

September 26, 2024

Tax Update

The Puerto Rico Treasury Department Opens a Consultation Process on Pillar Two

On September 23, 2024, the Puerto Rico Treasury Department opened a public consultation process to determine a path forward for the possible implementation of GloBE Rules in Puerto Rico. With this, Treasury seeks additional feedback from stakeholders, private sector organizations, advisors, academics, and the public in general on the impact of the Pillar Two Rules in Puerto Rico. The comment period will close on October 10, 2024.

The GloBE Rules are intended to be incorporated in domestic tax legislation that seek to ensure that multinational entity groups (MNE Groups) with annual revenues of EUR 750 million or more are subject to a minimum level of taxation of 15% regardless of the jurisdictions where they operate. MNE Groups operating in Puerto Rico under tax incentive programs such as Act 135-1997, Act 73-2008 and Act 60-2019, which generally provide for effective tax rates below 15% pursuant to individual tax grants, are bound to be impacted with additional taxation on their Puerto Rico operations.

For the past year, several MNE Groups have been urging the Puerto Rico government to develop a plan to address the impact that the implementation of the Pillar Two Rules in several jurisdictions will have on their Puerto Rico operations and the Puerto Rico industrial development program. Results of such efforts include the filing and approval by the Puerto Rico House of Representatives of House Bill No. [1908](#) and House Bill No. [1574](#), which contemplated the enactment of a covered tax and would have incorporated several qualified refundable tax credits. Neither bill was endorsed by the Puerto Rico Treasury nor considered by the Puerto Rico Senate, prompting the potential for legislation to be considered in an extraordinary session of the Puerto Rico legislature.

This public consultation seems to indicate that inaction is not an option and requests feedback from stakeholders, private sector organizations, advisors, academics, and the public in general on the impact of the Pillar Two Rules in Puerto. Attorneys from our tax and government affairs practices have been actively involved in this process and can help in the process of submitting comments in this process.

You can read the official Puerto Rico Treasury Department communication [here](#).

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