

July 8, 2016

Tax Update

Treasury Issues Guidance on the Effectiveness of Sales and Use Tax Certificates

On June 28, 2017, the Puerto Rico Treasury Department (“Treasury”) issued Internal Revenue Circular Letter No. 16-08 (“IR CL 16-08”) and Internal Revenue Circular Letter No. 16-09 (“IR CL 16-09”) to address the effectiveness of the following sales and use tax certificates (“SUT Certificates”):

1. Exemption Certificates for Manufacturing Plants (“Exemption Certificates”)
2. Waiver Certificates for the Collection of the Sales and Use Tax (“SUT”) on Manufacturing Services Contracts (“Waiver Certificates”)
3. Reseller Certificates and Municipal Exemption Certificates (“Reseller Certificates”)
4. Eligible Reseller Certificates

Below is background information and a summary of the most important provisions of IR CL 16-08 and IR CL 16-09.

Background

In anticipation of the implementation of the Value Added Tax (“VAT”), Treasury issued Administrative Determination No. 16-04 (“AD 16-04”) extending the effectiveness of all SUT Certificates that were effective as of December 31, 2015 until further notice. Those SUT Certificates that had expired on or before December 31, 2015 had to be renewed. Upon the repeal of the VAT, Treasury issued Administrative Determination 16-09 (“AD 16-09”) repealing all VAT related publications and automatically and indefinitely extending the effectiveness of the SUT Certificates. IR CL 16-08 and IR CL 16-09 limit such extension.

IR CL 16-08

Pursuant to IR CL 16-08 merchants that hold an expired Certificate of Exemption or a Certificate of Exemption that expires on or before August 31, 2016 will have until August 31, 2016 to renew them using the currently established process. All other merchants with Certificates of Exemption that expire after August 31, 2016 shall renew them, as required.

IR CL 16-08 further states that all dully issued Waiver Certificates will continue to be effective during the period of the corresponding Manufacturing Services Contract. New merchants that qualify for this Waiver Certificate shall request the same following the process established in Tax Policy Circular Letter No. 15-14.

IR CL 16-09

IR CL 16-09 Treasury states that the Reseller Certificates that expire after December 31, 2015 will continue to be in effect, regardless of their expiration dates, until



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Treasury publishes new guidance on the renewal process of such certificates. New merchants and all merchants with Reseller Certificates that had expired on or before December 31, 2015, shall renew them, as applicable, using the currently established process. Such Reseller Certificates will be valid for a period of one year as of the date of issuance or renewal.

Eligible Reseller Certificates will maintain the effective dates assigned upon issuance. Therefore, all merchants with a currently valid Eligible Reseller Certificate can continue to purchase goods exempt from the SUT in the same manner as they currently do. These shall be renewed no later than the expiration date indicated in such certificate, and annually thereafter.

New eligible merchants shall request the Eligible Reseller Certificate following the procedure established in Internal Revenue Circular Letter No. 13-10.

You can access IR CL 16-08 (in Spanish) [here](#) and IR CL 16-09 (in Spanish) [here](#).

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