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ACT 54-2016 – REPEAL OF VALUE ADDED TAX



Please contact your account service partner should you have any questions or comments or if you need additional information regarding these matters.

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On May 26, 2016, Act 54-2016 was enacted after the Legislature overrode the Governor's vetoes, repealing the value added tax ("VAT") and leaving the current sales and use tax ("SUT") in place indefinitely, after multiple attempts from the House of Representatives and the Senate to avoid the VAT introduction originally approved on Act 72-2015.

Act 72-2015 introduced multiple changes to the Puerto Rico Internal Revenue Code of 2011, as amended, ("PR Code") increasing the SUT rate, broadening the imposition of SUT on services and introducing the VAT regime. The increase in the tax rate was effective on July 1, 2015 and the broadening of the imposition of the SUT on services was effective on October 1, 2015. However, the introduction of the VAT regime, which was postponed to June 1, 2016, was repealed with the enactment of Act 54-2016.

In addition to repeal the introduction of VAT and the corresponding references and administrative sections on the PR Code, Act 54-2016 also amended the PR Code to introduce the definition of "health services" that are exempt from the definition of taxable services.

On June 1, 2016 the PR Treasury Department (the "Treasury") issued Administrative Determination 16-09 ("AD 16-09") to inform the merchants the repeal of the VAT, the repeal of the Administrative Determinations related to the VAT and to inform the provisions that will continue and those that will be implemented temporarily as result of the repeal of the VAT. The use of the Unified Internal Revenue System ("SURI") for the administration of the VAT has been postponed, the Certificate of Exemption for Resellers and Municipal SUT and the Certificate of Exemption for Manufacturers will continue to be valid indefinitely, and the Certificate of Eligible Reseller will continue to be valid until June 30, 2016. The Treasury will be issuing guidance on the renewal process.

Valdés, García, Marín & Martínez, LLP is a Puerto Rico based firm of Certified Public Accountants and Consultants organized as a partnership for the practice of public accounting since 1975. Our 40 years of experience in public accounting support our commitment to excellence and professionalism.

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