the VAT provisions in the Puerto Rico Internal Revenue Code of 2011, as amended ("Code") yet without presenting a revenue raising alternative that would substitute the SUT. As of today, the VAT provisions in the Code are set to start on June 1, 2016, requiring the continuation of implementation steps as of that date.

All persons engaged in business in Puerto Rico and subject to the SUT should continue to closely monitor these developments.

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For more information on this Legal Update, please contact:

**Carlos E. Serrano**

[cserrano@reichardescalera.com](mailto:cserrano@reichardescalera.com)  
787.777.8815

**Alba I. Joubert Pereira**

[ajoubert@reichardescalera.com](mailto:ajoubert@reichardescalera.com)  
787.777.8825

**Bibiana A. Cruz**

[bcruz@reichardescalera.com](mailto:bcruz@reichardescalera.com)  
787.777.8813

**Javier J. Bayón**

[jbayon@reichardescalera.com](mailto:jbayon@reichardescalera.com)  
787.777.8802