

June 12, 2017

Tax Update

Treasury Sets Dates for the 2017-2018 Back to School Tax-Free Holiday Period

The Puerto Rico Treasury Department issued Tax Policy Circular Letter 17-01 ("TP CL 17-01") setting the tax-free holiday periods under which school uniforms and materials can be purchased free of the sales and use tax (the "SUT"). The tax-free holiday periods for fiscal year 2017-2018 are:

- From 12:00 a.m. of Friday, July 14, 2017 until 11:59 p.m. of Saturday, July 15, 2017.
- From 12:00 a.m. of Thursday, January 4, 2018 until 11:59 p.m. of Friday, January 5, 2018.

Below is a summary of some the most important provisions of TP CL 17-01:

School Uniforms

For purposes of the tax-free holiday, the term school uniform means clothing specifically required by the educational institution to be used by its students, and that cannot have a continuous or general use outside of the school to substitute ordinary clothes. School uniforms further include those pieces of clothing and footwear that complement one or more pieces of the uniform, as specifically required by the educational entity.

The term **school uniform** does not include:

- Belt buckles sold separately;
- Costume masks sold separately;
- Patches and emblems sold separately, except if part of a school uniform;
- Sewing equipment and articles, including but not limited to, knitting needles, patterns, pins, scissors, sewing machines, sewing needles, tape measures, and thimbles;
- Sewing materials that are or become part of clothing, including but not limited to buttons, fabrics, laces, thread, yarn and zippers;
- Clothing accessories or equipment that are incidental articles used on the body or used in conjunction with clothing. For example, briefcases; cosmetics; articles for hair, including, but not limited to hair pins, bows and nets; handbags; handkerchiefs; jewelry; non-prescription sunglasses; umbrellas; wallets; watches; and wigs and hairpieces;
- Protective equipment for use by people and designed for the user's protection against injury or illness, or as protection against damages or injuries of other persons or property, but not suitable for general use. For example: protective breathing masks; sterilized room equipment and clothing; audio and ear protectors; masks; protective helmets; helmets; paint or dust respirators; safety or protective gloves; safety glasses or goggles; safety belts; tool belts; and welding masks, helmets and gloves; and



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- Sports and recreational equipment designed for human use and used in conjunction or as part of a creative or sports activity, which are not suitable for general use. For example, ballet slippers and tap shoes; sport shoes with spikes or grooved soles; gloves, including but not limited to, baseball, bowling, boxing, hockey and golf; goggles; knee and elbow and hand protectors; life jacket and vests; mouth guards; roller and ice skates; shin guard; shoulder pads; ski boots; high waterproof boots; and wetsuits and fins.

School Materials

For purposes of the tax-free holiday, the term school materials includes art and music school materials, instructional school materials purchased at retail and storage media, including discs, compact disks and flash drives.

School materials are articles commonly used by a student in a study course. These are:

- binders
- school bags
- calculators
- adhesive tape
- chalk
- compass
- crayons
- erasers
- portfolio; accordion, expanding, plastic and manila envelopes
- glue and glue stick
- markers, including fluorescent
- index cards
- boxes to keep index cards
- lunch boxes
- loose paper, paper with lines for rings notebook, copy paper, graph paper, tracing paper, manila paper, colored paper, cardboard and construction paper
- pencil boxes and other school supply boxes
- sharpeners
- pencils
- pens
- protractors
- rulers
- scissors

Art or music school materials and instructional school materials are articles that are usually used by a student in an art or music study course or in a study course as reference and to learn the subject being taught. These are:

- clay and gazes
- paints, including acrylic, tempera and oil
- paintbrushes for artwork
- sketchbook
- watercolors
- musical instruments
- maps and terrestrial globe of reference

Printed Books

Printed books are exempt from the payment of SUT during the **whole year**. The term printed books means any printed unitary publication, not periodic, that is edited once or by intervals, in one or more volumes or parts thereof, of scientific, cultural or artistic character, excluding publications by electronic means, magazines and newspapers.

Also, electronic books (e-books) that are required in an official school or college book list and notebooks are exempt during the **whole year**.

Other Special Rules

Sales of uniforms or school materials made under lay away plans will be exempt from the SUT when the final payment under the lay away plan is made and the item is handed to the purchaser during the exemption period, or when the title of the article is transferred and the article is handed to the purchaser during the exemption period. The same rule applies to mail, internet and telephone purchases.

Articles purchased during the exemption period with a raincheck will qualify for the exemption, regardless of when the raincheck was issued. On the other hand, the issuance of a raincheck during the exemption period will not qualify an article for exemption if the article is actually purchased after the exemption period. The same rule applies to gift cards and gift certificates.

You may access TP CL 17-01 (in Spanish) [here](#).

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