

Tax Update: Proposed tax reform Bill No. 2329-status as of today

It's April 15! If you are a calendar year taxpayer, today is the deadline to file your individual or corporate 2014 Income Tax Return(s). However, the law provides you with the alternative of requesting an extension of time to file these returns. Remember this extension is for filing the return and does not extend the time to pay any tax due.

Today was also the date in which the Legislature had stated they would have approved the Transformation of the Tax System Bill (P de la C 2329).

Unfortunately, this is not happening. The House of Representatives and the Senate are still in conversations with the Administration (Treasury and Governor) in order to arrive to a consensus on the VAT rate (rates) and the income tax benefits that were promised.

We understand, there is a high possibility of three VAT rates:

- 0% rate
- a general rate (the percentage has not been disclosed yet), and
- an intermediate rate.

Also, the Legislature is highly considering exempting the whole medical sector from paying and collecting the VAT as well as the payments for private education.

The discussions are centred in balancing the amount of funds to be collected from all the proposed amendments given the increase in VAT exclusions and exemptions and the proposed reduction on the VAT rate.

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It is a great possibility that these funds will be obtained from the corporate side and from an adjustment to the proposed individual income tax brackets.

The clock is ticking and it is time for this process to conclude. We expect a final agreement by next week.

Visit the new VAT section in our website, **Insight into value added tax**. Therein, you will find our alerts and updates related to the proposed VAT in Puerto Rico as well as links to official documents.

We will continue to monitor the developments of the proposed tax reform. If additional information is required regarding this or any other tax issue please contact our Tax Department.



Contact us

For assistance in this matter, please contact us via maria.rivera@pr.gt.com or javier.ovola@pr.gt.com



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