



Tax



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Tax credits committee dissolved in Puerto Rico

July 17, 2018

On July 2, 2018, the Puerto Fiscal Agency and Financial Advisory Authority (“AAFAF” for its acronym in Spanish), issued Administrative Order OA-2018-10 to dissolve the Tax Credits and Disbursements Authorization Committee constituted and authorized under AAFAF’s Administrative Order OA-2017-01.

Background

As a corollary to Executive Order No. OE-2017-01, which declared a fiscal state of emergency and required all public agencies to take the necessary measures to reduce operational costs, AAFAF issued Administrative Order OA-2017-01 to effectively halt the concession of all future tax credits and special funds assignment to improve cash flow and balance the budget.

Moreover, Administrative Order OA-2017-01 (which was further amended by OA-2017-03) created the Tax Credits and Disbursements Authorization Committee (the “Committee”) to evaluate and approve pending and future tax credits requests under the various Puerto Rico incentives acts – as well as to limit their use.

Lastly, the Order instructs the Secretary of the Treasury Department (the “Secretary”) to conduct an inventory of issued and outstanding tax credits, and to request all of the necessary information to support their concession.

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Administrative Order OA-2018-10

Since the fiscal and financial that informed the issuance of Administrative Orders OA-2017-01 and OA-2017-03 have been surmounted either through legislation or regulations, OA-2018-10 derogates both to prospectively eliminate the Committee, effectively restoring the concession of tax credits to the agencies that previously handled them. Furthermore, all tax credit limitations and controls instituted under Administrative Orders OA-2017-05,-08,-09,-10 and 2018-01 are prospectively left without effect.

Nonetheless, OA-2018-10 makes it clear that the Secretary will still be responsible for performing and maintaining the credit inventory mandated under Administrative Order OA-2017-01. Also, the Secretary's prerogative to deny the claimant of the credit its use if the required information is not properly presented for the Secretary's review remains firmly in place.

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



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