

## Implementation of the Value Added Tax (“VAT”) Postponed until June 1, 2016

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The Secretary of the Treasury Department (“Secretary”) announced yesterday the postponement of the implementation of the value added tax (“VAT”) until June 1, 2016.

A press release issued by the Secretary indicates that the extension for the implementation of the VAT is granted as a result of the multiple requests made by merchants, and also in light of proposals to modify the current tax system that the Executive and the Legislative Assembly are considering. The Secretary further indicated that the Treasury Department is ready to implement the VAT effective as of April 1, 2016, but he acknowledges the need to provide time for a thorough analysis of the tax reform proposals under consideration.

The Secretary will be revising the merchants’ guidelines to establish the new dates for the transition to the VAT. The intention, as expressed by the Secretary, is to ensure that the change takes place in an orderly manner.

The Secretary further highlighted that the 4% sales and use tax (“SUT”) imposed on services rendered between merchants and on designated professional services will continue in force. Regarding the effect on the collection estimates of the SUT/VAT as a consequence of the 60-day extension, the Secretary stated that a portion would be compensated with the actual collections from the 4% SUT on business to business services, which have surpassed the monthly estimates. “We also hope to minimize the impact by expanding and intensifying the inspection strategies that we have been undertaking during the last months,” concluded the Secretary.

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