

TAX NEWSLETTER

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CONTINUITY OF SALES AND USE TAX EXEMPTION CERTIFICATES AFTER REPEAL OF VALUE ADDED TAX

On June 28, 2016 the Puerto Rico Department of Treasury (the "Treasury") issued Internal Revenue Circular Letters [16-08](#) and [16-09](#) ("IR 16-08" and "IR 16-09") clarifying the provisions and procedures applicable to the certificates of: (1) Exemption for Manufacturing Plants; (2) Waiver from Collection on Manufacturing Service Contracts; (3) Reseller; and, (4) Eligible Reseller. These certificates will remain in effect after the repeal of the value added tax ("VAT").



EXEMPTION CERTIFICATE FOR MANUFACTURING PLANTS AND SUT WAIVER CERTIFICATE ON MANUFACTURING SERVICES CONTRACTS

The Exemption Certificate for Manufacturing Plants allows manufacturing plants to acquire raw materials, machinery and equipment to be used in the manufacturing process exempt from the payment of the sales and use tax ("SUT"). The Certificate of Waiver from Collection of SUT on Manufacturing Services Contracts ("Waiver Certificate") allows the merchant to claim the exemption for manufacturing services, better known as "toll manufacturing" or "contract manufacturing". [Administrative Determination 16-09](#) ("AD 16-09") which was discussed on [Issue 06](#) of this Newsletter, had extended the effectiveness of these certificates indefinitely. However, IR 16-08, adopts the following new procedures related to these certificates:

SUT Exemption Certificate for Manufacturing Plants

Every merchant whose certificate already expired or which expires on or before August 31, 2016, must renew it using the existing procedure provided for these purposes. However, merchants must maintain the corresponding bond with the Treasury. New merchants and merchants whose certificates expire after August 31, 2016, must request or renew the certificate, as applicable, according to the existing procedure established for these purposes.

SUT Waiver Certificate on Manufacturing Services Contracts

Every Waiver Certificate will remain in force and effective for the duration of the corresponding manufacturing services contract. New merchants that qualify for this certificate must request it using the procedure established in [Tax Policy Circular Letter 15-14](#).

RESELLER AND MUNICIPAL SUT EXEMPTION CERTIFICATE AND ELIGIBLE RESELLER CERTIFICATE

The Reseller and Municipal SUT Exemption Certificate (“Reseller Certificate”) allows a merchant to claim a credit for SUT paid on the purchase or introduction of taxable items for resale. It also qualifies the merchant for exemption on the 1% Municipal SUT. The Eligible Reseller Certificate allows a merchant to acquire or import tangible personal property for resale exempt from the payment of the SUT. Duly registered merchants who: (1) purchase taxable items primarily for sale to persons that may acquire them exempt from the payment of SUT; or (2) for export, qualify for this certificate. AD 16-09 had extended the effectiveness of these certificates indefinitely. However, IR 16-09 adopts the following new procedures related to these certificates:

Reseller and of Municipal SUT Exemption Certificate

Reseller Certificates whose expiration date is after December 31, 2015, will continue to be in effect until the Treasury establishes a procedure for their renewal. New reseller merchants and merchants whose Reseller Certificate expired as of December 31, 2015 must request or renew the certificate, as applicable, using the existing procedure provided for these purposes. The certificate will be effective for one year.

Eligible Reseller Certificate

After the VAT repeal, the Eligible Reseller Certificates will remain effective until the date established at the time of their issuance, and must be renewed annually. Therefore, merchants with a valid Eligible Reseller Certificate may continue to acquire goods exempt from the payment of the SUT in the same manner as they were doing until now, and must renew them not later than the expiration date shown on the certificate. New merchants that qualify for this certificate must request the certificate using the procedure established in [Internal Revenue Circular Letter No. 13-10](#).

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