

PR Treasury Issues Guidance for Requesting an Additional Extension of the 6% SUT for Pre-Existing Agreements

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PRACTICE AREAS

- Sales & Use Tax

An McV Tax Alert

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On June 6, 2016, the Puerto Rico Department of the Treasury (“Treasury”) issued Tax Policy Circular Letter No. 16-05 (“CL 16-05”), to establish the procedure to request an additional extension (“Additional Extension”) of the 6% sales and use tax (“SUT”) rate to taxable items (including services) acquired after June 30, 2015 in connection with certain pre-existing construction agreements certified by Treasury (“Pre-Existing Agreements”).

Act No. 72 of May 29, 2015 increased the state SUT from 6% to 10.5% beginning on July 1, 2015, but provided a grandfathering of the 6% SUT rate with respect to taxable items to be acquired after June 30, 2015 pursuant to a Pre-Existing Agreement, if certain conditions were met (“Initial Extension”).

Under the Initial Extension, the 6% SUT rate would be available for a period of up to 12 months after June 30, 2015 or the term of the contract, whichever elapsed first, but could be extended for up to 12 additional months at Treasury’s discretion. Tax Policy Circular Letter No. 15-10 of June 24, 2015 set forth the procedure and requirements to request the Initial Extension, as discussed in our June 26, 2015 McV Tax Alert.

CL 16-05 indicates the information that must be submitted to request the Additional Extension. The Additional Extension request must be filed on or before **July 31, 2016**.

In general, the Additional Extension will be in effect until June 30, 2017. Nonetheless, in the case of tourism and hospital construction projects, the request for Additional Extension may be made on a year to year basis (on or before July 31) until completion of the construction.

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