

October 2, 2019

## Tax Update

### *Postponement of Requirement for Commercial Lease's Sales and Use Tax Exemption*

Pursuant to Act 257-2018, also known as the Puerto Rico Tax Reform, in order to enjoy sales and use tax ("SUT") exemption on commercial real property lease payments ("Commercial Lease Exemption"), a lessee must show its landlord evidence of having complied with the requirement of maintaining a fiscal terminal ("Exemption Requirement"). These changes were to be effective on December 10, 2018.

On May 1<sup>st</sup>, 2019, the Puerto Rico Department of the Treasury ("Treasury") issued Administrative Determination No. 19-01 postponing the effective date for the Exemption Requirement until October 1, 2019. Treasury has now issued Administrative Determination No. 19-05 postponing the effectiveness of the Exemption Requirement until June 30, 2020.

Based on the foregoing, by July 1, 2020 all lessees of commercial real property must show evidence of compliance with the Exemption Requirement to their landlord for the Commercial Lease Exemption to apply. Otherwise, commercial lease payments will be subject to SUT.

Treasury is expected to issue additional guidance on the subject.

\*\*\*

This communication is for information purposes only and does not constitute legal advice. This communication may be based on authorities that are subject to change and is not a substitute for professional advice or services. You should consult a qualified professional advisor before taking any action based on the information herein. This communication does not create an attorney-client relationship between Reichard & Escalera LLC and the recipient.

[Unsubscribe](#).



For more information on this Legal Update, please contact:

**Carlos E. Serrano**

[cserrano@reichardescalera.com](mailto:cserrano@reichardescalera.com)

787.777.8815

**Alba I. Joubert Pereira**

[ajoubert@reichardescalera.com](mailto:ajoubert@reichardescalera.com)

787.777.8825

**Ernesto J. Zayas-García**

[ezayas@reichardescalera.com](mailto:ezayas@reichardescalera.com)

787.777.8813