

February 5, 2013 www.mcvpr.com**TAX ALERT*****Bill to Amend the Excise Tax of Act 154-2010***

On February 4, 2013, the García-Padilla Administration, through the House of Representative's majority delegation, introduced House Bill No. 741 ("Bill") to amend Sections 2101 and 2102 of the Puerto Rico Internal Revenue Code of 1994, as amended ("PRIRC"), which impose an excise tax on certain acquisitions by non-resident individuals, corporations or partnerships of products manufactured in Puerto Rico and of services related to said products by entities affiliated with the purchaser ("Excise Tax").

The Bill recognizes that even though the Excise Tax and the source of income rule of Act 154-2010 have been a key source of revenue, the Commonwealth of Puerto Rico continues to experiment a very difficult fiscal and economic situation. The Bill further provides that to implement the García-Padilla Administration's plan to stabilize public finances and steer Puerto Rico in the path to progress and economic growth, it is crucial that the Excise Tax be extended for an additional year at a higher rate.

To this end, the Bill would amend PRIRC Section 2101(b)(4) to provide that the Excise Tax rate for periods beginning after December 31, 2012 and ending on or before December 31, 2017 will be 4%. In other words, the Bill would repeal the declining Excise Tax rates of 2.75% in 2013, 2.5% in 2014, 2.25% in 2015, and 1% in 2016, and substitute them with a fixed 4% Excise Tax rate that would apply for an extra year, until December 31, 2017. In addition, the Bill would amend PRIRC Section 2102 to provide that the deposit of the Excise Tax with the Puerto Rico Treasury Department will be on or before the 13th day of the month following the month of the acquisition of the products or services, rather than by the 15th day of the month. If enacted into law, the Bill will become effective immediately after its approval.

If you have any questions or would like our assistance to submit your comments, you may call any of the following members of our Tax and Tax Exemption groups:

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