

September 3, 2009

**ADMINISTRATIVE DETERMINATION NO. 09-06**

**ATTENTION: ALL MERCHANTS HOLDERS OF CERTIFICATES OF EXEMPTION**

**SUBJECT : EXTENSION OF THE EFFECTIVENESS OF CERTIFICATES OF EXEMPTION AND THEIR RENEWAL**

**I. Statement of Motives**

Act No. 7 of March 9, 2009, known as the "Special Act to Declare a State of Fiscal Emergency and to Establish a Comprehensive Fiscal Stabilization Plan to Salvage the Credit of Puerto Rico" (Act No. 7), among other things, amended Section 2502 of the Puerto Rico Internal Revenue Code of 1994, as amended (Code). Section 2502 of the Code contains the provisions pertaining to the certificate of exemption from the Sales and Use Tax (SUT).

Act No. 37 of July 10, 2009 (Act No. 37) amended the provisions of Act No. 7 pertaining to the Code to, among other things, include additional changes to the provisions of Section 2502 of the Code. Said amendment provides new requirements for the granting of the certificates of exemption.

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As a result of said amendments, the Department is considering implementing changes in order to facilitate the processing related to the SUT. Additionally, in view of the high number of certificates of exemption, many of which will soon expire, the Department wishes to establish the process for the renewal of the certificates of exemption.

Therefore, this pronouncement has the purpose of extending the effectiveness of the certificates of exemption with the purpose of allowing an orderly implementation of the changes provided in Section 2502 of the Code and establishing the process for the renewal of the certificates of exemption.

**II. Determination**

The certificates of exemption that have an expiration date on or before October 30, 2009 shall remain in effect until October 31, 2009.

The certificates of exemption that have an expiration date on or after November 1, 2009, shall expire on the last day of the month corresponding to their expiration. That is, if a certificate of exemption expires on November 15, 2009, it

shall be understood that, in accordance with this Administrative Determination, this certificate expires on November 30, 2009, and so on for subsequent months.

It is also established that, as part of the process of renewal of the certificates of exemption, those merchants who acquire taxable items for resale whose business volume is equal to or greater than five hundred thousand dollars (\$500,000) and who are up to date with their tax obligations, shall automatically receive the certificate of exemption.

Merchants holders of certificates of exemption who acquire taxable items for resale, whose business volume is equal to or greater than five hundred thousand dollars (\$500,000) and who are not up to date with their tax obligations, shall receive a notification from the Department of the Treasury (Department) indicating that their tax record reflects some sort of tax noncompliance as well as the type of said noncompliance. The merchants who wish to have a certificate of exemption shall clear up such noncompliance with the Department.

On the other hand, merchants who acquire taxable items for resale whose business volume is less than five hundred thousand dollars (\$500,000) shall apply for a new certificate of exemption by filing Form SC 2914 D ("Application for Certificate of Exemption") together with a copy of the last Statement of Business Volume for all the municipalities in which they do business, and shall be up to date with their tax obligations with the Department. Said merchants will receive a notification informing them whether their records show any tax noncompliance.


Finally, the Department may require that a merchant submit any information or document that it deems necessary during the process of review and issuance of the certificates of exemption.

### **III. Effectiveness**

The provisions of this Administrative Determination shall be effective immediately.

For any clarification or additional information regarding the provisions of this Administrative Determination, you may contact the Sales and Use Tax Bureau at the following telephone numbers: (787) 774-1201, (787) 774-1297, or (787) 774-1626.

Cordially,

  
Juan Carlos Puig  
Secretary of the Treasury