

Recent Developments Regarding the Value Added Tax, Forms and Procedures

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PRACTICE AREAS

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On May 2, 2016, and May 5, 2016, the House of Representatives and the Senate respectively approved by unanimous votes House Bill 2783 (“Bill”), which essentially repeals the value added tax (“VAT”) provisions in Subtitle DD of the Puerto Rico Internal Revenue Code of 2011 (“Code”). The Bill should be sent to the Governor today or early next week. If the Governor signs the Bill into law, or if he vetoes it but the Legislature overrides his veto, this would be the end of the VAT, with the current sales and use tax remaining in place indefinitely.

In spite of these developments, the Puerto Rico Treasury Department (“Treasury”) has published guidance and forms for the implementation of the VAT on June 1, 2016. On April 29, 2016, Treasury issued revised proposed regulations under the VAT provisions of the Code. These can be accessed [here](#). Treasury also published the draft of the VAT return, which may be accessed [here](#).

Internal Revenue Circular Letter No. 16-03

Furthermore, on May 3, 2016, Treasury issued Internal Revenue Circular Letter No. 16-03 (“CL 16-03”) to establish the procedure to request an Eligible Merchant Certificate (the “Certificate”). The Certificate will allow eligible merchants to request a refund of a VAT overpayment in the month it is generated, instead of having to wait three months to claim the refund when it exceeds \$10,000 in a particular month.

A merchant will be eligible to request a Certificate if its sales volume exceeds \$500,000 for the three years immediately prior to the year in which the determination is being made (or applicable period if the business has operated for a shorter period), and 80% of its total sales are subject to a 0% VAT.

The procedure to obtain the Certificate requires filing a letter addressed to the Director of the Tax Consumption Bureau and including a sworn declaration with the information specified in CL 16-03. The due date to submit the request for a Certificate so that the merchant can request a refund for any overpayment generated during the month of June, 2016, is **May 31, 2016**.



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You can access CL 16-03 [here](#).

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