

# Tax Alert: Renewal of Sales and Use Tax Reseller and Exemption Certificates

The Puerto Rico Treasury Department released Circular Letter 16-08 (“CL 16-08”) and Circular Letter 16-09 (“CL 16-09”) to clarify the policies and procedures applicable to the following certificates that remain valid after the repeal of the VAT:

- Exemption Certificates for Manufacturing Plants
- Sales and Use Tax Waiver Certificates on Manufacturing Contracts
- Reseller and Municipal Exemption Certificates
- Eligible Reseller Certificates

Administrative Determination 16-09 (“AD 16-09”) extended the effectiveness of the Exemption Certificate of Manufacturing Plants (“ECMP”) and the Waiver Certificates on Manufacturing Contracts indefinitely. However, CL 16-08 establishes the following new procedures related to these certificates:

## Exemption Certificate of Manufacturing Plants (“ECMP”):

- All manufacturing plants whose ECMP expires on or before August 31, 2016 will have until August 31, 2016 to renew such certificate.
- New merchants or current holders of an ECMP expiring on or before of August 31, 2016 must apply for the certificate using the procedure already established by the Puerto Rico Treasury.

## SUT Waiver Certificate on Manufacturing Services Contracts:

- All Waiver Certificates on Manufacturing Services Contracts will remain in force and its effectiveness will be for the duration of the manufacturing service contract.
- All new merchants that qualify for this waiver certificate must apply for it using the procedure established in the Tax Policy Circular Letter 15-14.

Previously released AD 16-09 indicates that the Reseller and Municipal Exemption Certificates (“RMEC”) will be effective indefinitely and the Eligible Reseller Certificates (“ERC”) will be effective until June 30, 2016. Nevertheless, CL 16-09 establishes the new procedures related to these two certificates:

## Reseller and Municipal Exemption Certificate (“RMEC”)

- The RMECs which expire after December 31, 2015 will remain valid until the Puerto Rico Treasury establishes the process for their renewal.
- New resellers or any reseller holder of a RMEC which expired on or before December 31, 2015 will have to request or renew its certificates according to each case. The



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certificates issued by the Puerto Rico Treasury will be effective for one year.

#### Eligible Reseller Certificate ("ERC")

- After the repeal of the VAT, the ERC will remain effective until the date established at the moment of its issuance and will have to be renewed annually. Every merchant with a valid ERC can continue to acquire goods exempt from the payment of the SUT and will have to renew the ERC no later than the expiration date shown on its certificate.
- In order to obtain the ERC, new merchants that qualify for the ERC will have to follow the process established in Circular Letter 13-10 of July 23, 2013.

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