

February 1, 2011 www.mcvpr.com**TAX ALERT*****New Puerto Rico Internal Revenue Code Enacted***

On January 31, 2011, Governor Luis G. Fortuño signed Act No. 1 of 2011, enacting a new Internal Revenue Code for Puerto Rico (the "2011 Code") and repealing the Puerto Rico Internal Revenue Code of 1994, as amended ("1994 Code") almost in its entirety.

Unless otherwise expressly provided, the Income Tax provisions under Subtitle A of the 2011 Code are effective for tax years beginning on or after January 1, 2011. Special transition rules govern the dates until which the provisions of Subtitles B (Excise Tax), BB (Sales and Use Tax), C (Estate and Gift Tax), CC (Special Property Tax), D (Alcoholic Beverages Tax), E (Taxpayer's Bill of Rights) and F (Administrative Provisions) of the 1994 Code will apply.

Regulations issued by the Puerto Rico Treasury Department under the 1994 Code, the Puerto Rico Income Tax Act of 1954, the Puerto Rico Excise Tax Act of 1987, the Puerto Rico Estate and Gift Tax Act or the Puerto Rico Alcoholic Beverage Act will continue to govern the interpretation of identical provisions in the 2011 Code, until new regulations are issued.

The 2011 Code will not alter, modify or invalidate any administrative determination, settlement agreement, claim or contract executed pursuant to the 1994 Code, the Puerto Rico Income Tax Act of 1954, the Puerto Rico Excise Tax Act of 1987, or the Puerto Rico Estate and Gift Tax Act in connection with a tax matter related to tax years beginning prior to January 1, 2011.

Taxpayers who have been issued opinions in connection with transactions effective on or after January 1, 2011 should revisit the same to ensure compliance with 2011 Code provisions. During the following days we will be issuing Tax Alerts detailing specific changes brought by the 2011 Code.

For updates on this matter, you may contact the following attorneys, members of our [Tax Practice Group](#):

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