

May 26, 2016

Tax Update

The Puerto Rico Senate Joins the House in a Vote to Override the Governor's Veto and Repeal the VAT

As anticipated in our May 23rd Legal Update, more than 2/3 of the members of the Puerto Rico Senate have approved today the Substitute Bill to HB 2032, HB 2838, HB 2839 and HB 2840 ("Substitutive Bill"), which eliminates the value added tax ("VAT") provisions of the Puerto Rico Internal Revenue Code of 2011, as amended.

With Monday's 2/3 approval of the Substitutive Bill by the House of Representatives, the Puerto Rico Legislative Assembly has effectively and historically overridden Hon. Alejandro García Padilla's veto of last Friday.

Upon the Senate's approval, the Senate will have to formally notify the House of Representatives of such result for it to request the Secretary of State to grant it its number as a law. This is expected to happen sometime next Tuesday, May 31st, when the House of Representatives' session resumes.

With this vote and assuming a speedy culmination of the process, by next Tuesday, we would be putting an end to the yearlong overwhelming battle between the Legislative and Executive branches over the approval of a VAT regime in substitution of the current sales and use tax ("SUT"). This means that, by June 1, 2016, the SUT as it is currently implemented will continue to be indefinitely in force.

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