

Permanent and Temporary Tax Provisions contained in the “Ley Especial Declarando Estado de Emergencia Fiscal y Estableciendo Plan Integral de Estabilización Fiscal para Salvar el Crédito de Puerto Rico”.

Tax update

The following are the major amendments made to the proposed bill as it relates to tax provisions, before it was signed into law by Governor Luis Fortuño on Monday, March 9, 2009.

Temporary provisions

- a moratorium to the use of certain granted tax credits until tax years commencing after December 31, 2011 (including credits granted under Law 212, Solid Waste Authority, Venture Capital Funds, among others). This moratorium does not apply to Tourism credits or Credits granted pursuant to Law 73 (Industrial Development). This moratorium will not apply to those persons (natural or juridical) that purchased the credits from the person to whom they were granted to before March 4, 2009. The expiration term that may apply to some of the credits will be suspended during the moratorium period and

will start to run again starting on January 1, 2012.

The owner of the credits subject to the moratorium must file an informative return (to be designed by the Secretary of the Treasury) by May 30, 2009 in order to be able to use them once the moratorium period is over.

- a three year moratorium to the granting of new credits pursuant to several laws (including credits granted under Law 212, Solid Waste Authority, Venture Capital Funds, among others). This moratorium does not apply to Tourism credits or Credits granted pursuant to Law 73 (Industrial Development). The final language states that no government agency, public corporation, municipality, or office may evaluate, process, grant or concede any tax credit nor authorize any project or transaction that could generate any of the covered credits.

