



Tax



Commercial



Tax relief

Postponement in the requirement for the SUT exemption on commercial rent

July 7, 2021

The emergency caused by COVID-19 has forced the Puerto Rico Treasury Department to work with reduced personnel and to focus its efforts on addressing the situations created by the COVID-19 pandemic.

Due to time and personnel limitations created by the emergency, implementing certain administrative processes and some fiscal policies had to be postponed to guarantee their proper implementation. As a result of the foregoing, the Puerto Rico Treasury Department (“PRTD”) issued Administrative Determination 21-07 (“AD 21-07”) on June 29, 2021, to postpone the requirement for the sales and use tax (“SUT”) exemption in commercial leasing.

As a background, Act 257 of 2018 amended the provisions of Section 4030.14 of the Puerto Rico Internal Revenue Code (“the Code”) to establish the new requirement to be entitled to the exemption of SUT in commercial leases. On May 1, 2019, the PRTD issued Administrative Determination 19-01 to establish, among other things, the Commercial Lease Exemption Requirement as of October 1, 2019. Subsequently, the requirement was postponed until June 30, 2020 through AD 19-05, and then until June 30, 2021 through the publication of AD 20-17.

According to the amendment to the Code by Act 257-2018, and the provisions included in the different publications issued by the PRTD, it was established as a requirement as of July 1, 2021, that to be entitled to the SUT exemption on the commercial lease of real property, the lessee must certify to the lessor that it complied with the requirement of maintaining a fiscal terminal when required. As of the date of this Alert, there is no guidance on what certification the lessee must provide the lessor.

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Collaborated in the preparation of this article.



With the publication of AD 21-07, the above requirement is postponed until further notice from the PRTD. Further guidance is expected from the PRTD regarding the certification that the tenant must provide their landlords to be eligible for the SUT exemption on commercial rent.

We are committed to keeping you up to date with all tax-related developments. Please contact our Tax Department should additional information be required regarding this or any other tax issue. We will be glad to assist you.



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