

Tax Alert: Resolution to establish the guidance for the use of tax credits granted

As noted in our March 8, 2017 Tax Alert dated, the Puerto Rico Fiscal Agency & Financial Advisory Authority (“AAFAF” for its acronym in Spanish) issued Administrative Order No. OA-2017-01 (“OA-2017-01”) to, among other things, (i) stay the issuance of new tax credits under the various Puerto Rico incentive laws and (ii) to transfer the evaluation of pending and future tax credits requests, as well as the approval and disbursement of prior years’ special assignments, to the newly-constituted Committee for the Authorization of Disbursements and Tax Concessions (the “Committee”).

Resolution 2017-01

On March 22, 2017, the Committee issued Resolution 2017-01 (“R-2017-01” or “Resolution”) to authorize the use of those tax credits that were approved and/or certified prior to March 7, 2017 – i.e. the date on which OA-2017-01 was issued – for the taxable year 2016.

Pursuant to R-2017-01, and subject to the limitations found therein, the tax credits generated and issued under the following acts will be considered “GRANTED” and, therefore, can be used for the Taxable Year 2016:

- Investment in Housing Infrastructure [Act 98-2001]
- Revitalization of Urban Centers [Act 212-2002];
- Investment in solid waste reduction, disposal and/or treatment facilities [Act 159-2011];
- Green Energy Incentives [Act 83-2010];
- Industrial Incentives [Act 135-1997 & Act 73-2008];

- Tourism Development [Act 78-1993 & Act 74-2010]
- Film Industry Development [Act 362-1999 & Act 27-2011]
- Construction and Rehabilitation of affordable housing [Act 140-2001]
- Governors’ Foundations [Act 302-2012];
- Credits authorized under Sections 1051.04, 1051.05, 1051.06, 1051.07, 1051.14, 1113.14 and 4050.10 of the PR Internal Revenue Code of 2011, as amended;
- Any other credit arising from Closing Agreements with the Secretary of the Treasury, that were executed prior to the date of Executive Order OE-2017-01, i.e. January 2, 2017.

The Resolution clarifies that the term *2016 Tax Year* means the calendar year 2016 and, for fiscal year taxpayers, the tax year beginning during calendar year 2016.

Lastly, R-2017-01 expressly states that tax credits under Act No. 154-2010 (i.e. the 4% excise tax on multinational companies), as well as credits not defined as “GRANTED” under the Resolution are beyond its application.

Note: As highlighted in our Tax Alert dated July 1, 2016, the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), seeks to provide Puerto Rico with fiscal and economic discipline through the creation of a control board, among other things. Virtually every fiscal decision by the Government of Puerto Rico will be made or approved by the Oversight 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.



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



Adding true value means exceeding our clients’ expectations, anticipating their needs and being proactive and innovative in the accounting profession.

Through the **Kevane Grant Thornton business and tax application for mobile devices** you will have access to our Alerts, Tax News and other related matters, plus a customized tax calendar for individuals, businesses and other entities, thus providing an excellent tool to manage filing and payment due dates with government agencies in Puerto Rico.

Download for free the application. Available for iPhone, Motorola and all tablets.



Follow us on and

April 4, 2017

DISCLAIMER: This update and its content do not constitute advice. Clients should not act solely on the basis of the material contained in this publication. It is intended for information purposes only and should not be regarded as specific advice. In addition, advice from proper consultant should be obtained prior to taking action on any issue dealt with this update.

© 2017 Kevane Grant Thornton LLP All rights reserved. Kevane Grant Thornton LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another’s acts or omissions. Please visit www.granthornton.pr for further details.