

Tax Alert: Act 123 – Specialized chamber on tax-related matters

Recognizing the need to establish mechanisms to ensure the efficient and uniform implementation of Puerto Rico tax law precepts, and to advance the resolution of tax controversies arising under the Puerto Rico Internal Revenue Code of 2011, as amended, as well as the various tax incentives legislations, the Governor of Puerto Rico signed on August 5, 2016, Act No. 123 (“Act 123-2016”).

Act 123-2016 effectively amends Article 5.005 of the Puerto Rico Judiciary Act (Act No. 201 of August 22, 2003) to allow the creation of the Specialized Chamber on Tax Affairs and Economic Crimes (the “Special Court” or “Court”). With the establishment of this specialized courtroom, the Puerto Rico government strives to provide an adequate forum for the expeditious resolution of tax disputes while carefully considering the merits of each case and ensuring the uniform interpretation of the applicable Tax Law, as well as the handling of economic crimes.

According to Act 123-2016 Statement of Motives, an *economic crime* is any kind of unlawful conduct committed by natural or legal persons, that affect the assets of individuals, the financial system, the Commonwealth of Puerto Rico or the general public. Each of these offenses can be punished by a fine and/or fifteen (15) years in prison.

The amended Article 5.005 states that the Court, which will be situated in the Superior

Court of San Juan, will be directed by judges who are well-versed on matters such as finance, accounting, auditing and tax law, among others.

The Special Court will handle civil tax disputes arising under (i) any state or municipal law that imposes or levies a tax and (ii) any special law that bestows tax exemptions and credits through the issuance of a tax grant.



Also, it will intervene in criminal cases arising from violations to the PR Internal Revenue Code of 2011 [Act No. 1-2011] and special laws that govern complex matters such as (i) the Puerto Rico Banking Law [Act 55-1933], (ii) the Puerto Rico Savings & Loan Cooperatives Act [Act 255-2002], and (iii) the Puerto Rico Securities Act [Act 60-1963], among others, as well as any other matter which the Chief Justice of the Puerto Rico Supreme Court determines that will fall under the Special Court’s purview.

Please contact our Tax Department should additional information is required. We will be glad to assist you.



Contact us

For assistance in this matter, please contact us via maria.rivera@pr.gt.com, francisco.luis@pr.gt.com, lina.morales@pr.gt.com or isabel.hernandez@pr.gt.com



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