

TaxNewsFlash

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Puerto Rico: "Back to school" sales and use tax exemption

The Puerto Rico Treasury Department issued Internal Revenue Circular Letter No. 21-14 (June 16, 2021) to designate the dates for the "back to school" sales and use tax exemption period.

For the fiscal year 2021-2022, the dates for the sales and use tax holiday with regard to school uniforms and school supplies are as follows:

- The first period will begin at midnight on Friday, July 16, 2021, and conclude 11:59 pm on Saturday, July 17, 2021.
- The second period will begin at midnight on Friday, January 7, 2022, and conclude 11:59 pm on Saturday, January 8, 2022.

School uniforms, school supplies defined

Section 4030.20(c)(1) of the Puerto Rico tax code defines the term "school uniform" as clothing specifically required by an educational institution of its students, and that does not have a general or continued use outside the school as a substitute for "ordinary clothes." It also means clothing and footwear that complement one or more parts of the uniform, as specifically required by the educational institution. The term "school uniform" does not include certain items such as belt buckles sold separately, sewing materials, and certain sports equipment, among other items.

Section 4030.20(c)(2) of the Puerto Rico tax code provides that "school supplies" includes school art supplies, school music supplies, and school computer storage media, including discs, compact discs, and flash drives. School supplies are articles commonly used by a student in a course of study. The measures also define school art or music supplies and instructional materials.

Section 4030.20(a) provides that "printed books" are exempt from sales and use tax on a year-round basis. The term "printed books" is defined as any printed, non-periodical unitary publication published once or in intervals, in one or more volumes or installments, of a scientific, cultural or artistic nature, but excluding electronic publications, magazines, and newspapers. In addition, electronic books (e-

books) that are listed as required on an official school or college book list and notebooks (regardless of size) are also exempt from payment of the sales and use tax year-round. An official school or college book list is a list established by an educational institution for its students, detailing the school texts to be used for a particular grade or course.

Purchases made using gift certificates and cards

Articles that qualify for the sales and use tax exemption and purchased during the "back to school" period using a gift certificate or gift card qualify for the exemption, regardless of when the gift certificate or gift card was purchased. Articles purchased after the exemption period using a gift certificate or gift card are taxable even if the gift certificate or gift card was purchased during the exemption period.

The circular letter also addresses: (1) "lay away" plans sales; (2) the use of "rain checks;" (3) internet, phone, email, and mail orders. In general, for the exemption to apply, the purchaser must take possession of the goods during the exemption period.

For more information, contact a KPMG tax professional in Puerto Rico:

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