

TAX NEWSLETTER

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BACK-TO-SCHOOL SALES TAX HOLIDAY

The Puerto Rico Department of Treasury has announced two periods in which school supplies and uniforms will be exempt from sales and use tax

On June 1, 2016 the Puerto Rico Department of Treasury (the "Treasury") issued Tax Policy Circular Letter 16-04 ("TP 16-04") informing all taxpayers on the Back-to-School Sales Tax Holiday for Fiscal Year 2016-2017 during which certain tangible personal property will be exempt of the Sales and Use Tax ("SUT").



THE DATES

The two (2) periods for the sale of school uniforms and materials free from the payment of SUT will be the following:

- The first period will begin at 12:01 a.m., of Friday, July 15, 2016, and end at twelve (12) midnight of Saturday, July 16, 2016.
- The second period will begin at 12:01 a.m., of Friday, January 4, 2017, and end at twelve (12) midnight of Saturday, January 5, 2017.

EXEMPT ITEMS

The following items discussed herewith will be fully exempt of the SUT: (1) school uniforms; and, (2) school supplies.

School Uniforms

Pursuant to Sec. 4030.20(c)(1) of the Puerto Rico Internal Revenue Code ("PRIRC"), the term school uniform means the clothing specifically required by the educational institution to be used by its stu-

-dents, and that cannot have a continuous or general use outside of the school to substitute ordinary clothes. Furthermore, also considered school uniform are those pieces of clothing and footwear that complement one or more pieces of the uniform, as specifically required by the educational entity.

The term does NOT include: (1) Belt buckles sold separately; (2) Costume masks sold separately; (3) Patches and emblems sold separately, except if part of a school uniform; (4) Sewing equipment and articles; (5) Sewing materials that are or become part of clothing; (6) Clothing accessories or equipment that are incidental articles used on the body or used in conjunction with clothing; (7) Protective equipment for use by people and designed for the user's protection against injury or illness, or as protection against damages or injuries from other persons or property; and (8) Sports and recreational equipment designed for human use and used in conjunction or as part of a creative or sports activity;

School materials

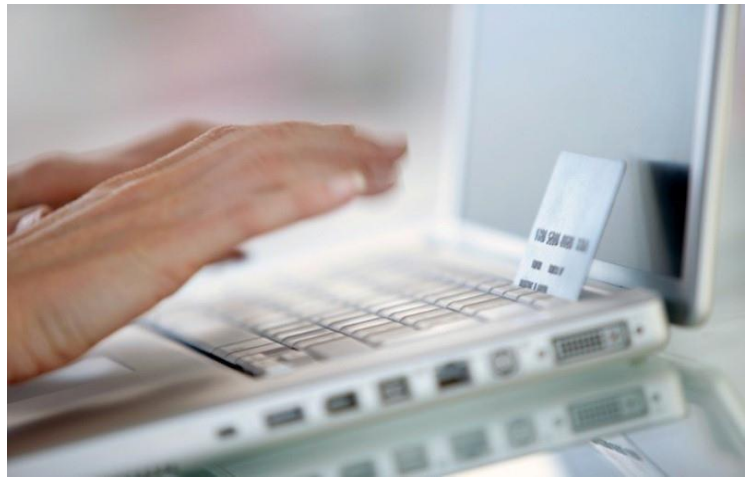
Pursuant to Sec. 4030.20(c)(2) of the PRIRC, the term school materials includes: (1) school materials; (2) school art materials; (3) school music materials; (4) storage media, including discs, compact disks and flash drives.

School materials are articles commonly used by a student in a study course such as binders, school bags, calculators, boxes, sharpeners, pencils, pens, protractors, rulers, scissors, adhesive tape, chalk, crayons erasers, glue and glue stick markers, fluorescent index cards, boxes to keep index cards, lunch boxes, paper and cardboards

School art or music materials and instructional school materials are articles that are usually used by a student in an art or music study such as clay and glazes, paints and oil paint brushes for artwork, sketchbook, water colors and musical instruments.

EXEMPTION FROM THE PAYMENT OF SUT ON THE SALE OF TEXTBOOKS

Textbooks required in an official list of university and school books, purchased at retail, are exempt from the SUT during the whole year. An official list is the list established by an educational institution for its students detailing the textbooks to be used for a grade or a course in particular, including music textbooks. Notebooks are also included, regardless of their size.



SALES ON LAY AWAY PLANS

The sale on lay away plans of school uniforms or materials will qualify for the exemption from the SUT when the final payment under the installment plan is made and the article is delivered to the buyer during the exemption period; or when the title of the article is transferred to the buyer and the delivery is made to the buyer during the exemption period. A sale made through the transfer of title after the exemption period will not qualify for the exemption.

RAIN CHECKS

A rain check allows the customer to buy an article at a certain price in the future because the same was sold out. The articles purchased during the exemption period using a rain check qualify for the exemption regardless of when the rain check was issued. However, the issuance of a voucher

during the exemption period will not qualify an article for the exemption if the article is actually purchased after the exemption period.

PURCHASES BY MAIL, TELEPHONE, EMAIL OR INTERNET

When an article is purchased by mail, phone, electronic mail or internet, the purchase qualifies for the exemption when the article is paid for and delivered to the purchaser during the exemption period; or when both the title of the article is transferred to the buyer and delivery to the buyer takes place during the exemption period. Therefore, articles that are pre-ordered and delivered to the buyer during the exemption period qualify for the exemption.

GIFT CERTIFICATES AND GIFT CARDS

Articles that qualify for this exemption purchased during the exemption period using a certificate or gift card, qualify, for the exemption, regardless of when the gift certificate or gift card was purchased. The articles purchased after the exemption period using a gift certificate or gift card are taxable even if the gift certificate or gift card was purchased during the exemption period.

For more information do not hesitate to contact any of the following professionals:

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