

May 23, 2016

## Tax Update

*Governor Vetoes Bill to Repeal the Value Added Tax*

### Veto to Elimination of the VAT

As expected, last Friday the Governor of the Commonwealth of Puerto Rico, with a 7 page explanation of his decision, vetoed the Substitute Bill to HB 2032, HB 2838, HB 2839 and HB 2840. Points raised in favor of his veto include:

1. The current B2B tax is not creditable and constitutes a cost to business and eventually, consumers.
2. The current system is a hybrid SUT/VAT that should be transitioned to the VAT.
3. This additional change has brought more uncertainty on the Puerto Rico tax system.

### Override of the Veto

The House of Representatives is expected to override the Governor's veto as early as today with the Senate similarly acting by Thursday.

As indicated in our previous Legal Updates, until both House and Senate vote to override the Governor's veto, the VAT is set to commence on June 1, 2016.

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