

# Tax Update: new hybrid VAT proposal presented

After the value added tax bill was defeated, Puerto Rico Governor, Alejandro García-Padilla and his team, continued with efforts to identify new ways to arrive to a consensus on how to obtain a balanced budget for fiscal year 2016.

Early today he announced an agreement with lawmakers of his party's delegation to increase the existing sales and use tax (SUT) from 7% to 10%, plus 1.5% for municipalities. Meanwhile, the tax collected at the ports, currently at 6% and charged through PICO, will increase to 10%, plus a .5% for municipalities.

An imposition of 4% value added tax (VAT) to business to business and other services, which are currently exempt from taxation, was also presented in his proposal. However, these services will be taxed at 10.5% VAT after the transition period.

No details as to the income tax side of the proposal were disclosed but it seems that the increase of the tax on intercompany transactions is still being considered.

This new hybrid proposal considers a transition from the current sales and use tax (SUT) toward a complete value added tax (VAT) that will take about eight to nine months.

We will continue to monitor the advances of these proposals and inform you through our Tax Updates.



**Please contact our Tax Department should you require additional information regarding this or any other tax issue. We will be glad to assist you.**



#### Contact us

For assistance in this matter, please contact us via [maria.rivera@pr.gt.com](mailto:maria.rivera@pr.gt.com) or [javier.ovola@pr.gt.com](mailto:javier.ovola@pr.gt.com)



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