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By *CyberNews* on October 4, 2018

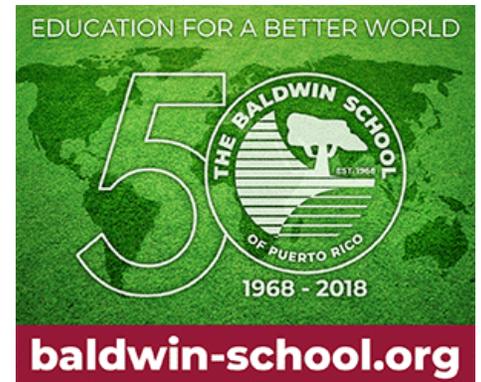


SAN JUAN – The Puerto Rican Chamber of Commerce (CCPR); Retail Trade Association; CPA Society; Chamber of Food Marketing, Industry & Distribution (MIDA); and Products Association, alongside other private organizations and entities joined together Wednesday to “fight” the tax on inventories.

“We all agree this is a really bad tax. It is regressive, harmful and discourages the having the inventories necessary to meet business needs. It took having to live through the experience of [Hurricane] Maria for the people and the government itself to realize it is a harmful tax that puts at risk the guarantee of supplies that companies must have to supply the citizenry in emergencies such as María or in daily life. It has to be eliminated now,” CofC President Kenneth Rivera Robles said in a statement.

He added that “because of how detrimental this tax has turned out to be, we have sent a communication to the Governor and we have drafted a bill that we will present before the Treasury and Municipal Affairs committees of the Legislature, to have companies be exempt from paying tax on the total inventory of movable property. Now we will see who does what for the good of the commercial sector and citizenship.”

Likewise, CPA Society President Cecilia Colón Ouslán emphasized the need to approve a tax reform that results in an equitable system that promotes the economic development and competitiveness of Puerto Rico.





(Courtesy)

"We reiterate the need to consider in haste the approval of a Tax Reform bill that lowers rates to individuals and corporations and eliminates the IVU [Spanish acronym for sales and use tax] in the B2B [business-to-business transactions]. It is also necessary to transform the municipal tax system. A bill that eliminates the inventory tax must be approved, considering other municipal revenue-collection alternatives such as auto-appraisals; a revision of the property tax; the consolidation and simplification of the payment of municipal patents [license fees]; and the optimization of recurring federal funds.

"To replace this tax, mayors can also merge services with other municipalities and thus generate savings, as established by our Study of the CPA Society Foundation, which was updated this year, including –particularly–saving measures for the municipalities so the municipal tax system can be transformed," Colón Ouslán said.

The Retail Trade Association (ACDET by its Spanish initials), which is chaired by Iván Báez, highlighted how the crisis experienced due to the lack of inventory should not be repeated.

"We live on an island with a hurricane season that lasts about five months every year. We have already seen that this tax on inventory ties the hands of the business people, forcing them to almost limit their supply capacity, despite that on many occasions since this harmful tax was imposed on inventory, we have pointed out what could happen in the event of a real emergency.

"Well, the emergency happened and the people suffered the consequences. ACDET has been requesting for more than a year that the elimination of the inventory tax be an integral part of tax reform, analyzing and studying the bill with the legislature, for what is right is that it be part of the reform and not be delayed anymore," Báez said.

Liliana Cubano, the president of the Puerto Rico Products Association, mentioned some of the numbers included in the draft bill. "The lack of availability of inventory is what is known in the industry as 'out of stock,'" she said.

"According to our partners from the firm Professional Market Research, this shortage [of inventory] normally in Puerto Rico can reach 16 percent. In fact, prior to Hurricane Irma, it was an average of 13.89 percent. After Hurricane Maria, it increased to 44 percent. From January to June of this year the lack of supply remained at 23.12 percent, and after that, in the closing now of the month of September, it has remained at an average of 20.35 percent. We have not even been able to reach the highest percentage before Irma, which was 16 percent. This is tragic," Cubano stressed.

The executive added that the inventory tax not only applies to imported products, but also to products made in Puerto Rico. "Eliminating the inventory tax is not only a decision for economic



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development, but is also a moral obligation,” Cubano said.

Another business executive who warned of the tax was Rafael O’Ferrall, president of MIDA, who painted a picture of what the food industry experienced in the aftermath of Hurricane Maria, particularly in supermarkets, where most of the products are imported.

“The lack of supplies caused chaos in many sectors of the population, impacting the lives of the most disadvantaged. If this tax did not exist, supermarkets, wholesalers and distributors could increase warehouse space and create more jobs to help our economy. During the emergency [after Maria], access to adequate means to meet the needs of food and essential items for the people was closed. According to our retailers and wholesalers, if they did not have the burden of the inventory tax, they could increase food supplies from 26 to 43 days, which is equivalent to a 65 percent increase. But, because of the cost of carrying inventory in Puerto Rico, where whether or not the product is sold, you have to pay for it, employers are forced to limit these.”



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