

Reviewer:	Liquidator:	<b>20</b> _____	GOVERNMENT OF PUERTO RICO DEPARTMENT OF THE TREASURY	<b>20</b> _____	Serial Number
Field audited by:		<b>Foreign Life Insurance Company</b> <b>Income Tax Return</b>			
Date ____/____/____		TAXABLE YEAR BEGINNING ON _____ AND ENDING ON _____			
R	M	N			

<b>AMENDED RETURN</b>
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 DAY / MONTH / YEAR

Taxpayer's Name	Employer Identification Number	Receipt Stamp	
Postal Address	Department of State Registry No.		
Zip Code	Industrial Code    Municipal Code		
Location of Principal Industry or Business - Number, Street, City	Merchant's Registration Number		
	Telephone Number - Extension		
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)	CHANGE OF ADDRESS: <input type="checkbox"/> Yes <input type="checkbox"/> No EXTENSION OF TIME: <input type="checkbox"/> Yes <input type="checkbox"/> No	Date Incorporated Day ____/Month____/Year____ Place Incorporated	Indicate if you are member of a group of related entities <input type="checkbox"/> Yes <input type="checkbox"/> No
Contracts with Governmental Entities <input type="checkbox"/> Yes <input type="checkbox"/> No	E-mail Address of the Contact Person	NAICS Code	Group number

**GO TO PAGE 2 TO DETERMINE YOUR REFUND OR PAYMENT.**

<b>Refund</b>	1. <b>AMOUNT OVERPAID</b> (Part II, line 28. Indicate distribution on lines A, B, C and D) ..... ● (1)		00
	A) To be credited to estimated tax _____ ..... ● (1A)		00
	B) Contribution to the San Juan Bay Estuary Special Fund ..... ● (1B)		00
	C) Contribution to the University of Puerto Rico Special Fund ..... ● (1C)		00
	D) <b>TO BE REFUNDED</b> ..... ● (1D)		00
<b>Payment</b>	2. <b>AMOUNT OF TAX DUE</b> (Part II, line 28) ..... (2)		00
	3. <b>Less: Amount paid</b>		
	(a) <b>With Return</b> ..... (3a)		00
	(b) <b>Interests</b> (See instructions) ..... (3b)	00	
(c) <b>Surcharges</b> _____ and <b>Penalties</b> _____ (See instructions) ..... (3c)	00		
4. <b>BALANCE OF TAX DUE</b> (Subtract line 3(a) from line 2 and add lines 3(b) and 3(c)) ..... ● (4)		00	

**OATH**

I, the undersigned (president, vice-president, treasurer, assistant treasurer or other principal or finance officer of the corporation for which this income 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	Date	Authorized Officer's Signature
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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 who prepares this return is with respect to the information received and this information may be verified.

Specialist's name (Print)	Self-employed Specialist <input type="checkbox"/>	Registration Number	<b>FOR THE CPA USE ONLY</b>	
Firm's name	Zip Code		CPA License Number	CPA Association Stamp
Address			CPA Association Stamp Number	
Specialist's signature	Date			

**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.

Part I		Net Income	
1.	Life insurance company taxable income (As reported on attached certified copy of income tax return filed with the U.S. Commissioner of Internal Revenue or foreign country) .....	(1)	00
2.	Gross income from direct operations in Puerto Rico (As reported on Schedule T in the Annual Statement required under Section 3.310 of the Puerto Rico Insurance Code):		
	a) Gross direct life insurance premiums .....	(2a)	00
	b) Gross direct annuity considerations .....	(2b)	00
	c) Gross direct accident and health insurance premiums .....	(2c)	00
	d) Gross direct annuity and other fund deposits .....	(2d)	00
3.	Total gross income from direct operations in Puerto Rico (Add lines 2(a) through 2(d)) .....	●(3)	00
4.	Total direct operations (As reported on Schedule T in the Annual Statement required under Section 3.310 of the Puerto Rico Insurance Code):		
	a) Total direct operations on life insurance premiums .....	(4a)	00
	b) Total direct operations on annuity considerations .....	(4b)	00
	c) Total direct operations on accident and health insurance premiums .....	(4c)	00
	d) Total direct operations on annuity and other fund deposits .....	(4d)	00
5.	Total direct operations (Add lines 4(a) through 4(d)) .....	●(5)	00
6.	Allocation factor (Divide line 3 by line 5) .....	(6)	
7.	<b>Net income subject to normal tax</b> (Multiply line 1 by line 6) .....	●(7)	00
8.	Less: Surtax net income deduction (See instructions) (Check here if comes from Form AS 2652.1 <input type="checkbox"/> ) .....	(8)	00
9.	<b>Net income subject to surtax</b> (Subtract line 8 from line 7) .....	(9)	00

Part II		Computation of Tax	
10.	Normal tax (Multiply line 7 by 18.5%) .....	(10)	00
11.	Surtax (See instructions) .....	(11)	00
12.	<b>Total tax</b> (Add lines 10 and 11) .....	(12)	00
13.	Alternative Tax - Capital Gains and Preferential Rates (Schedule D1 Corporation, line 9) .....	(13)	00
14.	<b>Tax liability before the alternative minimum tax</b> (Line 12 or 13, whichever is smaller, provided that both lines are more than zero) .....	(14)	00
15.	Alternative minimum tax in excess of the regular tax (Schedule A Corporation, Part V, line 39) .....	(15)	00
16.	<b>Tax liability before the tax credits</b> (Add lines 14 and 15) .....	(16)	00
17.	Recapture of investment credit claimed in excess (Schedule B Corporation, Part I, line 3) .....	(17)	00
18.	Credit for alternative minimum tax paid in previous years (Schedule A Corporation, Part VI, line 4) .....	(18)	00
19.	<b>Tax Credits</b> (Schedule B Corporation, Part II, line 23) .....	(19)	00
20.	<b>Tax responsibility before the branch profits tax or deemed dividend tax</b> (Add lines 16 and 17 less lines 18 and 19) .....	(20)	00
21.	Branch profits tax (Form AS 2879, line 11) .....	●(21)	00
22.	Deemed dividend tax (See instructions) (Form AS 2877, line 13) .....	●(22)	00
23.	<b>Total Tax Liability</b> (Add lines 20 through 22) .....	●(23)	00
24.	<b>Less: Other Payments and Withholdings</b> (Schedule B Corporation, Part III, line 11) .....	●(24)	00
25.	Balance of tax due (If line 24 is more than line 23, enter the difference here, otherwise, on line 26) .....	●(25)	00
26.	Excess of tax paid or withheld (See instructions) .....	(26)	00
27.	<b>Addition to the Tax for Failure to Pay Estimated Tax</b> (Schedule T Corporation, Part II, line 21) .....	●(27)	00
28.	<b>BALANCE:</b> * If line 26 is more than the sum of lines 25 and 27, you have an overpayment. Enter the difference here and on line 1, page 1. * If line 26 is less than the sum of lines 25 and 27, you have a balance of tax due. Enter difference here and on line 2, page 1. * If the difference between line 26 and the sum of lines 25 and 27 is equal to zero, enter zero here and sign your return on page 1. (28)		00

THE AMOUNT REFLECTED ON LINE 28 SHALL BE TRANSFERRED TO THE CORRESPONDING LINE OF PAGE 1.

**Part III Comparative Balance Sheet**

Assets	Beginning of the Year			Ending of the Year		
		Total			Total	
1. Cash on hand and in banks ..... (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)	00	
10. Loans receivable of stockholders or related entities (10)		00	(10)		00	
11. Land ..... (11)		00	(11)		00	
12. Other long-term assets ..... (12)		00	(12)		00	
13. <b>Total Assets</b> ..... (13)		00	(13)		00	
<b>Liabilities and Stockholder's Equity</b>						
<b>Liabilities</b>						
14. Accounts payable ..... (14)	00		(14)	00		
15. Accrued expenses (not paid) ..... (15)	00		(15)	00		
16. Other current liabilities ..... (16)	00		(16)	00		
17. Long-term notes payable ..... (17)	00		(17)	00		
18. Notes payable to stockholders or related entities ... (18)	00		(18)	00		
19. Other long-term liabilities ..... (19)	00		(19)	00		
20. <b>Total Liabilities</b> ..... (20)		00	(20)		00	
<b>Stockholder's Equity</b>						
21. Capital stock						
(a) Preferred stocks ..... (21a)	00		(21a)	00		
(b) Common stocks ..... (21b)	00		(21b)	00		
22. Additional paid in capital ..... (22)	00		(22)	00		
23. Retained earnings ..... (23)	00		(23)	00		
24. Reserve ..... (24)	00		(24)	00		
25. <b>Total Stockholder's Equity</b> ..... (25)		00	(25)		00	
26. <b>Total Liabilities and Stockholder's Equity</b> ..... (26)		00	(26)		00	

**Part IV 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	7. Income recorded on books this year not included on this return (Itemize, use schedule if necessary)	
2. Income tax per books ..... (2)	00	(a) Exempt interests \$ _____	
3. Excess of capital losses over capital gains ..... (3)	00	(b) _____ \$ _____	
4. Taxable income not recorded on books this year (Itemize, use schedule if necessary)		(c) _____ \$ _____	
(a) _____ \$ _____		(d) _____ \$ _____	
(b) _____ \$ _____		(e) _____ \$ _____	
(c) _____ \$ _____		(f) _____ \$ _____	
(d) _____ \$ _____		(g) _____ \$ _____	
(e) _____ \$ _____		Total ..... (7)	00
(f) _____ \$ _____		8. Deductions on this tax return not charged against book income this year (Itemize, use schedule if necessary)	
Total ..... (4)	00	(a) Depreciation \$ _____	
5. Expenses recorded on books this year not claimed on this return (Itemize, use schedule if necessary)		(b) _____ \$ _____	
(a) Meal and entertainment (amount not deductible) \$ _____		(c) _____ \$ _____	
(b) Depreciation \$ _____		(d) _____ \$ _____	
(c) Vessels, airships and property located outside of P.R. \$ _____		(e) _____ \$ _____	
(d) Expenses incurred or paid to stockholders, persons or related entities (amount not deductible) \$ _____		(f) _____ \$ _____	
(e) Travel and lodging expenses (amount not deductible) \$ _____		(g) _____ \$ _____	
(f) Indemnification for harassment and related costs \$ _____		(h) _____ \$ _____	
(g) _____ \$ _____		(i) _____ \$ _____	
(h) _____ \$ _____		Total ..... (8)	00
(i) _____ \$ _____		9. <b>Total</b> (Add lines 7 and 8) ..... (9)	00
Total ..... (5)	00	10. <b>Net taxable income (or loss) per return</b> (Subtract line 9 from line 6) ..... (10)	00
6. <b>Total</b> (Add lines 1 through 5) ..... (6)	00		

Part V		Analysis of Retained Earnings per Books	
1. Balance at the beginning of the year .....	(1)		00
2. Net income per books .....	(2)		00
3. Other increases (Itemize, use schedule if necessary) _____ _____ _____	(3)		00
4. Total (Add lines 1, 2 and 3) .....	(4)		00
5. Distributions:			
(a) Cash .....	(5a)		00
(b) Property .....	(5b)		00
(c) Stocks.....	(5c)		00
6. Other decreases (Use schedule if necessary) _____ _____	(6)		00
7. Total (Add lines 5 and 6) .....	(7)		00
8. Balance at end of year (Subtract line 7 from line 4) .....	(8)		00

Part VI		Questionnaire		
		Yes	No	N/A
1. If a foreign corporation, indicate if the trade or business in Puerto Rico was held as a branch .....	(1)			
2. If a branch, indicate the percent that represents the income from sources within Puerto Rico from the total income of the corporation: _____%				
3. Did the corporation keep any part of its records on a computerized system during this year? .....	(3)			
4. The corporation's books are in care of: Name _____ Address _____ _____ E-mail _____ Telephone _____				
5. Indicate the book accounting method for tax purposes: 1 <input type="checkbox"/> Cash 2 <input type="checkbox"/> Accrual 3 <input type="checkbox"/> Other (specify): _____				
6. Did the corporation file the following documents?: (a) Informative Return (Forms 480.6A, 480.6B, 480.6C, 480.6SP) ..	(6a)			
(b) Withholding Statement (Form 499R-2/W-2PR) .....	(6b)			
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)			
(a) Do you include audited financial statements, as established in Section 1061.15 of the Code? (See instructions) .....	(7a)			
Number of the CPA Association Stamp _____				
(b) Do you include Schedule PCI - Uncertain Tax Positions? .....	(7b)			
(c) If the entity is a member of a group of related entities and the volume of business is less than \$3,000,000, 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)(ii) of the Code? .....	(7c)			
Number of the CPA Association Stamp _____				
(d) If the entity is a member of a group of related entities and the entity business volume is equal to or more than \$3,000,000, do you include audited financial statements signed by a CPA licensed in Puerto Rico, as provided in Section 1061.15(a)(5)(A)(i) of the Code? .....	(7c)			
Number of the CPA Association Stamp _____				
8. If the entity is not a member of a group of related entities, is the volume of business of the entity equal to or more than \$3,000,000 but less than \$10,000,000? .....	(8)			
(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)			
Number of the CPA Association Stamp _____				
9. Number of employees during the year: _____				
10. Did the corporation claim expenses related to the ownership, use, maintenance and depreciation of: (a) Vehicles? .....	(10a)			
(b) Vessels? .....	(10b)			
(1) Did more than 80% of the total income was derived from activities exclusively related to fishing or transportation of passengers or cargo or lease? .....	(10b1)			
(c) Aircrafts? .....	(10c)			
(1) Did more than 80% of the total income was derived from activities exclusively related to fishing or transportation of passengers or cargo or lease? .....	(10c1)			
(d) Residential property outside of Puerto Rico? .....	(10d)			
(1) Did more than 80% of the total income was derived from activities exclusively related to the lease of property to non related persons? .....	(10d1)			
11. Did the corporation claim expenses connected to: (a) Housing? (except business employees) .....	(11a)			
(b) Employees attending conventions or meetings outside Puerto Rico or the United States? .....	(11b)			
12. Did the corporation distribute dividends other than stock dividends or distributions in liquidation in excess of the corporation's current and accumulated earnings? .....	(12)			
If you answered "Yes", indicate the amount \$ _____				
13. Is the corporation owner of a pass-through entity? (If more than one, submit detail) .....	(13)			
Name of the Pass-Through Entity _____				
Employer identification number _____				
14. Did you receive exempt income? (Submit Schedule IE Corporation)	(14)			
15. Enter the amount corresponding to charitable contributions to municipalities _____				
16. Indicate if insurance premiums were paid to an unauthorized insurer	(16)			
17. Employer's number assigned by the Department of Labor and Human Resources: _____				
18. Number of stockholders: _____				
19. Did you request to change the accounting period? .....	(19)			
Date of request _____				
Date of approval _____				
20. At any time during the year, (a) did you buy, receive, or otherwise acquire (as a reward, award, or compensation); or (b) sell, exchange, gift, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? .....	(20)			



# Foreign Life Insurance Company Income Tax Return (Form 480.40F)

## GENERAL INSTRUCTIONS

### WHO MUST FILE THIS FORM?

In general, every foreign life insurance company must file this return.

The term "foreign life insurance company" includes any insurance company organized under the laws of the United States of America, any of its states, territories or possessions or the District of Columbia, which qualifies as a life insurance company under the provisions of Part I, Subchapter L of the United States Internal Revenue Code, or under the laws of any other country where the company has life insurance business and qualifies as life insurance company under Section 1111.01 of the Puerto Rico Internal Revenue Code of 2011, as amended (Code), except for the fact that it was organized outside from Puerto Rico.

### WHEN AND WHERE IT MUST BE FILED?

This return must be filed on or before the 15th day of the sixth month following the closing of the taxable year of the Foreign Life Insurance Company.

The return must be filed at the Department of the Treasury, Returns Processing Bureau, located at 10 Paseo Covadonga, Intendente Ramírez Building in Old San Juan, or sent by mail to the following address:

DEPARTMENT OF THE TREASURY  
PO BOX 9024140  
SAN JUAN, PR 00902-4140

Also, it can be delivered to any Internal Revenue Collections Office.

### AUTOMATIC EXTENSION OF TIME TO FILE THE RETURN

A 6 months automatic extension of time to file the return will be granted if it is requested no later than the due date to file the return. The extension will be filed electronically through the Internal Revenue Integrated System (SURI, for its Spanish acronym) using Form AS 2644.

Every corporation must pay with the request for an automatic extension of time, the entire amount of tax determined.

**An extension of time to file the return does not extend the time for the payment of tax or any installment of the same.**

### TECHNICAL ASSISTANCE

For additional information on the technical contents of this booklet or to clarify any doubts, please call (787) 622-0123.

### INCOMPLETE RETURN

The form must be completed in all its parts. Therefore, all the information of the Income Statement, Balance Sheet, Reconciliation of the Net Income (or Loss) per Books with the Net Taxable Income (or Loss) per Return, the Analysis of the Surplus or Retained Earnings per Books, and the Questionnaire included in

Part VI. Returns that do not comply with this requirement will be considered as not filed.

### SCHEDULES TO COMPLETE THE FOREIGN LIFE INSURANCE COMPANY INCOME TAX RETURN

The following schedules, with their respective instructions, are available on our website: [www.hacienda.pr.gov](http://www.hacienda.pr.gov).

- Schedule A Corporation - Alternative Minimum Tax
- Schedule B Corporation - Recapture of Credit Claimed in Excess, Tax Credits, and Other Payments and Withholdings
- Schedule C Corporation - Credit for Taxes Paid to Foreign Countries, The United States, its States, Territories and Possessions
- Schedule D Corporation - Gains and Losses from Sale or Exchange of Property
- Schedule D1 Corporation - Tax on Income Subject to Preferential Rates
- Schedule E - Depreciation
- Schedule E1 - Depreciation for Businesses with Volume of \$3,000,000 or Less
- Schedule IE Corporation - Excluded and Exempt Income
- Schedule Q - Credit for Investment, Losses and Amount to Carryover
- Schedule Q1 - Determination of Adjusted Basis, Capital Gain, Ordinary Income and Special Tax
- Schedule R Corporation - Pass-Through Entities (Reconciliation)
- Schedule R1 Corporation - Pass-Through Entities
- Schedule T Corporation - Addition to the Tax for Failure to Pay Estimated Tax in Case of Corporations
- Form AS 2652.1 - Apportionment of the Deduction for the Additional Tax Calculation - Group of Related Corporations
- Form AS 2877 - Deemed Dividend Tax
- Form AS 2879 - Foreign Corporations and Partnerships Tax on Dividend Equivalent Amount and Effectively Connected Interest (Branch Profits Tax)

# INSTRUCTIONS TO COMPLETE THE FOREIGN LIFE INSURANCE COMPANY INCOME TAX RETURN (FORM 480.40F)

## HEADING OF THE RETURN

You must enter the dates in which the taxable year begins and ends in the space provided on the heading under the return title. In the box for the Taxable Year, select the corresponding alternative. In case of a 52-53 week year, you must enter the date in which begins and ends such taxable year in the space provided for this purpose. Likewise, in case that the corporation files a return for a period of less than twelve months, it must select the "Short Period" option and include the date in which the period begins and ends.

## NAME, EMPLOYER IDENTIFICATION NUMBER AND ADDRESS

Enter the corporation's name and the employer identification number in the space provided for this purpose. **The employer identification number is required to process the return.**

Also enter, the registry number assigned by the Department of State, the date and place of incorporation of the corporation.

Enter the Merchant's Registration Number assigned by the Department of the Treasury, the exact address where the business or principal industry is located, and the telephone number.

Enter the corresponding NAICS code, as indicated in your Merchant's Registration Certificate.

Check the corresponding box if it is the first or last return you are filing or if you requested a change in the effective period for the taxable year.

Check the corresponding box if the corporation has contracts with governmental agencies.

If the corporation informs a change in address at the moment of filing the return, check the applicable box and write the new address clearly and legible. You can also change your address at any time of the year through your account in SURI following the steps indicated below: (i) Login to your SURI account; (ii) In the *More options* menu, find the *Taxpayer's information* section, and click the *Manage names and addresses* link; (iii) In the *Names and Addresses* menu, select the address you want to change and click the *Change this address* link; (iv) Enter the new address and click the *Verify address* link; (v) Once the address is verified, click the *Next* option to continue with the next screen; (vi) On the *Review and submit* screen, make sure to click on the *Submit* link. The system will provide you with a confirmation number of the request for the change of address. We encourage you to keep this number for your records. If you do not have a SURI account, and you still do not have to file the return, you must notify any change in your address using Form AS 2898 (Change of Address). You can get it accessing our page on the Internet: [www.hacienda.pr.gov](http://www.hacienda.pr.gov).

Check the corresponding box to indicate if an Extension of Time to File the Income Tax Return (Form AS 2644) was filed.

Also indicate if the entity is a member of a group of related entities and the group number assigned by the Department of the Treasury. This number is assigned when registering the group through SURI in accordance with the procedure established in Internal Revenue Circular Letter No. 20-18

(IR CL 20-18). As part of the registration process, each group must designate a principal member, with knowledge of the group's operations and of the entities that comprise it, who will be responsible for managing and updating the group's account in SURI.

For additional information refer to the instructions for Form AS 2652 and IR CL 20-18.

If the company belongs to a group of related entities, the number of the group is required to process the return.

You must include the e-mail address of the person who will act as contact before the Department of the Treasury.

## REFUND

### Line 1 - Amount Overpaid

If the sum of lines 25 and 27, Part II is less than line 26, transfer to this line and indicate the distribution of line 28 among line 1A (to be credited to estimated tax for year \_\_\_\_\_), 1B (contribution to the San Juan Bay Estuary Special Fund), 1C (contribution to the Special Fund for the University of Puerto Rico) or 1D (to be refunded), at the option of the taxpayer.

## PAYMENT

### Line 2 - Amount of Tax Due

If the sum of lines 25 and 27, Part II is more than line 26, enter the amount from line 28 on this line.

### Line 3 - Amount paid

Enter the amount paid with the return. The payments may only be made electronically through SURI. The payments method available to make any transaction in SURI are the following: 1) credit card, Visa or Master Card, 2) ACH Debit (Direct debit) and 3) ACH Credit.

For additional information regarding payments method for transactions on SURI, please refer to Internal Revenue Bulletin No. 20-03: Payment Methods Accepted in Transactions through the Internal Revenue Integrated System.

If you filed the return after the due date or requested an extension of time and did not pay the total amount due, you must calculate the applicable interests and surcharges from the date established for the filing of the return until the date the payment was made.

## INTERESTS, SURCHARGES AND PENALTIES

### Interests

The Puerto Rico Internal Revenue Code of 2011, as amended (Code), provides for the assessment of interests at a 10% annual rate over any tax balance not paid by its due date.

### Surcharges

In case that imposition of interests is applicable, a 5% surcharge of the amount due will also be assessed, if the delay in paying exceeds 30 days, but not 60 days; or 10% of the amount due, if the delay exceeds 60 days.

**Penalties**

The Code imposes a progressive penalty from 5% to 25% of the total tax for late filing unless you can show reasonable cause for the delay.

Also, any person required to file a return, declaration, certification, or report, who voluntarily fails to file such return, declaration, certification, or report, within the term or terms established by the Code or regulations, in addition to other penalties, shall be guilty of a misdemeanor.

**In those cases, in which any person voluntarily fails to file said return, declaration, certification, or report (within the terms established by the Code or regulations) with the intention to avoid or defeat any tax imposed by the Code, in addition to other penalties, shall be guilty of a third degree felony.**

**SIGNATURE AND OATH OF THE RETURN**

The return must be signed by the president, vice president, treasurer or assistant treasurer or other principal or finance officer of the corporation. Only one signature will be required.

**PAYMENTS FOR THE PREPARATION OF THE RETURN**

Indicate if you paid for the preparation of your tax return and make sure that the specialist signs the return and includes his/her registration number. THE CODE ESTABLISHES ADMINISTRATIVE AND CRIMINAL SANCTIONS TO THOSE SPECIALISTS WHO FAIL TO PROVIDE THIS INFORMATION OR WHO DO NOT COMPLY WITH ANY OTHER REQUIREMENTS IMPOSED BY THE CODE.

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

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

**PART I - NET INCOME**

**Line 1- Life Insurance company taxable income**

Enter the taxable income as reported on the certified copy of the income tax return filed with the Internal Revenue Commissioner of the United States or the taxable income determined according to the provisions of the tax laws of the country in which it was organized. You must accompany the return with said certified copy.

If the company is not required to pay income tax from all sources in its country of origin or organization, it will be subject to the provisions of Section 1092.01(b) of the Code.

**Line 8 - Surtax net income deduction**

Enter **\$25,000**, except in the case that the corporation belongs to a controlled group of corporations owned directly or indirectly 80% or more by the same person or persons. In such cases, the allowable credit will be only \$25,000 for the entire group of corporations.

If a corporation is a component member of a controlled group of corporations as of December 31, the allowable credit to such corporation for the taxable year that includes such December 31, shall be an amount equal to \$25,000 divided by the number

of corporations that are component members of the group or the applicable amount according to the apportionment plan.

If a corporation has a taxable year of less than twelve months that does not include December 31, and it is a component member of a controlled group of corporations with respect to said taxable year, the allowable credit for that taxable year will be \$25,000 divided by the number of corporations that are component members of said group on the last day of said taxable year.

In the case of a group of related corporations, the deduction for the computation of the surtax must be prorated among all the member corporations of the group of related corporations. The group of corporations must file Form AS 2652.1, where the distribution of the deduction will be reported. This form will be filed electronically through SURI.

This amount must not exceed \$25,000 for the year.

**PART II - COMPUTATION OF TAX**

**Line 10 - Normal tax**

A 18.5% tax will be levied, collected, and paid on the net income subject to normal tax of the corporation, reflected on line 7, Part I of this return.

**Line 11 - Surtax**

Multiply line 9 by the applicable tax rate and enter the result.

**Surtax Computation Table for taxable years beginning after December 31, 2012.**

If the net income subject to surtax is:	The tax shall be:
Not over \$75,000	5%
Over \$75,000 but not over \$125,000	\$3,750 plus 15% of the excess over \$75,000
Over \$125,000 but not over \$175,000	\$11,250 plus 16% of the excess over \$125,000
Over \$175,000 but not over \$225,000	\$19,250 plus 17% of the excess over \$175,000
Over \$225,000 but not over \$275,000	\$27,750 plus 18% of the excess over \$225,000
Over \$275,000	\$36,750 plus 19% of the excess over \$275,000

**Line 13 - Alternative Tax - Capital Gains and Preferential Rates**

Enter the amount determined on Schedule D1 Corporation, line 9.

If the net long-term capital gains exceed the net short-term capital losses, the corporation may choose to pay an alternative tax. The alternative tax is determined by taxing net income excluding net long-term capital gains at normal tax rates, plus 20% on such gains.

On the other hand, any corporation may exercise the option to pay a special tax equal to 10% on the total eligible interests accrued on debt of corporations engaged in industry or business in Puerto Rico from new mortgages on residential property located in Puerto Rico.

Any corporation may exercise the option to pay a 4% tax on the total distributable share on the net income subject to preferential rates from partnerships and special partnerships or on the net income subject to 4% tax rate derived from operations of an international financial entity that operates as a bank unit.

Corporations may determine the applicable tax to certain long-term capital gains transactions or to the distributable share on net income subject to preferential rates from partnerships and special partnerships that are subject to a rate other than 20% or 4%, as applicable.

**Compute the alternative tax on income subject to preferential rates that are included in Columns B through G, only if the special rate option was exercised, on Schedule D1 Corporation - Tax on Income Subject to Preferential Rates. Include said schedule with your return.**

**Line 15 - Alternative minimum tax in excess of the regular tax**

Enter the excess of the tentative minimum tax over the adjusted regular tax from Schedule A Corporation, Part V, line 39.

Every corporation (except those not engaged in a trade or business in Puerto Rico) will be subject, in addition to any other tax imposed by the Code, to a tax equal to the excess, if any, of:

- 1) the tentative minimum tax for the taxable year, over
- 2) the adjusted regular tax for the taxable year.

**To compute the excess of the alternative minimum tax over the adjusted regular tax, you must complete Schedule A Corporation and submit it with your return.**

**Line 18 – Credit for alternative minimum tax paid in previous years**

Enter on this line the total of credit for alternative minimum tax as determined on line 4, Part VI of Schedule A Corporation.

**Line 21 - Branch profits tax**

In addition to the other taxes imposed by the Code, those foreign corporations engaged in a trade or business in Puerto Rico that operate as branches, **are subject to a 10% tax** of the dividend equivalent amount or profit distribution for the taxable year.

This provision shall not be applicable to any taxable year in which the foreign corporations engaged in a trade or business in Puerto Rico derived at least 80% of their gross income from sources within Puerto Rico or from income effectively connected, or treated as effectively connected to operations from a trade or business in Puerto Rico, during the 3-year period ended at the close of said taxable year.

**Corporations subject to this additional tax must complete Form AS 2879 and submit it with their return. For more details, see the instructions of the form.**

**Line 22 - Deemed dividend tax**

It will be imposed, collected and paid a 10% tax, without taking into consideration any deduction or credit granted by Subtitle A of the Code, on the total deemed dividend considered received by a foreign owner (who owns directly or indirectly 50% or

more of the corporation's stocks) of a corporation, during any taxable year.

**Corporations subject to this tax must complete Form AS 2877 and submit it with the return. For more information, see the instructions of the form.**

**Line 25 - Balance of tax due**

If line 24 is less than line 23, enter on this line the result of line 23 less line 24. If line 24 is more than line 23, enter zero and continue to line 26.

**Line 26 - Excess tax paid or withheld**

If line 24 is more than line 23, enter on this line the result of line 24 less line 23. If line 23 is more than line 24, this line must be zero.

**Line 27 - Addition to the Tax for Failure to Pay Estimated Tax**

Enter the addition to the tax for failure to pay the minimum estimated tax required, previously determined on Schedule T Corporation. (See instructions to complete the Schedule).

It is important to point out that even when this amount is part of the balance reflected on line 28, the same is not subject to interests, surcharges and additional penalties.

**PARTS III, IV AND V - COMPARATIVE BALANCE SHEET, RECONCILIATION OF NET INCOME (OR LOSS) PER BOOKS WITH NET TAXABLE INCOME (OR LOSS) PER RETURN AND ANALYSIS OF RETAINED EARNINGS PER BOOKS**

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

The amount of Part V, line 8 (Analysis of the Retained Earnings per Books) shall be the same as the amount obtained in Part III, line 23 of this return.

**PART VI - QUESTIONNAIRE**

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

It is important to point out that no question must be left without answering. In case that any question is not applicable, you must check under "N/A".

**Line 7 -** It is provided to indicate if the required reports are included when the business volume of the entity or the aggregated volume of business of the group of related entities, if the entity is a member of said group, is \$10 million or more.

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

**Line 7(b) -** Indicate if you include the Uncertain Tax Position Report. This is required to those taxpayers who are required to file financial statements as established by Section 1061.15 of the Code.

**Line 7(c)** - Indicate if 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)(ii) of the Code in the case that the entity is a member of a group of related entities and the volume of business is less than \$3 million. You must include the number of the CPA Association stamp.

**Line 7(d)** - Indicate if audited financial statements are included, as provided in Section 1061.15(a)(5)(A)(i) of the Code when the entity is a member of a group of related entities and the entity's business volume is equal to or more than \$3 millions. You must include the number of the CPA Association stamp.

**Line 8** - It is provided to indicate if you include the required reports when the volume of business of the entity is equal to or more than \$3 million, but less than \$10 million.

**Line 8(a)** - Indicate if you included 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. You must include the number of the CPA Association stamp.

**Line 19** - If the entity is filing a return for a period less than twelve months as a result of a change in period, indicate if you requested the change in accounting period. You must include the application and approval date of the change. In addition, you must submit as evidence copy of the Administrative Determination issued by the Department approving the change of period.

**Line 20** - Indicate whether at any time during the year, (a) you purchased, received, or otherwise acquired (as a reward, award, or compensation) a digital asset (or a financial interest in a digital asset); or if (b) you sold, exchanged, gifted or otherwise disposed of a digital asset (or a financial interest in a digital asset).

## DUTY TO PAY ESTIMATED TAX

According to the provisions of Section 1061.23 of the Code, every corporation engaged in trade or business in Puerto Rico, subject to tax under the provisions of Subchapter A of the Code, must pay an estimated tax for the taxable year.

## ESTIMATED TAX COMPUTATION

The estimated tax computation, including the alternative minimum tax, will be made using an approximate calculation of the gross income that can reasonably be expected that the corporation will receive or accumulate, as applicable, depending on the accounting method in which the net income determination is based on, and an approximate calculation of the deductions and credits available in the Code or special acts, including the non-refunded tax paid in excess corresponding to the previous taxable year.

## PAYMENT OF ESTIMATED TAX

The estimated tax for the taxable year will be payable in four installments:

- 1st installment: the 15th day of the fourth month
- 2nd installment: the 15th day of the sixth month
- 3rd installment: the 15th day of the ninth month
- 4th installment: the 15th day of the twelfth month

If the duty to pay estimated tax arises for the first time after the last day of the third month and before the first day of the sixth month of the taxable year, the installments will be:

- 1st installment: the 15th day of the sixth month
- 2nd installment: the 15th day of the ninth month
- 3rd installment: the 15th day of the twelfth month

If the duty to pay estimated tax arises for the first time after the last day of the fifth month and before the first day of the ninth month of the taxable year, the installments will be:

- 1st installment: the 15th day of the ninth month
- 2nd installment: the 15th day of the twelfth month

If the duty to pay estimated tax arises for the first time after the last day of the eighth month and before the fifteenth day of the twelfth month of the taxable year, the estimated tax will be paid in its entirety on the 15th day of the twelfth month of the taxable year.

Estimated tax installments will be paid electronically through SURI.

## CHANGES IN THE ESTIMATED TAX COMPUTATION

If there is any change in the estimated tax computation as a result of a change in income, deductions or for any other reason, the remaining installments will be proportionally increased or decreased to reflect the increase or decrease in the estimated tax.

## PENALTIES

The Code establishes in Section 6041.10 a penalty of 10% of the amount not paid of any estimated tax installment. For these purposes, the estimated tax will be the smaller of:

- 1) 90% of the tax for the taxable year, or
- 2) the larger between:
  - a) the total of the tax determined as it results from the preceding year's income tax return, or
  - b) an amount equal to the tax computed at the rates and under the law applicable to the taxable year using the data included in the return of the previous taxable year.

The previous clause (2) will not be applicable if the previous taxable year was not a 12 month taxable year, or if the corporation filed a tax return for that previous taxable year in which a tax determined was not reflected, without taking into consideration any credit to which the corporation had been entitled, including credits for taxes withheld or paid. On the other hand, you can take into consideration any credit for taxes paid or accumulated during the taxable year to the United States, its territories, states and possessions, or any foreign country to which you are entitled.