

Reviewer:	Liquidator:	20	GOVERNMENT OF PUERTO RICO DEPARTMENT OF THE TREASURY	20	Serial Number
Field audited by:		EMPLOYEES OWNED SPECIAL CORPORATION INFORMATIVE INCOME TAX RETURN			
Date ____/____/____					
R M N <div style="border: 1px solid black; width: 100px; height: 15px; display: flex; justify-content: space-around;"> </div>					
Entity's Name Postal Address <div style="text-align: right;">Zip Code</div> Location of Principal Industry or Business - Number, Street, Town <div style="display: flex; justify-content: space-between;"> Type of Principal Industry or Business NAICS Code </div>		TAXABLE YEAR BEGINNING ON _____ AND ENDING ON _____ Employer Identification Number <div style="display: flex; justify-content: space-between;"> Industrial Code Municipal Code </div> Merchant's Registration Number Telephone Number - Extension Date Incorporated Month _____ Day _____ Year _____ Place Incorporated Date of election to operate as Employees Owned Special Corporation: Day _____ / Month _____ / Year _____		<div style="text-align: center;"> <input type="checkbox"/> AMENDED RETURN </div> TAXABLE YEAR: 1 <input type="checkbox"/> CALENDAR 2 <input type="checkbox"/> FISCAL 3 <input type="checkbox"/> 52-53 WEEKS: Taxable year beginning on DAY / MONTH / YEAR and ending on DAY / MONTH / YEAR 4 <input type="checkbox"/> SHORT PERIOD: Beginning on DAY / MONTH / YEAR and ending on month DAY / MONTH / YEAR	
Check the corresponding box, if applicable 1 <input type="checkbox"/> First return 2 <input type="checkbox"/> Last return 3 <input type="checkbox"/> Change of period (See instructions) Extension of Time: <input type="checkbox"/> Yes <input type="checkbox"/> No		Total Forms 480.60 CPT		Receipt Stamp	

Part I Computation of the Net Operating Income	Amount
1. Net operating income (or loss) before adjustments (Part VI, line 56)..... (1)	00
2. Allowable deduction to manufacturing businesses that do not have an exemption under any Industrial or Tax Incentives Act (2)	00
3. Deduction for the creation of new jobs (Submit Schedule ET):	
a) Enter 15% of payroll or total income advances, attributable to the creation of 3 to 5 jobs (3a)	00
b) Enter 20% of payroll or total income advances, attributable to the creation of 6 to 10 jobs (3b)	00
c) Enter 25% of payroll or total income advances, attributable to the creation of 11 or more jobs (3c)	00
d) Enter the applicable deduction (3d)	00
4. Total operating income (or loss) (Subtract lines 2 and 3(d) from line 1)..... (4)	00

Part II Distributable Share per Category	Amount
1. Net long-term capital gain (or loss) on sale or exchange of capital assets (Schedule D Corporation) (1)	00
2. Net short-term capital gain (or loss) on sale or exchange of capital assets (Schedule D Corporation) (2)	00
3. Net gain (or loss) on sale or exchange of substantially all assets dedicated to an activity under Act 78-1993 (Schedule D Corporation) (3)	00
4. Net gain (or loss) on sale or exchange of property used in the business (Schedule D Corporation) (4)	00
5. Net operating income (or loss) of the corporation (Part I, line 4)..... (5)	00
6. Net income (or loss) from partially exempt income (Schedule L (CPT), Part I, line 3)..... (6)	00
7. Eligible distribution of dividends from corporations or profits from partnerships (See instructions)..... (7)	00
8. Charitable contributions..... (8)	00
9. Total (Add lines 1 through 8)..... (9)	00

Part III Credits	Amount
1. Credit for taxes paid to foreign countries, the United States, its states, territories and possessions (Schedule C Corporation) (1)	00
2. Credit for investment in the Capital Investment Fund, Tourism, other funds or direct investment (Schedule Q)..... (2)	00
3. Credit attributable to losses in the Capital Investment Fund or other funds (Schedule Q) (3)	00
4. Credit for tax withheld at source from Industrial Development dividends (Act No. 8 of 1987) (4)	00
5. Other credits not included on the preceding lines (See instructions) (5)	00
6. Credit for the purchase of tax credits (See instructions) (6)	00
7. Total tax credits (Add lines 1 through 6) (7)	00

Part IV Withholdings	Amount
1. Tax withheld at source on eligible distributions of profits or dividends..... (1)	00
2. Tax withheld at source (Form 480.6B, 480.6C or 480.6SP)..... (2)	00
3. Total (Add lines 1 and 2)..... (3)	00

OATH

I, the undersigned (president, vice-president, treasurer, assistant treasurer, or other principal or finance officer of the corporation for which this Employees Owned Special Corporation Informative Tax Return is made), declare under penalty of perjury, that this return (including schedules and statements attached) has been examined by me, and to the best of my knowledge and belief, is a true, correct and complete return, made in good faith, pursuant to the Puerto Rico Internal Revenue Code of 2011, as amended, and the Regulations thereunder.

_____ Authorized Officer's Name and Title	_____ Authorized Officer's Signature	_____ Date
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Specialist's Use Only

I declare under penalty of perjury that this return (including schedules and statements attached) has been examined by me, and to the best of my knowledge and belief is a true, correct and complete return. The declaration of the person that prepares this return is with respect to the information received and this information may be verified.

Specialist's name (Print)	Registration No. 	Firm's name
Specialist's signature	Date 	Check if self-employed Specialist <input type="checkbox"/> Address <div style="text-align: right;">Zip Code</div>

NOTE TO TAXPAYER

Indicate if you made payments for the preparation of your return: ☐ Yes ☐ No. If you answered "Yes", require the Specialist's signature and registration number.

Retention Period: Ten (10) years

Part V Determination of the Gross Operating Income		
1. Net sales.....	(1)	00
2. Less: Cost of goods sold or direct costs of production (From Part VII, line 7)	(2)	00
3. Gross profit (or loss) on sale of goods or products (Subtract line 2 from line 1) (Gross profit margin percentage: 2019 _____ % 2020 _____ % See instructions)	(3)	00
4. Gain (or loss) from the sale or exchange of property used in business	(4)	00
5. Rent	(5)	00
6. Interests	(6)	00
7. Commissions	(7)	00
8. Miscellaneous income	(8)	00
9. Total gross income (Add lines 3 through 8)	(9)	00
Part VI Deductions and Net Operating Income		
A. Deductions that must be reported on informative returns:		
1. Compensation to directors	(1)	00
2. Compensation to officers	(2)	00
3. Salaries, commissions and bonuses to employees (See instructions)	(3)	00
4. Salaries paid to young university students (Total \$ _____) Internship Program of the Department of the Treasury (Total \$ _____)	(4)	00
5. Payments for services rendered in Puerto Rico (See instructions)	(5)	00
6. Payments for services rendered outside of Puerto Rico (See instructions)	(6)	00
7. Services subcontracted.....	(7)	00
8. Lease, rent and fees paid (See instructions) (Personal \$ _____) (Real \$ _____)	(8)	00
9. Insurance premiums (Except contributions to health or accident plans) (See instructions)	(9)	00
10. Telecommunication services	(10)	00
11. Internet and cable or satellite television services	(11)	00
12. Bundles (See instructions)	(12)	00
13. Advertising	(13)	00
14. Royalties	(14)	00
15. Payments for virtual and technological tools and other subscriptions	(15)	00
16. Professional associations fees and memberships paid for the benefit of employees	(16)	00
17. Homeowners association fees	(17)	00
18. Payments for judicial or extrajudicial indemnification	(18)	00
19. Certain other expenses (See instructions)	(19)	00
20. Subtotal (Add lines 1 through 19)	(20)	00
B. Deductions not reported on informative returns:		
21. Interests on business debts: Mortgages \$ _____ Automobiles leases \$ _____ and Others \$ _____	(21)	00
22. Taxes, patents and licenses:		
(a) Property tax: (Personal \$ _____) (Real \$ _____)	(22a)	00
(b) Other taxes: Patents \$ _____ Licenses \$ _____ Others \$ _____	(22b)	00
(c) State Insurance Fund Policy	(22c)	00
(d) Sales and use tax	(22d)	00
23. Depreciation and amortization (Submit Schedule E No. _____ of _____)	(23)	00
24. Depreciation for businesses with volume of \$3,000,000 or less (Submit Schedule E1 No. _____ of _____)	(24)	00
25. Electric power	(25)	00
26. Water and sewage	(26)	00
27. Contributions to health or accident plans	(27)	00
28. Social Security tax (FICA)	(28)	00
29. Unemployment tax	(29)	00
30. Contributions to qualified pensions plans (See instructions. Submit Form AS 6042.1)	(30)	00
31. Deduction for employers who employ handicapped persons (See instructions)	(31)	00
32. Subtotal (Add lines 21 through 31)	(32)	00

Retention Period: Ten (10) years

Part VI Deductions and Net Operating Income (Continued)**C. Other deductions: Indicate the deductions that were validated with an Agreed Upon Procedures Report ("AUP")**

33. Automobile expenses (Mileage _____) (See instructions)	AUP <input type="radio"/> (33)	00
34. Other motor vehicle expenses (See instructions)	AUP <input type="radio"/> (34)	00
35. Repairs and maintenance	AUP <input type="radio"/> (35)	00
36. Travel expenses (Total expenses \$ _____)	AUP <input type="radio"/> (36)	00
37. Meal and entertainment expenses (Total expenses \$ _____) (See instructions)	AUP <input type="radio"/> (37)	00
38. Materials and office supplies	AUP <input type="radio"/> (38)	00
39. Materials used directly in the trade or business	AUP <input type="radio"/> (39)	00
40. Stamps, vouchers and fees	AUP <input type="radio"/> (40)	00
41. Postage and shipping charges	AUP <input type="radio"/> (41)	00
42. Uniforms	AUP <input type="radio"/> (42)	00
43. Parking and toll	AUP <input type="radio"/> (43)	00
44. Office expenses	AUP <input type="radio"/> (44)	00
45. Bank fees	AUP <input type="radio"/> (45)	00
46. Bad debts	AUP <input type="radio"/> (46)	00
47. Contributions to educational contributions accounts for the employee's beneficiaries (See instructions)	AUP <input type="radio"/> (47)	00
48. Expenses incurred or paid to stockholders, persons or related entities outside of Puerto Rico (See instructions) (Total \$ _____)	AUP <input type="radio"/> (48)	00
49. Deduction for expenses incurred or paid to stockholders, persons or related entities, fully deductible (See instructions)	AUP <input type="radio"/> (49)	00
50. Losses from fires, storms, other casualties, or theft (See instructions)	AUP <input type="radio"/> (50)	00
51. Management fees	AUP <input type="radio"/> (51)	00
52. Expenses in property leased to the Puerto Rico Industrial Development Company or Warehouse of the Puerto Rico Trade and Export Company (See instructions)	AUP <input type="radio"/> (52)	00
53. Other deductions	AUP <input type="radio"/> (53)	00
54. Subtotal (Add lines 33 through 53)	(54)	00
55. Total deductions (Add lines 20, 32 and 54)	(55)	00
56. Net operating income (or loss) (Subtract line 55, Part VI from line 9, Part V. Transfer to Part I, line 1)	(56)	00

Part VII Cost of Goods Sold

1. Inventory at the beginning of the year 1 <input type="checkbox"/> "C" 2 <input type="checkbox"/> "C" o "MV"	(1)	00
2. Purchase of materials or merchandise	(2)	00
3. Direct wages	(3)	00
4. Other direct costs (From Part VIII, line 17)	(4)	00
5. Cost of goods available for sale (Add lines 1 through 4)	(5)	00
6. Less: Inventory at the end of the year 1 <input type="checkbox"/> "C" 2 <input type="checkbox"/> "C" o "MV"	(6)	00
7. Total cost of goods sold or direct costs of production (Subtract line 6 from line 5. Transfer to Part V, line 2)	(7)	00

Part VIII Other Direct Costs

Item	Amount	Item	Amount
1. Salaries, wages and bonuses	(1) 00	11. Water and sewage	(11) 00
2. Social security tax (FICA)	(2) 00	12. Rent	(12) 00
3. Unemployment tax	(3) 00	13. Packing products expenses	(13) 00
4. State Insurance Fund Premiums	(4) 00	14. Meals expenses paid to production employees (Total \$ _____)	(14) 00
5. Contributions to health or accident plans	(5) 00	15. Depreciation (Submit Schedule E No. ____ of ____ or Schedule E1 No. ____ of ____)	(15) 00
6. Insurances premiums (Except contributions to health or accidents plans)	(6) 00	16. Other direct costs (Submit detail)	(16) 00
7. Excise taxes / Use taxes	(7) 00	17. Total other direct costs (Add lines 1 through 16. Transfer to Part VII, line 4)	(17) 00
8. Sales and use tax on imports	(8) 00		
9. Repairs and maintenance	(9) 00		
10. Electric power	(10) 00		

Retention Period: Ten (10) years

Part IX Comparative Balance Sheet

Assets	Beginning of the year		Ending of the year	
		Total		Total
1. Cash on hands and in bank (1)		00	(1)	00
2. Accounts receivable (2)	00		(2)	00
3. Less: Reserve for bad debts (3)	(00)	00	(3) (00)	00
4. Inventories (4)		00	(4)	00
5. Other current assets (5)		00	(5)	00
6. Notes receivable (6)		00	(6)	00
7. Investments (7)		00	(7)	00
8. Depreciable assets (8)	(00)		(8) (00)	
9. Less: Reserve for depreciation (9)	00	00	(9)	00
10. Land (10)		00	(10)	00
11. Other assets (11)		00	(11)	00
12. Total Assets (12)		00	(12)	00
Liabilities and Net Worth				
Liabilities				
13. Accounts payable (13)	00		(13)	00
14. Accrued expenses (not paid) (14)	00		(14)	00
15. Other current liabilities (15)	00		(15)	00
16. Long-term notes payable (16)	00		(16)	00
17. Other long-term liabilities (17)	00		(17)	00
18. Total Liabilities (18)		00	(18)	00
Net worth				
19. Collective Reserve Account (19)	00		(19)	00
20. Social Fund Account (20)	00		(20)	00
21. Internal Capital Account (21)	00		(21)	00
22. Total Net Capital (22)		00	(22)	00
23. Total Liabilities and Net Worth (23)		00	(23)	00

Part X Reconciliation of Net Income (or Loss) per Books with Net Taxable Income (or Loss) per Return

1. Net income (or loss) per books (1)	00	5. Income recorded on books this year not included on this return (Itemize, use schedule if necessary)	
2. Taxable income not recorded on books this year (Itemize, use schedule if necessary)		(a) Exempt interests from credit notices for productivity and patronage \$	
(a) \$		(b) Credit notices credited to the internal capital account \$	
(b) \$		(c) \$	
(c) \$		(d) \$	
(d) \$		(e) \$	
(e) \$		(f) \$	
(f) \$		(g) \$	
Total (2)	00	(h) \$	
3. Expenses recorded on books this year not claimed on this return (Itemize, use schedule if necessary)		(i) \$	
(a) Meal and entertainment (amount not deductible) \$		Total (5)	00
(b) Depreciation \$		6. Deductions on this tax return not charged against book income this year (Itemize, use schedule if necessary)	
(c) Vessels, airships and property located outside of P.R. \$		(a) Depreciation \$	
(d) Expenses incurred or paid to stockholders, persons or related entities (amount not deductible) \$		(b) \$	
(e) Travel and lodging expenses (amount not deductible) \$		(c) \$	
(f) Indemnification for harassment and related costs \$		(d) \$	
(g) \$		(e) \$	
(h) \$		(f) \$	
(i) \$		(g) \$	
(j) \$		(h) \$	
Total (3)	00	(i) \$	
4. Total (Add lines 1 through 3) (4)	00	Total (6)	00
		7. Total (Add lines 5 and 6) (7)	00
		8. Net taxable income (or loss) per return (Subtract line 7 from line 4) (Same as line 9, Part II) (8)	00

Retention Period: Ten (10) years

Part XI Analysis of Capital Accounts per Books

		Collective Reserve	Social Fund	Internal Capital	Total
1. Balance at the beginning of the year	(1)	00	00	00	00
2. Net income (or loss)	(2)	00	00	00	00
3. Increases:					
a) Members contributions	(3a)	00	00	00	00
b) Others	(3b)	00	00	00	00
4. Decreases:					
a) Housing financing programs	(4a)		00	00	00
b) Contributions	(4b)		00	00	00
c) Property	(4c)	00			00
d) Others	(4d)	00	00	00	00
e) Permanent improvements	(4e)	00			00
5. Distribution of credit notices for productivity and patronage	(5)			00	00
6. Balance at end of the year	(6)	00	00	00	00

Part XII Questionnaire

		YES	NO	N/A			YES	NO	N/A
1. Did the Employees Owned Special Corporation keep any part of its records on a computerized system during this year?	(1)				8. If the entity is not a member of a related group of entities, is the volume of business of the entity equal to or greater than \$3,000,000 but less than \$10,000,000?	(8)			
2. The Employees Owned Special Corporation books are in care of: Name: _____ Address: _____ E-mail: _____ Telephone: _____					(a) Do you include audited financial statements or agreed-upon procedures signed by a CPA licensed in Puerto Rico, as established in Section 1061.15(a)(3) of the Code?	(8a)			
3. Indicate if the corporation had partially exempt income under the following acts: <input type="checkbox"/> Act No. 52 of 1983 <input type="checkbox"/> Act No. 8 of 1987 <input type="checkbox"/> Act 78-1993 <input type="checkbox"/> Other: _____					Number of the CPA Association Stamp _____				
4. Indicate if this year you elected an exemption provided by: <input type="checkbox"/> Act No. 52 of 1983 <input type="checkbox"/> Act No. 8 of 1987 <input type="checkbox"/> Act 78-1993 <input type="checkbox"/> Other: _____					9. Did the Employees Owned Special Corporation claim deductions for expenses connected with:				
5. Indicate accounting method used: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Other (Specify): _____					(a) Vessels?	(9a)			
6. Did the corporation file the following documents? (a) Informative Returns (See instructions)	(6a)				(b) Housing?	(9b)			
(b) Withholding Statement (Form 499R-2/W-2PR)	(6b)				(c) Employees attending conventions or meetings outside Puerto Rico or the United States?	(9c)			
7. Is the volume of business of the entity or aggregated volume of business of the group of related entities, if the entity is a member of said group, \$10,000,000 or more? (See instructions)	(7)				10. Did the corporation has earnings or profits related to periods when it was not an Employees Owned Special Corporation, or received in liquidations or reorganizations?	(10)			
(a) Do you include audited financial statements, as established in Section 1061.15 of the Code? (See instructions)	(7a)				Enter the amount: _____				
Number of the CPA Association Stamp _____					11. Did the Employees Owned Special Corporation distribute profits during the taxable year?	(11)			
(b) Do you include Schedule PCI - Uncertain Tax Positions?	(7b)				12. Is the Employees Owned Special Corporation a member of other Employees Owned Special Corporation?	(12)			
(c) If the entity is a member of a related group of entities and the volume of business is not greater than \$1,000,000, do you include audited financial statements or agreed-upon procedures signed by a CPA licensed in Puerto Rico, as established in Section 1061.15(a)(5)(A) of the Code?	(7c)				Name: _____				
Number of the CPA Association Stamp _____					Employer identification number: _____				
					Indicate the proportion: _____				
					13. Enter the amount of exempt interests: _____				
					14. Did the corporation made charitable contributions to municipalities?	(14)			
					Enter the amount: _____				
					15. Enter the amount of members: _____				
					16. Number of new jobs: _____				

Retention Period: Ten (10) years

Rev. 03.21



20_

Taxable year beginning on _____, _____ and ending on _____, _____

Employer Identification Number

[illegible]

Rev. 03.21



Type of Industry or Business_____

Taxable year beginning on _____, _____ and ending on _____, _____

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Taxpayer's Name

Employer Identification Number

[illegible]

Schedule L (CPT)

Rev. 03.21



PARTIALLY EXEMPT INCOME

20__

Taxable year beginning on _____, ____ and ending on _____, ____

Entity's Name

Case Number

Employer Identification Number

Partially Exempt Income (Check one):

☐

Act No. 52 of 1983

☐

Act 78-1993

☐

Other: _____

☐

Act No. 47 of 1987

☐

Act 225-1995

Part I

Net Income (or Loss)

1. Net operating income (or loss) for the year (Part III, line 56)	(1)		00
2. Exempt amount - _____ %	(2)		00
3. Net income (or loss) from partially exempt activities (Subtract line 2 from line 1. Enter here and in Part II, line 6 of the return)	(3)		00

Part II

Gross Profit on Sales or Production and Other Income

1. Net sales	(1)		00
2. Less: Cost of goods sold or direct costs of production (From Part IV, line 7)	(2)		00
3. Gross profit (or loss) on sales or production (Subtract line 2 from line 1) (Gross profit margin percentage: 2019 _____ % 2020 _____ %. See instructions)	(3)		00
4. Capital assets gain (or loss) (Schedule D Corporation)	(4)		00
5. Gain (or loss) from the sale of property other than capital assets (Schedule D Corporation)	(5)		00
6. Interests	(6)		00
7. Other income (Submit detail)	(7)		00
8. Total gross income (Add lines 3 through 7)	(8)		00

Part III

Deductions and Net Operating Income

A. Deductions that must be reported on informative returns:

1. Compensation to directors	(1)		00
2. Compensation to officers	(2)		00
3. Salaries, commissions and bonuses to employees (See instructions)	(3)		00
4. Salaries paid to young university students (Total \$ _____) Internship Program of the Department of the Treasury (Total \$ _____)	(4)		00
5. Payments for services rendered in Puerto Rico (See instructions)	(5)		00
6. Payments for services rendered outside of Puerto Rico (See instructions)	(6)		00
7. Services subcontracted	(7)		00
8. Lease, rent and fees paid (See instructions) (Personal \$ _____) (Real \$ _____)	(8)		00
9. Insurance premiums (Except contributions to health or accident plans) (See instructions)	(9)		00
10. Telecommunication services	(10)		00
11. Internet and cable or satellite television services	(11)		00
12. Bundles (See instructions)	(12)		00
13. Advertising	(13)		00
14. Royalties	(14)		00
15. Payments for virtual and technological tools and other subscriptions	(15)		00
16. Professional associations fees and memberships paid for the benefit of employees	(16)		00
17. Homeowners association fees	(17)		00
18. Payments for judicial or extrajudicial indemnification	(18)		00
19. Certain other expenses (See instructions)	(19)		00
20. Subtotal (Add lines 1 through 19)	(20)		00

B. Deductions not reported on informative returns:

21. Interests on business debts: Mortgages \$ _____ Automobiles leases \$ _____ and Others \$ _____	(21)		00
22. Taxes, patents and licenses:			
(a) Property tax: (Personal \$ _____) (Real \$ _____)	(22a)		00
(b) Other taxes: Patents \$ _____ Licenses \$ _____ Others \$ _____	(22b)		00
(c) State Insurance Fund Policy	(22c)		00
(d) Sales and use tax	(22d)		00
23. Depreciation and amortization (Submit Schedule E No. _____ of _____)	(23)		00
24. Depreciation for businesses with volume of \$3,000,000 or less (Submit Schedule E1 No. _____ of _____)	(24)		00
25. Electric power	(25)		00
26. Water and sewage	(26)		00
27. Contributions to health or accident plans	(27)		00
28. Social Security tax (FICA)	(28)		00
29. Unemployment tax	(29)		00
30. Contributions to qualified pensions plans (See instructions. Submit Form AS 6042.1)	(30)		00
31. Deduction for employers who employ handicapped persons (See instructions)	(31)		00
32. Subtotal (Add lines 21 through 31)	(32)		00

Retention Period: Ten (10) years

Part III Deductions and Net Operating Income (Continued)**C. Other deductions: Indicate the deductions that were validated with an Agreed Upon Procedures Report ("AUP")**

33. Automobile expenses (Mileage _____) (See instructions)	AUP <input type="radio"/> (33)	00
34. Other motor vehicle expenses (See instructions)	AUP <input type="radio"/> (34)	00
35. Repairs and maintenance	AUP <input type="radio"/> (35)	00
36. Travel expenses (Total expenses \$ _____)	AUP <input type="radio"/> (36)	00
37. Meal and entertainment expenses (Total expenses \$ _____) (See instructions)	AUP <input type="radio"/> (37)	00
38. Materials and office supplies	AUP <input type="radio"/> (38)	00
39. Materials used directly in the trade or business	AUP <input type="radio"/> (39)	00
40. Stamps, vouchers and fees	AUP <input type="radio"/> (40)	00
41. Postage and shipping charges	AUP <input type="radio"/> (41)	00
42. Uniforms	AUP <input type="radio"/> (42)	00
43. Parking and toll	AUP <input type="radio"/> (43)	00
44. Office expenses	AUP <input type="radio"/> (44)	00
45. Bank fees	AUP <input type="radio"/> (45)	00
46. Bad debts	AUP <input type="radio"/> (46)	00
47. Contributions to educational contributions accounts for the employee's beneficiaries (See instructions)	AUP <input type="radio"/> (47)	00
48. Expenses incurred or paid to stockholders, persons or related entities outside of Puerto Rico (See instructions) (Total \$ _____)	AUP <input type="radio"/> (48)	00
49. Deduction for expenses incurred or paid to stockholders, persons or related entities, fully deductible (See instructions)	AUP <input type="radio"/> (49)	00
50. Losses from fires, storms, other casualties, or theft (See instructions)	AUP <input type="radio"/> (50)	00
51. Management fees	AUP <input type="radio"/> (51)	00
52. Expenses in property leased to the Puerto Rico Industrial Development Company or Warehouse of the Puerto Rico Trade and Export Company (See instructions)	AUP <input type="radio"/> (52)	00
53. Other deductions	AUP <input type="radio"/> (53)	00
54. Subtotal (Add lines 33 through 53)	(54)	00
55. Total deductions (Add lines 20, 32 and 54)	(55)	00
56. Net operating income (or loss) (Subtract line 55, Part III from line 8, Part II. Transfer to Part I, line 1)	(56)	00

Part IV Cost of Goods Sold

1. Inventory at the beginning of the year 1 <input type="checkbox"/> "C" 2 <input type="checkbox"/> "C" o "MV"	(1)	00
2. Purchase of materials or merchandise	(2)	00
3. Direct wages	(3)	00
4. Other direct costs (From Part V, line 17)	(4)	00
5. Cost of goods available for sale (Add lines 1 through 4)	(5)	00
6. Less: Inventory at the end of the year 1 <input type="checkbox"/> "C" 2 <input type="checkbox"/> "C" o "MV"	(6)	00
7. Total cost of goods sold or direct costs of production (Subtract line 6 from line 5. Transfer to Part II, line 2)	(7)	00

Part V Other Direct Costs

Item	Amount	Item	Amount
1. Salaries, wages and bonuses	(1) 00	11. Water and sewage	(11) 00
2. Social security tax (FICA)	(2) 00	12. Rent	(12) 00
3. Unemployment tax	(3) 00	13. Packing products expenses	(13) 00
4. State Insurance Fund Premiums	(4) 00	14. Meals expenses paid to production employees (Total \$ _____)	(14) 00
5. Contributions to health or accident plans	(5) 00	15. Depreciation (Submit Schedule E No. ____ of ____ or Schedule E1 No. ____ of ____)	(15) 00
6. Insurances premiums (Except contributions to health or accidents plans)	(6) 00	16. Other direct costs (Submit detail)	(16) 00
7. Excise taxes / Use taxes	(7) 00	17. Total other direct costs (Add lines 1 through 16. Transfer to Part IV, line 4)	(17) 00
8. Sales and use tax on imports	(8) 00		
9. Repairs and maintenance	(9) 00		
10. Electric power	(10) 00		

Retention Period: Ten (10) years



Rev. 09.22

Government of Puerto Rico
Department of the Treasury

EMPLOYEES OWNED SPECIAL CORPORATION INFORMATIVE RETURN FORM 480.20(CPT)

GENERAL INSTRUCTIONS

WHO MUST FILE THIS RETURN?

Every corporation or partnership engaged in industry or business in Puerto Rico that has chosen the benefits of a Special Corporation Owned by Workers must file a return for income earned during the corresponding taxable year.

WHEN AND WHERE IT MUST BE FILED?

This return must be filed no later than the 15th day of the third month following the close of the corporation's taxable year. However, as established in Administrative Determination No. 21-03, for taxable year 2020, any entity that files its return based on a calendar year, or that is required to file its return no later than March 15, 2021, will have until Thursday, April 15, 2021 to submit it.

As established in the Internal Revenue Informative Bulletin No. 20-04 of February 7, 2020, the return must be filed in paper format at the Department of the Treasury, Returns Processing Bureau, located at 10 Paseo Covadonga, Parada 1, Edificio Intendente Ramírez, San Juan or sent by mail to the following address:

DEPARTMENT OF THE TREASURY
PO BOX 9022501
SAN JUAN PR 00902-2501

It can also be delivered to any Collections Office.

AUTOMATIC EXTENSION OF TIME TO FILE THE RETURN

An automatic extension of six (6) months will be granted to file the return if it is requested no later than the date prescribed to file it. The request will be filed electronically using Form AS 2644 by accessing the account of the Pass-Through Entity through SURI.

For additional information on the electronic filing process of the Automatic Extension Request for taxable year 2020, refer to Internal Revenue Circular Letter No. 21-09 of March 17, 2021.

COLUMN OF CENTS

While completing the tax return, the column of cents will not be used. **It is important to remind you that is not about rounding to the nearest dollar, but about eliminating the cents. See the following example:**

$\$480.90 = \480

$\$475.25 = \475

TAXPAYER'S ASSISTANCE

For additional information on the technical content of this brochure or to clarify any doubts, please call **(787)622-0123, option 8.**

INSTRUCTIONS TO COMPLETE THE RETURN

HEADING OF THE RETURN

You must indicate the beginning and ending date of the taxable year in the space provided in the heading under the title of the return. In the Taxable Year box, select the corresponding alternative. In the case of a year of 52-53 weeks, you must enter the date on which said taxable year begins and ends in the space provided for it. Likewise, in the event that the entity files a return for a period of less than twelve months, it must select the "Short Period" option and include the date on which said taxable year begins and ends.

Enter in the corresponding space the name, mailing address, employer identification number and merchant registration number of the corporation. **Your employer identification number is essential to process the return.**

Enter the exact address where the main business or industry is located and the telephone number, as well as the date and place of incorporation in the corresponding box.

Report the nature of the trade or business in terms of its main commercial activity and the corresponding NAICS Code, as indicated on your Merchant's Registry.

Select in the corresponding box if it is the first or the last return you are filing and if you have requested a change in period during the taxable year.

Enter in the corresponding box the number of Forms 480.6 CPT that are included with the return. You must include with the return a copy of Forms 480.6 CPT delivered to each of the members.

PART I - COMPUTATION OF THE NET OPERATING INCOME

Line 2 - Allowable deduction to manufacturing businesses that do not have an exemption under any Industrial or Tax Incentives Act

The Employees Owned Special Corporation engaged in manufacturing business that do not have a tax exemption under any Industrial or Tax Incentives acts, will be granted one of the following deductions:

- 1) those Employees Owned Special Corporation whose net income not assigned to the Collective Reserve Account and to the Social Fund and which in turn has not been capitalized, exceeds \$200,000, and that has maintained a job or job position for ordinary members average of twenty or more persons during said taxable year, may deduct the first \$40,000 of said income from the Credit Notices for

Productivity and Sponsorship proportionally distributed to their ordinary and extraordinary members, who have not been capitalized, as applicable, so that said amount may be totally exempt from the payment of income tax; or

- 2) that Employees Owned Special Corporation that in any taxable year generates a total net income less than \$20,000 per job or work position for ordinary production members, may claim a deduction equivalent to the 15% of their payroll or total profit advances of production up to a maximum of 50% of the Credit Notices for Productivity and Sponsorship distributed during the taxable year to its ordinary and extraordinary members, as applicable.

Line 3 - Deduction for the creation of new jobs

To claim this deduction you must include Schedule ET (List of Salaries or Income Advances Earned for Ordinary Members During the Taxable Year), detailing the name of the employee or ordinary member, date on which started in the position, the classification and the salary or income advance earned during said taxable year.

Lines 3(a), 3(b) and 3(c) - Enter the deduction to which the Employees Owned Special Corporation is entitled according to the number of new jobs created.

To enjoy this annual deduction, the Employees Owned Special Corporation must maintain the level of jobs or work positions for ordinary members, and the payroll or total average earnings advances existing profit during the previous taxable year, as applicable.

PART II - DISTRIBUTABLE SHARE PER CATEGORY

Enter the amount derived from each activity and the corresponding tax withheld, if any. The Employees Owned Special Corporations do not have the option of treating the income items indicated on lines 1 through 7 of this Part II as ordinary income.

Line 1 - Net long term capital gain (or loss) on sale or exchange of capital assets

Enter the gain or loss derived from the sale or exchange of capital assets held by the corporation more than one (1) year.

Line 2 - Net short term capital gain (or loss) on the sale or exchange of capital assets

Enter the gain or loss derived from the sale or exchange of capital assets held by the corporation for one (1) year or less.

Line 5 - Net operating income (or loss) of the corporation

Enter the net income or loss from the operations of the eligible activities. Do not include the gains or losses from lines 1, 2, 3, 4, 6, 7 and 8 of Part II.

Line 6 - Net income (or loss) from partially exempt income

Enter on this line the sum of the net operating income or loss covered under Act 52 of 1983, Act 78 - 1993 or Act 225 - 1995 or any other act under which the corporation is covered. Add lines 3 of Part I of all Schedules L (CPT) included in the return.

Line 7- Eligible distribution of dividends from corporations or profits from partnerships

Enter the dividends received by the special corporation from eligible distributions as defined in Section 1023.06(c) of the Puerto Rico Internal Revenue Code of 2011, as amended ("Code"), according to their distributable share. The distributable share of the corresponding 10% of tax withheld must be informed on line 1, Part IV.

Nevertheless, the distributive share which consisting of dividends or profits subject to the provisions of Section 1023.06 of the Code in the hands of the special corporation, will not retain its character of eligible distribution under said Section when the member is not himself an eligible person, as defined in Section 1023.06(d) of the Code.

PART III - CREDITS

On March 7, 2017, the Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF") issued Administrative Order No. OA-2017-01 ("OA-2017-01") through which it created the Authorization of Disbursements and Tax Concessions ("CADCC") to which it granted certain authorizations regarding the evaluation and granting of tax credits and delegated the responsibility of establishing limitations regarding the use and availability of the tax credits granted. In addition, OA-2017-01 ordered the Secretary of the Treasury ("Secretary") to make an inventory of the tax credits granted and to require the holders of tax credits to report the amount granted thereof, in the manner that the Secretary established for such purposes. The administrative order also establishes that the holder of credits that does not show evidence issued by the Secretary of compliance with the information requirement, may not claim said tax credits.

For such purposes, on April 20, 2017, the Department of the Treasury ("Department") issued the Informative Bulletin of Internal Revenue No. 17-08 to notify that the requirement to carry out the inventory of tax credits would be fulfilled through the electronic filing of the Form 480.71 "Information Return on Possession of Tax Credits" ("Form 480.71") and established that the requirement imposed by AAFAF to submit evidence of compliance with the information requirement in order to claim the tax credit, would be fulfilled through the electronic filing of

Form 480.71. Therefore, in order to claim a tax credit that has been granted and available as of April 19, 2017, it must be included in Form 480.71 that the holder of the credit submitted to the Department.

On July 2, 2018, the AAFAF, through Administrative Order No. OA-2018-10 ("OA-2018-10"), repealed OA-2017-01 and prospectively left the CADCC without effect. For such purposes, Section 1051.15(b)(1) of the Code provides that, for taxable years beginning after December 31, 2017, the tax credits will not be subject to the limitations provided in the resolutions issued by the CADCC during their existence. Therefore, they will be subject only to the rules of use established in the special law under which the tax credit is granted and the applicable provisions of the Code. However, the credits covered under Section 1051.12(a)(4), (5) and (7) of the Code will be subject to the limitation of use provided in Section 1051.13 of the Code.

However, OA-2018-10 establishes that the Secretary will continue to carry out and maintain the inventory of all tax credits and maintains in force the requirement of OA 2017-01 that the holder of credits must show evidence issued by the Secretary of the compliance with the information requirement to be able to claim a tax credit.

Every Employees Owned Special Corporation that reports to its members the attributable participation of a tax credit granted as of April 19, 2017 (even if it was purchased after said date), in addition to the evidence of the credit that must be submitted together with the Informative Return, as indicated in the specific instructions of each credit, must accompany with your Informative Return a copy of Form 480.71 duly filed with the Department.

Line 1 - Credit for taxes paid to foreign countries, the United States, its states territories and possessions

Use Schedule C Corporation to determine the credit for the deductible proportion of taxes paid to the United States, its states, possessions and foreign countries. For more information on how to complete Schedule C Corporation please refer to the INSTRUCTIONS TO COMPLETE THE SCHEDULES of the Income Tax Return of Taxable Corporations.

Line 2 - Credit for investment in the Capital Investment Fund, Tourism and other funds or direct investment

Enter the amount determined in Schedule Q attributable to investment in Capital Investment Funds, Tourism, other funds or directly.

Line 3 - Credit attributable to losses in the Capital Investment Fund or other funds

Enter the amount determined in Schedule Q. This will be the credit attributable to losses in the Capital Investment Fund or other funds.

Line 4 - Credit for tax withheld at source from Industrial Development dividends

Enter the tax withheld on dividends from income Industrial Development income under the Tax Incentives Act (Act 8 of January 24, 1987).

Line 5 - Other credits not included on the preceding lines

Enter on this line the total of other tax credits not included on preceding lines. If credits for different concepts are included on this line, submit a schedule itemizing them. Also submit documents or evidence of said credits.

Line 6 - Credit for the purchase of tax credits

Enter the tax credit acquired during the year through the purchase, exchange or transfer made by the investor or participant of the primary investor. See instructions of Schedule Q, the Code or the special act under which the purchased tax credit was granted, to know the percentages and limitations to taken in the return.

To claim this credit, the transferor and the transferee must include with the income tax returns, in the year in which the transfer is made, a copy of the sworn statement notifying the Secretary of the transfer.

PART IV - WITHHOLDINGS

Enter on lines 1 and 2 the tax withheld on the income items specified on those lines. You must include the corresponding forms in order to verify the amount claimed.

PART V - DETERMINATION OF THE GROSS OPERATING INCOME

Enter on line 1 the income from sales and production of goods or products. Enter the manufacturing and sales costs on line 2. Determine them in Part VII of the return. Also, enter on line 3 the gross profit in sales or production. To determine the gross profit margin percentage corresponding to the year 2020, divide line 3 by line 1. To determine the amount corresponding to the year 2019, use the data from the 2019 return.

On lines 5 to 7 of this part enter the rental income, interest and commissions, as appropriate.

Enter on line 8 any other income earned or received not included on the previous lines. Submit with your return a schedule detailing this income.

PART VI - DEDUCTIONS AND NET OPERATING INCOME

Enter the deductions related to your operations. Deductions

are divided into three groups: (A) Deductions that must be reported on informative returns, (B) Deductions not reported on informative returns, and (C) Other deductions.

A. Deductions that must be reported on informative returns

Those taxpayers whose taxable year is natural and use the cash basis method, may include the amount of expenses reported in the informative returns issued for the taxable year 2020 as an allowable deduction for the determination of the net operating income. However, you may deduct those payments for services not reported in informative returns because they did not exceed \$500 during the taxable year. It is important to point out that in the case of taxpayers who use the accrual basis method or whose taxable year is an economic one, they must reconcile, in accordance with the provisions of Section 1063.01(a) of the Code, the amount informed in the informative returns, duly filed, with the expense claimed as a deduction on the return. In this case, the amount of expense recorded in your books may be taken as a deduction. For these purposes, refer to the expense reconciliation models available through your tax preparation software provider or on the Department's website.

This reconciliation will not be required in the event that the special corporation submits together with its income tax return the audited financial statement in accordance with the provisions of Section 1061.15(a) of the Code and files the Supplementary Information required in Section 1061.15(b) of the Code.

Line 1 - Compensation to directors

Enter on this line the total amount of salary or profit advance earned during the year to members of the special corporation, as determined on Schedule ET.

Line 2 - Compensation to officers

Enter on this line the total amount of salary earned during the year to officers who are not members of the special corporation.

Line 3 - Salaries, commissions and bonuses to employees

Enter on this line the total salaries, commissions and bonuses paid to the employees of the special corporation during the taxable year.

No deduction will be granted for the expense of salaries paid if, at the time of filing the return, the total amount of the taxes withheld in the salaries paid to the employees during the taxable year has not been remitted to the Department.

Line 4 - Salaries paid to young university students

A private company employer may take a 150% deduction for each university student that he employs for at least 20 hours

per week for 9 months of the taxable year or a minimum of 800 hours during the taxable year, as long as the hourly wage paid to said university student is greater than ten (10) dollars per hour and said salary is duly reported in a withholding form. In the case of students who come from the Department's internship program, the deduction will be 200% if the requirement stated in the previous sentence is met.

The term "young university student" means a student who has completed during said calendar year at least one school semester of post-secondary level studies, as a regular student, in a post-secondary university or technical-professional institution recognized as such by the educational authorities of Puerto Rico or by those of the corresponding country, until they obtain their university or technical-professional degree or have completed their studies within a period not exceeding 12 months from the date of commencement of employment. Section 1033.21 of the Code does not establish an age requirement for purposes of this deduction.

If you qualify to claim this deduction, enter the total amount of wages paid and reported on the withholding forms in the parentheses provided on this line.

Line 5 - Payments for services rendered in Puerto Rico

Enter on this line the total professional services paid to service providers engaged in trade or business in Puerto Rico. In order to take this deduction, it will be necessary for the taxpayer to file with the Department the Informative Returns - Services Rendered (Form 480.6SP) related to the services paid in the taxable year.

Line 6 - Payments for services rendered outside of Puerto Rico

Enter on this line the total professional services paid to service providers that were rendered outside of Puerto Rico. In order to take this deduction, the taxpayer must file with the Department the Informative Return - Payments to Non-Residents or for Services from Sources Outside of Puerto Rico (Form 480.6C).

Line 7 - Services subcontracted

Enter on this line the payments made to any subcontracted person in the exercise of a service provision activity as part of the operation of the trade or business.

In order to claim this deduction, you must have filed Form 480.6SP and have indicated in it that the reported payments correspond to subcontracted services.

Line 8 - Lease, rent and fees paid

Enter on this line the payments for lease, rent and fees that have been duly reported on Forms 480.6A of the taxable year for which the income tax return is filed. Separate in the spaces provided on this line the portion that corresponds to personal property and real property.

Line 9 - Insurance premiums (Except contributions to health or accident plans)

Enter the amounts paid during the taxable year for property, contingency, and public liability (malpractice) insurance directly related to the operation of the corporation's trade or business, provided that the amounts paid have been reported in the Optional Informative Return - Advertisements, Insurance Premiums, Telecommunications Services, Internet Access and Cable or Satellite Television (Form 480.7E), or that the insurer receives the Annual Statement of Payments Received for Advertisements, Insurance Premiums, Telecommunications Services, Internet Access and Cable or Satellite Television (Form 480.7F).

Line 10 - Telecommunications services

Enter on this line the payments for telecommunications services, as defined in Section 4010.01(kk) of the Code, directly related to the operation of your trade or business. They must have been reported on Form 480.7E or receive a Form 480.7F from the supplier.

Line 11 - Internet and cable or satellite television services

Enter on this line the payments for internet access services and cable or satellite television services directly related to the operation of your trade or business. They must have been reported on Form 480.7E or receive a Form 480.7F from the supplier.

Line 12 - Bundles

Enter on this line the payments for a set or combination of services whose value cannot be segregated or assigned to the payment made for said services and is duly reported on Form 480.7E or that you receive from the provider a Form 480.7F.

Line 13 - Advertising

Enter on this line the payments for advertisements, promotion, publicity, and marketing directly related to the operation of your trade or business, as reported on Form 480.7E or received from the provider a Form 480.7F.

Line 14 - Royalties

Enter on this line the payments made in exchange for the use or privilege of using an intangible, such as patents, copyrights, capital gains, franchises, licenses or other similar property. They must have been reported on Form 480.6A.

Line 15 - Payments for virtual and technological tools and other subscriptions

Enter on this line the total payments for licenses and subscriptions for the use of programs, platforms, applications and information

systems, among others, including the amount paid for subscriptions that allow access to wholesale sales establishments (clubs of membership) and electronic or printed publications, which are directly related to the operation of the industry or business and are duly reported on Form 480.6A.

Line 16 - Professional association fees and memberships paid for the benefit of employees

Enter on this line the amount paid for professional associations fees and memberships for the benefit of the employees duly reported on Form 480.6A.

Line 17 - Homeowners association fees

Enter on this line the amount paid to homeowners' associations or condominium owners for maintenance fees with respect to the facilities used in the trade or business, duly reported on Form 480.6A.

Line 18 - Payments for judicial or extrajudicial indemnification

Enter on this line the total of the payments made as compensation under a judgment issued by the Court or under an extrajudicial claim directly related to the operation of the trade or business and for which the withholding provided in Section 1062.02 of the Code, as applicable, the corresponding deposit and are reported on Form 480.6B.

Line 19 - Certain other expenses

The total of those expense items for which a specific space is not provided in this part and that have been duly reported in an Informative Return will be accepted as a deduction. They must keep for their records a schedule where these expenses are broken down.

B. Deductions not reported on informative returns

Enter on lines 21 through 31 those deductions not reported in admissible informative returns for purposes of determining the net income.

Line 21 - Interest on business debts

Include in the corresponding space the amount paid for mortgage interest, interest paid on automobile leases and other interest.

Mortgage: Enter on this line the amount of mortgage interest paid other than points. If the corporation has a fiscal year, enter the total amount paid or incurred during the taxable year.

Automobile leases: Enter on this line the total amounts paid for financial leasing of automobiles (which are essentially purchases). If the corporation has a fiscal year, enter the amount amount paid or incurred during the taxable year.

Others: The expense for concept of interest on debt incurred for the acquisition of inventory or other real or personal property used in trade or business.

Line 22(b) - Other taxes

Submit a schedule itemizing the taxes on excise taxes or other taxes paid. Sales tax payments made during the year will not be included as part of this deduction.

Line 22(d) - Sales and use tax

Enter on this line the portion of the sales and use tax payments made by the corporation during the taxable year that were not claimed as a credit in the monthly sales and use tax returns that were filed by the corporation. The tax to be claimed considers that amount paid on: (1) imports, (2) subcontracts, (3) purchase of tangible personal property and taxable services to residents of Puerto Rico, (4) purchase of designated professional services, and (5) self-imposition of the tax on the purchase of goods and services (including designated professional services) to persons not engaged in trade or business in Puerto Rico. This deduction will proceed as long as the corporation has not claimed credit for this tax paid.

Line 22(e) - Special contribution for professional and consulting services under Act 48-2013, as amended

Any corporation that has signed a contract for professional, consulting, advertising, training or orientation services with an agency, dependency or instrumentality of the Government of Puerto Rico, public corporation, the Legislative Branch, the Office of the Comptroller, the Office of the Citizen's Advocate and the Judicial Branch will be subject to an amount withheld as a Special Contribution under Act 48-2013, as amended. This amount is equal to one point five percent (1.5%) of the total amount of the contract.

This contribution will be considered as an ordinary and necessary expense of the corporation, for which it is deductible as such. If the corporation has a fiscal year, enter the total amount contributed during the taxable year.

For additional information on the scope of this withholding, you may refer to Administrative Determination No. 13-14 of August 28, 2013 and the Central Accounting Circular Letters issued by the Department for such purposes.

Line 23 - Depreciation and Amortization

Flexible depreciation

Enter the amount of flexible depreciation to which you are entitled and attach a copy of the approval of the option to depreciate the assets under the flexible depreciation method.

The detail of the flexible depreciation will be included in Part (b) of Schedule E - Depreciation.

Accelerated depreciation

To be entitled to this deduction, it is required that an election be exercised with the return to use the accelerated depreciation method. Said election may be exercised only on property acquired by purchase during taxable years beginning after June 30, 1995. The election, once made, will be irrevocable. This depreciation method does not apply to automobiles, property used outside of Puerto Rico, property used by exempt entities, property used totally or partially in activities covered by the Industrial, Tax and Tourism Incentives Acts, Tourism Development Act, Agricultural Tax Incentives Act. or other successor act of a similar nature, or intangible property.

The detail of the accelerated depreciation will be included in Part (c) of Schedule E - Depreciation.

Current depreciation, amortization, automobiles and vehicles under financing lease

Submit details of current depreciation, amortization, automobiles and vehicles under financial lease in Parts (a), (d), (e) and (f), respectively, of Schedule E - Depreciation.

With respect to automobile depreciation, the maximum basis for depreciating an automobile purchased and used in trade or business, or for the production of income is \$30,000; the deduction to be granted will not exceed \$6,000 per year per automobile.

The useful life for depreciation purposes of a car used exclusively for sale is 3 years and 5 years if it is used for other purposes.

The base limit (\$30,000) and the term of the useful life do not apply to those automobiles acquired by corporations engaged in the car rental or passenger or cargo transportation business.

In addition, a deduction for amortization of goodwill is provided, as long as the goodwill is acquired from third parties by purchase during taxable years beginning after June 30, 1995. The deduction will be determined using the straight-line method and a useful life of 15 years.

Indicate in the space provided the total amount of completed Schedules E detailing the depreciation or amortization claimed.

Line 24 - Depreciation for businesses with volume of \$3,000,000 or less

Every corporation whose gross income for the taxable year is less than or equal to \$3,000,000 may choose to depreciate the total cost, including installation, of the computer systems equipment in the year of its acquisition and installation. Equipment previously depreciated by a shareholder of said corporation or acquired from a related person will not qualify for the acceleration of the depreciation allowance.

They may also depreciate under the straight-line method, based on a useful life of 2 years, land transportation equipment, except automobiles, and environmental conservation equipment. In addition, for taxable years beginning after December 31, 2018, you may determine the depreciation deduction using a useful life of 2 years for machinery and equipment, furniture and fixtures, and any other fixed asset to be used in the trade or business, not including real estate, automobiles, and property subject to the above terms.

Submit details of this depreciation on Schedule E1. Indicate in the space provided the total number of completed Schedules E1 detailing the depreciation claimed.

Line 25 - Electric power

Enter on this line the total of the payments made to the Electric Power Authority or any other provider for the use or consumption of electric power and other billed charges, directly related to the operation of your trade or business.

Line 26 - Water and sewage

Enter on this line the total payments made to the Aqueduct and Sewer Authority for the use or consumption of water, sewage and other billed charges, directly related to the operation of your trade or business.

Line 27 - Contributions to health or accident plans

Enter the contributions to health or accident plans of your employees to cover personal injuries or illness, either through insurance or in any other way that complies with the provisions of Section 1032.08 of the Code.

Line 30 - Contributions to qualified pension plans

Enter the amount contributed to pension, stock compensation or profit sharing plans or other plans approved by the Secretary of the Treasury. This deduction is subject to certain limitations. See Section 1033.09 of the Code. To claim this deduction, it is necessary to complete and submit with the return Form AS 6042.1 - Deduction for Contributions to Qualified Retirement Plans and Tax on Certain Contributions. For more details, see Regulation No. 8299 of December 18, 2012.

Line 31 - Deduction for employers who employ handicapped persons

Enter \$400 for each severely handicapped person who is employed for at least 20 hours per week for 9 months during the taxable year. The deduction is allowed for a maximum of 5 severely handicapped persons. The current regulations of the Vocational Rehabilitation Administration of the Department of the Family will be used to determine the severe disability.

The employer who claims this deduction must submit with his return:

- (1) evidence that shows that the person for whom you are requesting the deduction has been an employee for at least 9 months of the taxable year for which you are claiming the deduction, and
- (2) a certification issued by the Secretary of the Department of the Family stating that, according to its rules and procedures, the person for whom the deduction is claimed is a severely handicapped person.

C. Other deductions

Include in the spaces provided on lines 33 to 53 those allowable deductions for purposes of determining the net income.

To claim any amount of these lines as an allowable deduction for the determination of the net operating income and in the event that the return is not submitted including an audited financial statement in accordance with the provisions of Section 1061.15(a) of the Code together with the Supplementary Information required in Section 1061.15(b) of the Code, the taxpayer must submit an Agreed Upon Procedures Report together with his income tax return, in accordance with the provisions of the Internal Revenue Circular Letter No. 19-14 (CC RI 19-14).

If not required to include audited financial statements in accordance with the provisions of Section 1061.15(a) of the Code, in order to enter any amount, the taxpayer must mark the ("AUP") oval provided on the line corresponding to each deduction that is validated in the Agreed Upon Procedures Report included with the return. Only those expense items that have been submitted to the AUP may be deductible.

If you do not select the corresponding oval, and do not submit the Agreed Upon Procedures Report, you will not be able to claim the deductions provided in this section for purposes of determining the net operating income.

Every taxpayer who chooses to submit audited financial statements and supplementary information together with the Return, must ensure that they correctly answer questions 7 and 8 of the Questionnaire in Part XII, page 5 of the return in order to enter the amounts on the corresponding line.

Line 33 - Automobile expenses

The taxpayer has the option to claim on this line the deduction for expenses incurred or paid for the use and maintenance of an automobile based on one of the following alternatives:

- (1) the expense computed based on a standard rate per mile of sixty cents (\$0.60) for each mile that the taxpayer uses in his trade or business or for the production of income; or

- (2) The actual expenses for the use and maintenance of the automobile incurred by the taxpayer in his trade or business or for the production of income, including those that are duly documented by the employees under an expense reimbursement plan established by their employer.

However, once one of the alternatives is chosen, the taxpayer will be required to use it during the entire taxable period.

Automobile use and maintenance expenses include repairs, insurance, gasoline, oil and filter changes, cleaning, tires, annual license fees, and other related expenses of a similar nature. This expense does not include depreciation, rent payments on ordinary leases or payments for financial leases which are claimed on line 23 by submitting Schedule E. It also does not include expenses related to the use of tolls or parking, these could be deductible as miscellaneous expenses.

For these purposes, the term "automobile" does not include the following:

- ✎ those used directly in the business of transporting passengers or property through compensation or payment, such as limousines, taxis or public vehicles;
- ✎ hearses, flower carriages, buses, ambulances, motorcycles, trucks, vans and any other similar vehicle used primarily for cargo transportation; and
- ✎ rented automobiles or automobiles owned for rental by persons regularly engaged in automobile leasing. If you incurred expenses for vehicles that are not considered automobiles according to the previous definition, claim them on line 34.

Administrative Determination No. 15-01 of January 9, 2015 ("DA 15-01"), repealed several articles of Regulation 8297 of December 18, 2012, related to the requirements to be able to take the deduction for expenses incurred or paid for automobile use and maintenance. For more details, see DA 15-01.

Line 34 - Other motor vehicles expenses

If you incurred expenses related to the use and maintenance of vehicles that are not considered automobiles, according to the definition of the previous line, claim them on this line.

Line 35 - Repairs and maintenance

You must claim on this line the expenses that constitute repairs and maintenance and not improvements to your assets. Excessive expenses will be subject to review.

Line 37 - Meal and entertainment expenses

You may deduct 25% of the total expenses actually paid or

incurred, up to a limit of 25% of the gross income for the taxable year, for meals and entertainment expenses that are directly related to the exploitation of your trade or business for the production of income. You should not consider as part of said expenses the items that do not constitute ordinary and necessary expenses of the trade or business.

No deduction will be allowed for meal and entertainment expenses that are considered lavish or extravagant.

For more details, refer to Regulation No. 6091 of February 7, 2000.

Line 44 - Office expenses

Enter on this line the payments for office expenses that are directly related to the exploitation of your trade or business for the production of income.

Line 46 - Bad debts

Enter accounts receivable that are declared uncollectible. For taxable years beginning after June 30, 1995, corporations may not use the reserve method to determine the deduction for bad debts.

Instead, they will claim a deduction for debts that become uncollectible within the taxable year (direct write-off method).

Amounts owed to related persons who are foreigners or non-residents not engaged in industry or business in Puerto Rico will not be deductible either. Subsection (c) of Section 1040.04 of the Code - Period for Which Deductions and Credits Must Be Claimed, provides the following for amounts owed to related persons who are foreigners or nonresidents not engaged in trade or business in Puerto Rico:

- 1) In general - Any amount owed to a related person (as defined in Section 1010.05 of the Code) who is a foreigner or a nonresident not engaged in trade or business in Puerto Rico and that, otherwise, is deductible under the Section 1033.01 of the Code, will not be deductible by the taxpayer until that amount is paid to any of said related persons.
- 2) Amounts covered by this section - This section applies to those amounts, which would otherwise have been deductible, and which are of the type described in Sections 1091.01(a)(1)(A)(i) and 1092.01(a)(1)(A)(i) of the Code.

Line 47 - Contributions to educational contribution accounts for the employee's beneficiaries

Enter the amount of the contributions to the educational contribution accounts of the eligible beneficiaries of your employees up to the maximum of \$500 for each beneficiary, subject to the provisions established in Section 1081.05 of the

Code. The contributions of an employer will be considered as ordinary and necessary expenses in the operation of his trade or business, and as such may be deducted in the year in which they are made. These contributions will be included as employee income for the year in which they are made by the employer and may be claimed as a deduction by the employee in that same year. The constitutive instrument of the trust must state that the participants will be those individuals who, by contracting or applying for such purpose, avail themselves of the provisions of said trust.

For more information, refer to Act 409-2000 and Regulation No. 6419 of March 27, 2002.

Line 48 - Expenses incurred or paid to shareholders, persons or related entities outside of Puerto Rico

Enter the deductible portion (49%) of the "Total" line of:

- Expenses incurred or paid to a related person who does not conduct business in Puerto Rico, that are attributable to the operation of the trade or business in Puerto Rico and that are not subject to withholding at source under the Code in the year tax in which they are incurred or paid, or
- Expenses incurred or paid to a main office ("Home Office") located outside of Puerto Rico, by a foreign corporation engaged in trade or business in Puerto Rico through a branch ("Branch").

For these purposes, the applicable rules to determine the members of a controlled group of corporations or a group of related entities, established in Sections 1010.04 and 1010.05 of the Code, will be applicable when determining the relationship of the corporation with its shareholders and affiliates.

The non-deductible portion (51%) will be reported in Part X, line 3(d). This amount together with the deduction must be equal to the amount that is included in the space for the Total that is presented on this line.

In those cases, in which the entity has submitted a waiver request for evaluation by the Secretary in order to determine if any of the expenses described above should be excluded from the limitation of deductible expenses established by Section 1033.17(a)(17) of the Code, and it has been approved, you may exclude part of your expenses from said limitation. This means that the entity will be able to deduct 60% of the total expenses included in the application, while the remaining 40% will be subject to limitation (49%). This exclusion will only apply for a maximum of three taxable years, in applications made for taxable years beginning after December 31, 2014, and before January 1, 2019.

For taxable years beginning after December 31, 2018, the limitation (49%) on deductible expenses will not apply if the

entity submits to the Secretary, together with the income tax return, a transfer pricing study that includes an analysis of the operations carried out in Puerto Rico.

However, pursuant to the provisions of Administrative Determination No. 21-05 ("AD 21-05"), the taxpayer will not be required to submit the complete transfer pricing study document together with the return. Instead, the taxpayer must include Form AS 6175 - Certification of Compliance with Sections 1033.17(a)(16) and (17) of the Puerto Rico Internal Revenue Code of 2011, as amended, duly completed and signed, certifying that it has obtained the transfer pricing study and that it was prepared in accordance with the provisions of AD 21-05 and Sections 1033.17(a)16 and (17) of the Code, as applicable.

In both cases, the aforementioned limitation will not apply, and these expenses must be reported on line 49.

Line 49 - Deduction for expenses incurred or paid to stockholders, persons or related entities, fully deductible

Enter the total expenses, as described in the previous line, if the corporation is excluded from the limitation (49%) established by Section 1033.17(a)(17) of the Code, by any provision of law, and because it has filed and was approved by the Department any exemption to be excluded from the limitation or because it complies with the provisions of AD 21-05. In the event that the Department has granted you a waiver to exclude you from the limitation, you must include with your return a copy of the administrative determination in which the waiver was granted.

Line 52 - Expenses in properties leased to the Puerto Rico Industrial Development Company or Warehouse of the Trade and Export Company

Any eligible business, in accordance with Act 1-2013 (known as the "**Employment Now Act**"), that leases a building to the Puerto Rico Industrial Development Company or warehouse of the Trade and Export Company, in addition to any other deduction provided by law, may deduct an amount equal to the total capitalizable expenses incurred in the construction of improvements, remodeling or repair of the eligible property or leased warehouse, as well as in the acquisition of machinery and equipment to be installed permanently or temporarily in the eligible property or warehouse, as long as the improvements, remodeling, repairs, machinery and equipment are to be used in the operation of the eligible business on which it was agreed in the lease. In addition, improvements, remodeling, repairs, and machinery and equipment may not have been previously used or depreciated.

The total investment eligible for this deduction in excess of the net income of the eligible business in the year of the expense may be claimed as a deduction in subsequent taxable years, until said excess is exhausted. A deduction for this concept will

not be allowed in relation to the portion of the expense or investment on which the eligible business has received economic incentives from the Puerto Rico Industrial Development Company or from any other agency, instrumentality of the Government or municipality of the Government of Puerto Rico. Nor will this deduction apply if the investment has generated other special deductions or tax credits.

Line 53 - Other deductions

Deduction for Concession of Breastfeeding Period

Every employer may deduct annually as an expense related to the operations of his industry or business, the equivalent of one month's salary for each employee who has been granted the right to breastfeed their babies or extract breast milk for one hour within each full-time shift that can be divided into two periods of 30 minutes or three periods of 20 minutes. In the case of companies that are considered small businesses according to the Federal Small Business Administration, the period will be half an hour of each full-time day, which can be distributed in two periods of 15 minutes.

Special Deduction in Research and Development Activities

Any person affiliated with a business exempt under the Tax Incentives Act of 1998 or under previous tax incentive acts, may claim a special deduction equal to the total expenses incurred in Puerto Rico for research activities, experimentation, medical studies, health, clinical studies and studies in basic sciences aimed at the development of new products, new uses or indications for such products, their improvement, or the study of diseases, in excess of the annual average of said expenses incurred during the three taxable years ended before January 1, 2004, or those parts of said period that were applicable and that are deductible in the taxable year.

For these purposes "affiliated person" means any legal entity that:

- (a) is controlled directly or indirectly in 50% or more of the total value of its shares or participations by a corporation, and
- (b) in turn, said corporation owns directly or indirectly 50% or more of the total value of the shares or participations of an exempt business.

For more details, refer to Act 135-1999, as amended, and Internal Revenue Circular Letter No. 04-05 of November 10, 2004.

Other Deductions

Those expense items for which a specific space is not provided in Part VI(C), will be totaled and entered as Other Deductions.

Submit with your return a schedule detailing those deductions. As a general rule, expenses related to the ownership, use, maintenance and depreciation of vessels, aircraft or residential property outside of Puerto Rico are not deductible pursuant to the provisions of Section 1033.17 of the Code.

PART VII - COST OF GOODS SOLD

Select the corresponding box to indicate the method used to value the inventory at the beginning and end of the year (Cost or, Cost or Market Value, whichever is lower).

Detail the other direct costs on line 4 of this part in Part VIII of the return. The flexible depreciation of assets used in manufacturing will be entered under other direct costs on line 4 and Part VIII, line 15. The flexible depreciation of other non-manufacturing assets will be entered in Part VI, line 23.

Enter on line 7 the total costs of goods sold or direct costs of production (line 5 minus line 6).

PART VIII - OTHER DIRECT COSTS

Those cost items for which a specific space is not provided in this Part VIII, will be totaled and entered as other direct costs on line 16 of this Part. Submit with your return a schedule detailing said costs. The total of these costs, according to line 17 of this part, will be transferred to Part VII, line 4 of the return.

PART IX and X - COMPARATIVE BALANCE SHEET AND RECONCILIATION OF NET INCOME (OR LOSS) PER BOOKS WITH NET TAXABLE INCOME (OR LOSS) PER RETURN

These statements must be completed in all their parts for the return to be considered filed. Therefore, you should not submit loose sheets of these statements. Any return that does not meet these requirements will be returned.

Those taxpayers engaged in trade or business or engaged in the production of income in Puerto Rico, may be required to submit with their income tax return, financial statements, as established in Section 1061.15(a) of the Code and the Supplementary Information provided in Section 1061.15(b) of the Code, depending on the volume of business generated during the taxable year.

For more information on the requirement to file audited financial statements, see Section 1061.15(a) of the Code. For additional information on supplemental information, refer to Section 1061.15(b) of the Code and Administrative Determinations No. 14-06 of March 6, 2014 and 15-24 of December 17, 2015.

PART XI - ANALYSIS OF CAPITAL ACCOUNTS PER BOOKS

Enter the net income or loss, the increases and decreases, and the distributions from productivity and sponsorship credit notices.

Line 2 - Net income (or loss)

Enter the members' share on the net income or loss from the special corporation.

Line 3 - Increases:

- a) Enter the increases in each account according to contributions, loans to the special corporation or additional contributions from members.
- b) Include in other increases the income from the sale of bonuses (not to members), capital contributions (not from members) and the net gain not assigned to the Internal Capital Account or Social Fund.

Line 4 - Decreases:

Enter on lines 4(a) to 4(e) those amounts used by the Collective Reserve Account, Social Fund and Internal Capital according to the use established for each account.

Line 5 - Distribution of credit notices for productivity and patronage

Instead of dividends distribution, the special corporation use the Credit Notices for Productivity in the case of ordinary members; and Credit Notices for Patronage in the case of special members.

PART XI - QUESTIONNAIRE

Enter all the information required in the questionnaire in order to process this return.

Line 6(a) - Indicate if you filed the Informative Return, that apply such as Form 480.6A (Informative Return - Other Income Not Subject to Withholding) and Form 480.6B (Informative Return - Other Income Subject to Withholding).

Line 7 - Provided to indicate whether the required reports are included when the volume of business of the entity or the aggregate volume of the group of related entities, if the entity is a member of said group, is equal to or greater than \$10 million.

Line 7(a) - Indicate if it includes audited financial statements, as provided in Section 1061.15 of the Code. You must include the stamp number of the CPA Association.

Line 7(b) - Indicate if it includes the Uncertain Tax Positions Report. The same is required for those taxpayers who are required to file financial statements according to Section 1061.15 of the Code.

Line 7(c) - Indicate whether audited financial statements or an agreed upon procedures report signed by a CPA licensed in Puerto Rico is included, as provided in Section 1061.15(a)(5)(A) of the Code, when the entity is a member of a group of related entities and the volume of business of the entity does not exceed \$1 million. You must include the stamp number of the CPA Association.

Line 8 - Provided to indicate whether the required reports are included when the volume of business of an entity is equal to or greater than \$3 million, but less than \$10 million.

Line 8(a) - Indicate whether audited financial statements or an agreed upon procedures report signed by a CPA licensed in Puerto Rico is included, as provided in Section 1061.15(a)(3) of the Code. You must include the stamp number of the CPA Association.

SIGNATURE AND OATH OF THE RETURN

The return must be signed by the president, vice president or other principal officer, and by the treasurer or assistant treasurer of the corporation. A single signature will be required.

SIGNATURE OF THE RETURN BY THE SPECIALISTS

The Returns Specialist shall declare under penalty of perjury that he has examined the return, and to the best of his knowledge and belief it is correct and complete.

The Return Specialist must declare under penalty of perjury that he/she has examined the return and to the best of his/her knowledge and belief the return is correct and complete.

If the return is prepared by an accounting firm duly registered as a specialist, it must include the employer's registration number and be signed by the authorized person.

SCHEDULE L (CPT) - PARTIALLY EXEMPT INCOME

This schedule must be used by those special corporations operating under Act 52 of 1983, Act 78 - 1993, Act 47 of 1987 and Act 225 - 1995 or any other act that provides some percentage of income exemption. Check the box corresponding to the act under which the entity operates.

For each act that apply to you, a Schedule L (CPT) must be completed and included with the return.

In the case of a corporation operating under Act 52 of 1983 or Act 78 - 1993, and has made the election under Article 5(b) or

3(a)(1)(D) respectively, it must submit with the return a copy of the notification addressed to the Secretary of the Treasury exercising the election.

Any business exempt under Act 78 - 1993, must include with the return a copy of the order issued by the Director of Tourism Company indicating the beginning date of the exemption.

Businesses operating under Act 225 - 1995, must include with their return a copy of the current bona fide farmer certificate in force.

PART I - NET INCOME (OR LOSS)

Line 2 - Enter in the space provided the percentage of the exemption you are entitled to claim according to your Resolution under the Tourism Incentives, Tourism Development or Agriculture Incentives Act.

Multiply the net operating income from the touristic or agricultural eligible activities, whichever applies, by the applicable exemption percentage. Enter the amount on this line.

Line 3 - The net operating losses under the Tourism Incentives or Tourism Development Acts may be deductible only against income from touristic activities. The net losses from operations that are not covered under any of the previously mentioned incentives acts, can be deducted only against the fully taxable income. **You must include with the return a schedule to support the claimed deduction.**

Excess losses from tourism activities from previous years can only be carried forward and claimed as a deduction against income from touristic activities. Said loss will be deductible up to an amount equal to the percentage of income from the tourism activity that would have been taxable. Losses will be carried forward in the order in which they are incurred.

A net loss or income generated by a Special Workers-Owned Corporation in a year in which a flexible exemption election is in effect under Article 3(a)(1)(D) of Act 78 - 1993, will be considered as a loss or net income from the eligible activity of the corporation.

In the case of a special corporation which has renegotiated its rights under Act 78 - 1993, members may claim as a deduction, the net losses incurred from operations under previous decrees (Industrial or Tourism Incentives Acts).

Add line 3, Part I of each Schedule L (CPT) used and enter the total on Part II, line 6 of the return.