

TAX UPDATE

Treasury Issues Guidance on the Vehicles and Motorcycles Excise Tax Reduction

Act 186-2014, enacted November 12, 2014, amends the Puerto Rico Internal Revenue Code of 2011 to reduce, effective November 1, 2014, excise taxes on vehicles and motorcycles ("Vehicles"). It also incorporates transitory provisions to allow the taxpayers to: (i) recompute the tax on new and used vehicles held in inventory on November 1, 2014 for which the tax has not been paid and (ii) claim a credit ("Credit Request") for tax paid prior to November 1st on new vehicles held in inventory ("Excise Tax Overpayment").

In connection with the above, the Puerto Rico Treasury Department ("Treasury") has issued Tax Policy Circular Letter No. 14-04 ("TP CC 14-04") to establish a process to implement the transitory provisions of Act 186-2014. In addition, Treasury established a refund process for purchasers/consumers that acquired vehicles during the period between November 1, 2014 and November 12, 2014, but paid excise taxes based on the tax rates effective before November 1st ("Refund Request").

Applicability of New Tax Rates

*New Vehicles in Inventory on November 12th for which the excise tax **has not been paid***

The applicable excise tax will be calculated based on the tax rates established by Act 186-2014.

*New Vehicles in Inventory on November 12th for which the excise tax **has been paid***

Vehicle dealers that had inventory of new vehicles on November 12th and for which the excise tax was paid based on the rates in effect before November 1st, may file a Credit Request with Treasury for the Excise Tax Overpayment. The credit can be requested by vehicle dealers that declared and paid the excise tax to Treasury ("Importer Dealer"). The credit will be applied to future vehicle excise tax payments.

Dealers that purchased their inventory with excise taxes paid by an Importer Dealer shall request the credit for the Excise Tax Overpayment directly to such Importer Dealer.

Vehicles in Inventory on November 1st or introduced to PR before November 1st, but sold during the period from November 1st to November 12th



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The applicable excise tax will be calculated based on the tax rates in effect as of October 31st, even if the payment is made after such date. No credit will be granted to dealers. However, the purchaser/consumer can file a Refund Request with Treasury.

Refund and Credit Request

Refunds

Purchasers/consumers may apply for the Refund Request starting December 15, 2014 using a form to be published by Treasury. The Refund Request shall include information related to the purchased vehicle along with the following information:

- a. Copy of the license issued by the Department of Transportation and Public Works or, in cases where a provisional license was issued, copy of Form SC 2042, "Excise Tax Payment Certification";
- b. Invoice issued by vehicle dealer and
- c. Acquiescence letter recognizing the transfer of the excise tax payment in cases where the vehicle is acquired by direct purchase or financing lease.

Credits

To submit a Credit Request, the Importer Dealer must create a computer file listing its inventory of vehicles eligible for the credit pursuant to TP CC 14-04 and submit it to Treasury no later than December 10, 2014. Submissions must be made either (i) electronically through Treasury's Motor Vehicles System ("MVS") or (ii) if the Importer Dealer is not registered in the MVS, in a CD or USB at the Motor Vehicles Section of the Consumer Tax Bureau at Treasury's Mercantil Plaza Building. The file must follow the technical specifications listed in TP CC 14-04 and must be submitted along with a transmittal letter requesting the credit for the Excise Tax Overpayment.

Upon review, Treasury will notify the Importer Dealer the amount of credit allowed and will issue a confirmation on the tax applicable to each of the vehicles in inventory. Importer Dealers with access to the MVS will have access to such information.

Treasury will give each Importer Dealer a new sticker that will reflect the vehicles' new suggested price. Importer Dealers with access to the MVS will be able to print the vehicles stickers once Treasury confirms and authorizes the same.

You may access TP CC 14-04 (in Spanish) [here](#).

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