

Tax Alert: Proposed extension of 4% excise tax on property and services

On January 9, 2017, Governor Ricardo Rosselló Nevárez's Administration, through the House of Representatives's majority delegation, introduced House Bill No. 451 ("Bill 451") to, among others, amend Section 2101 Puerto Rico Internal Revenue Code of 1994 (the "1994 Code"), in order to extend the term of the excise tax on certain tangible property and services.

Background of Act-154

On October 25, 2010, Act No. 154 was signed into law, to amend the 1994 Code by modifying the source of income rules and imposing a new excise tax of 4%. The purpose of Act 154 was to finance the past tax reform legislation.

Afterwards, Act No. 2 of February 28, 2013 amended Section 2101(b)(4), mainly to fix the temporary excise tax herein provided at a rate of 4% starting July 1, 2013, and extending the application of the tax through December 31, 2017.

However, driven by the recent fiscal and socioeconomic crisis in Puerto Rico, the current administration has proposed Bill 451 to effectively extend the application of the excise tax of 4% until December 31, 2027.

Please be advised that Bill 451 is still at its early stages of the legislative procedures and no public hearings have been scheduled.

Note: As highlighted in our July 1, 2016 Tax Alert, the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), seeks, among other matters, to

provide Puerto Rico with fiscal and economic discipline through the creation of a control board. Virtually every fiscal decision by the Government of Puerto Rico will be made or approved by the Oversight Board (the "Board") created by PROMESA. On this regard, the Board has authority to prevent the execution or enforcement of a contract, rule, executive order or regulation to the extent that it is inconsistent with the approved fiscal plan.

We will monitor the development of this proposal and keep you updated through our Tax Alerts.

Please contact our Tax Department should additional information is required 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, francisco.luis@pr.gt.com, lina.morales@pr.gt.com or isabel.hernandez@pr.gt.com



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