

GOVERNMENT OF PUERTO RICO
DEPARTMENT OF THE TREASURY

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TITLE: Regulation to amend Regulation 7970 of December 29, 2010, titled “Regulation to implement the provisions of Sections 2101, 2102, 2103 and 2104 of Act No. 120 of October 31, 1994, as amended, known as the “Puerto Rico Internal Revenue Code of 1994, as amended”, enacted pursuant to Section 6130 of the Internal Revenue Code of 1994, as amended, which authorizes the Secretary of the Treasury to adopt the Regulations necessary to make effective said Code”.

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STATEMENT OF MOTIVES

Our administration is committed to constantly review the existing tax provisions and ensure that they comply with the legislative intent and are not subject to interpretations contrary to it. For this reason, we believe necessary to adopt this amendment to Regulation No. 7970 in order to provide discretion to the Secretary of the Treasury (“Secretary”) to apply the general rule regarding the determination of the value of personal property and services for purposes of Section 2101(b)(2) of the Puerto Rico Internal Revenue Code of 1994, as amended (“1994 Code”), to manufacturing services related to personal property manufactured in Puerto Rico.

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Article I. Title.

This Regulation shall be known as the “Regulation to amend subparagraph (4) of paragraph (a) of Article 2101(b)-2 of Regulation No. 7970 of December 29, 2010.”

Article II. Legal Grounds.

This amendment is enacted pursuant to Section 6130 of 1994 Code, which authorizes the Secretary to adopt the regulations necessary to implement the provisions of the 1994 Code.

Article III. Purpose.

The purpose of this amendment is to provide discretion to the Secretary to apply the general rule regarding the determination of the value of personal property and services for purposes of Section 2101(b)(2) of the 1994 Code and defined in Reg § 2101(b)-2(a)(1), to manufacturing services related to personal property manufactured in Puerto Rico.

Article IV. Amendments.

Subparagraph (4) of paragraph (a) of Article 2101(b)-2 of Regulation No. 7970 of December 29, 2010 is hereby amended to read as follows:

“(4) Services.- Except as otherwise provided and acknowledged by the Secretary in writing, where a person acquires services from a person that engages in manufacturing services in Puerto Rico the value to be used in determining the tax imposed under Code sec. 2101 is the value of the personal property to which the services relate, and not of the services themselves.”

Article V. Effectiveness.

This regulation will become effective thirty (30) days after its filing in the Department of State, in accordance with the provisions of Act No. 38 of June 30, 2017, as amended, known as “Uniform Administrative Procedure Act of the Government of Puerto Rico” and its provisions shall be effective for, and applicable to, transactions taking place after December 31, 2018.

Approved in San Juan, Puerto Rico, on _____, 2020.

Secretary of the Treasury