

PRESS RELEASE



Office of the Secretary

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TREASURY REPORTS SIGNIFICANT INCREASE OF \$262 MILLION IN PRELIMINARY REVENUES FOR THE MONTH OF OCTOBER 2013

(San Juan, Puerto Rico) – The Secretary of the Treasury, Melba Acosta Febo, today announced that the preliminary revenues for the month of October 2013 increased by \$262 million compared to October 2012, and were \$856 million in total for the month. Revenues were \$110 million over the budget amount. The revenues accumulated in the first four months of the fiscal year surpassed the amount accumulated during the same period last year by \$350 million, and surpassed estimates by \$120 million. Final closing revenues for October 2013 will be published later this month.

The Secretary indicated that the increase in revenues was mostly attributable to the new revenue measures that were approved earlier this year, such as the revision in the corporate rate taxes and revenues generated by the gross profit tax. Regarding the principal lines of revenues, Acosta Febo pointed out that corporate income tax for the month totaled \$239 million, representing an increase of \$157 million over October of last year. The withholding from non-residents corporations also registered a significant year over year increase of \$153 million. This category includes the tax imposed on royalties for the use of patents in the manufacturing industry's production processes.

Individual income tax declined by \$25 million compared to October of last year. The Secretary noted that this is due to various factors, such as reduced tax rates for the year and a reduction in the public payroll, mostly related to retired employees. The \$22 million decline in excise tax for foreign corporations subject to Act 154 is attributable to the actions of one company to accelerate

certain purchases of merchandise related to certain planning initiatives on its distribution chain last year.

Lastly, with regards to the revenue items related to consumption taxes, the Secretary observed that the excise taxes on alcoholic beverages and cigarettes (the latter having been transferred to the Highway Authority and the AMA) maintained collection levels similar to last year. On the other hand, vehicle excise taxes totaled \$42.8 million, representing an increase of 8.3% compared to last year.

The sales and use tax (SUT) also increased in October, registering an increase of \$8.6 million compared to last year, which equals year over year growth of 9.7%. The Secretary stated that this result, though positive, was below the monthly projection by \$19 million. Acosta Febo emphasized that the Department is analyzing the reasons for this variation and that certain initiatives are being considered to reinforce efforts to increase the capture rate and reduce tax evasion regarding the remittance of the SUT. The measures include the hiring of approximately 30 auditors for the SUT Division (which is already underway); the hiring of 60 additional auditors, some of which will be designated to Treasury's new task of collecting use tax on the ports, effective on December 2013; new referrals to the Justice Department for criminal prosecution of merchants that retain the SUT collected from consumers instead of remitting the tax to the Treasury Department; new audits focused in the changes made by Act 40-2013, including those related to the elimination of the resellers' exemption; sending collection letters and possible civil actions against companies that executed payment plans with Treasury during last year's tax amnesty and then stopped sending the monthly payments; a media campaign focused on tax evasion related to the SUT; and other measures to be announced later on.

Finally, the Secretary stated that the October revenues announced today are preliminary and could change once the accounting cycle is finalized. Treasury will continue to monitor revenues on a daily basis and will continue to implement any necessary corrective measures related to collections in a timely manner.

General Fund Net Revenues
October FY 2013-14
(\$ millions)

Items	Revenues October		Diff.	Estimate October	Revenues vs. Estimate
	2012-13	2013-14			
Total Gross	642.7	904.7	262.0	794.8	109.9
Reserve	(49.0)	(49.0)	0.0	(49.0)	0.0
Total Net	593.7	855.7	262.0	745.8	109.9
Individuals	173.7	148.6	(25.1)	162.5	(13.9)
Corporations	82.2	238.9	156.7	122.4	116.5
Non-resident withholding	27.9	181.3	153.4	176.1	5.2
Sales and Use Tax	0.0	0.0	0.0	0.0	0.0
Property Tax	1.1	1.3	0.2	0.0	1.3
Foreign (Act 154)	176.0	154.5	(21.5)	150.2	4.3
Alcoholic Beverages	25.5	25.3	(0.2)	25.4	(0.1)
Cigarettes	19.6	16.8	(2.8)	17.0	(0.2)
Motor Vehicles	39.5	42.8	3.3	41.2	1.6
Offshore shipments of rum	20.4	24.6	4.2	24.6	0.0
Other	27.8	21.6	(6.2)	26.4	(4.8)

General Fund Net Revenues
Accumulated July-October FY 2013-14
(\$ millions)

Items	Revenues July-October		Diff.	Estimate Jul-Oct.	Revenues vs. Estimate
	2012-13	2013-14			
Total Gross	2,400.7	2,750.5	349.8	2,630.2	120.3
Reserve	(196.0)	(196.0)	0.0	(196.0)	0.0
Total Net	2,204.7	2,554.5	349.8	2,434.2	120.3
Individuals	612.5	563.9	(48.6)	610.6	(46.7)
Corporations	316.2	596.5	280.3	466.8	129.7
Non-resident withholdings	170.4	301.0	130.6	305.8	(4.8)
Sales and Use Tax	0.0	0.0	0.0	0.0	0.0
Property Tax	4.5	8.4	3.9	0.0	8.4
Foreign (Act 154)	622.3	589.5	(32.8)	566.6	22.9
Alcoholic Beverages	87.8	89.1	1.3	89.2	(0.1)
Cigarettes	63.3	54.6	(8.7)	55.0	(0.4)
Motor Vehicles*	118.4	123.5	5.1	113.7	9.8
Offshore shipments of rum	93.0	112.8	19.8	109.0	3.8
Other	116.3	115.2	(1.1)	117.5	(2.3)

* Excludes \$20.0 million for FY 2012-13 and \$25.0 million for FY 2013-14 transferred to the Green Energy Fund.