



JUAN CARLOS PUIG
SECRETARY OF THE TREASURY



December 10, 2010

INFORMATIVE BULLETIN FROM INTERNAL REVENUE NO. 10-14

ATTENTION: ALL TAXPAYERS COVERED BY LAW 154 OF OCTOBER 25, 2010

SUBJECT: PROPOSED REGULATIONS

JCP
Law 154 of October 25, 2010, as amended by Law 157 of October 28, 2010, amended Section 1123 of Subtitle A and added a new Chapter 7 to Subtitle B of the Puerto Rico Internal Revenue Code of 1994. The income source rule in Section 1123 was revised to include additional rules to determine when a nonresident individual or a foreign corporation or partnership is engaged in trade or business in Puerto Rico and deriving income from Puerto Rico sources (the "Income Source Rule"). The new Chapter 7 of Subtitle B includes a new excise tax on the acquisition of certain personal property and services (hereinafter the "Excise Tax"). These amendments to the Puerto Rico Internal Revenue Code of 1994 apply to income realized and acquisitions made after December 31, 2010.

As described in Informative Bulletin 10-13 published on November 30, 2010, the Treasury Department intends to promulgate certain regulations to implement and interpret the Income Source Rule and the Excise Tax. The Treasury Department will adopt regulations with respect to the Income Source Rule and the Excise Tax on or before December 31, 2010, and will request that the Governor certify said regulations for immediate effect pursuant to Section 2.13 of Act No. 170 of August 12, 1988, as amended, known as the Puerto Rico Uniform Administrative Procedures Act. The objective is for the regulations to be in effect on January 1, 2011.

The purpose of this Informative Bulletin is to announce that the proposed regulations relating to the Income Source Rule and the Excise Tax are available for comments. Comments received in English by 5 pm on December 20, 2010, in accordance with the delivery instructions provided below, will be considered in the regulations that will have effect from January 1, 2011. This comment period will be the only comment period afforded prior to the initial adoption of the

regulations and their certification by Governor for immediate effect. Pursuant to Section 2.2 of the Puerto Rico Uniform Administrative Procedure Act, after the Income Source Rule and Excise Tax Regulations become effective on January 1, 2011, the Department of Treasury will grant a 30 day notice and comment period for all interested parties to submit additional comments. Once these 30 days expire, the Department may reissue the regulations if appropriate to include additional amendments.

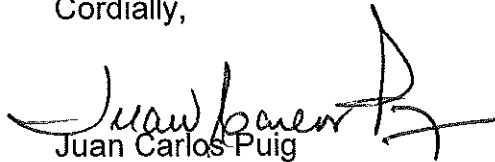
Delivery of Comments

The text of the proposed Income Source Rule Regulations and Excise Tax Regulations are available during working days and hours at the Puerto Rico Treasury Department, Eighth Floor Office 800, Intendente Alejandro Ramírez Building, Stop 1 Paseo Covadonga, San Juan, Puerto Rico. The text of the proposed regulations are also available at the Puerto Rico Treasury Department web page: www.hacienda.gobierno.pr under "Documentos Recientes".

Comments to the proposed regulations must be received:

- (i) in writing,
- (ii) by 5 pm on December 20, 2010,
- (iii) in the English language and
- (iv) either (a) by delivery to Undersecretary of the Treasury, Department of the Treasury, Eighth Floor Office 800, Intendente Alejandro Ramírez Building, Stop 1 Paseo Covadonga, San Juan, Puerto Rico, or (b) by mail to Undersecretary of the Treasury, Puerto Rico Treasury Department, P.O. Box 9024140, San Juan, PR 00902-4140, or (c) by electronic means to balvarez@hacienda.gobierno.pr.

Cordially,


Juan Carlos Puig