



DEEMED DIVIDEND TAX

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Taxpayer's Name

Employer Identification Number

**Part I Average Value of Foreign Assets**

1. Average value of foreign assets for the current tax year (See instructions):			
a) Tangible property located outside Puerto Rico .....	(1a)		00
b) Shares of stock of a corporation organized outside Puerto Rico .....	(1b)		00
c) Debts of a foreign corporation or a non resident of Puerto Rico.....	(1c)		00
d) Any right to use certain property outside of Puerto Rico (See instructions) .....	(1d)		00
2. Total average value of foreign assets owned at the end of the current taxable year (Add lines 1(a) through 1(d)) .....	(2)		00
3. Deemed dividend subject to the tax imposed under Section 1062.13 of the Code in previous years .....	(3)		00
4. Total average value of foreign assets (Subtract line 3 from line 2) .....	(4)		00

**Part II Accumulated Earnings and Profits**

5. Earnings and profits as of the close of the taxable year (See instructions) .....	(5)		00
6. Deemed dividend subject to the tax imposed under Section 1062.13 of the Code in previous years .....	(6)		00
7. Total earnings and profits (Subtract line 6 from line 5) .....	(7)		00

**Part III Computation of the Deemed Dividend Tax**

8. Total average value of foreign assets (Line 4) .....	(8)		00
9. Total accumulated earnings and profits (Line 7) .....	(9)		00
10. Deemed dividend subject to tax in the current taxable year (The lesser of line 8 and line 9) .....	(10)		00
11. Deemed dividend tax liability (Multiply line 10 by 10%). Transfer to Form 480.20, Part III, line 18 or the appropriate line of other returns .....	(11)		00

## Deemed Dividend Tax

### WHO MUST FILE THIS FORM?

For taxable years commenced after December 31, 2013, foreign owners who own, directly or indirectly, 50% or more of the stock or of the units of a corporation, are subject to a tax of 10% on the amount of the deemed dividend considered received by the foreign owner during any taxable year.

A foreign owner is:

- a non resident individual, estate or trust;
- an entity not taxed as a corporation, not engaged in business in Puerto Rico; and
- an entity taxed as a corporation, including corporations that for the 3 taxable years ending with the tax year for which the determination is being made, has earned less than 80% of its gross income from Puerto Rico sources or effectively connected with the conduct of a trade or business in Puerto Rico.

The deemed dividend amount is the lesser of (a) the total average value of the foreign assets owned by the corporation or (b) the earnings and profits of the corporation accrued as of the closing of the taxable year.

The deemed dividend tax does not apply to:

- Not for profit entities listed in Section 1101.01 of the Code;
- an International Insurer as defined by Article 61.040(4) of the Insurance Code of Puerto Rico;
- an International Financial Entity as defined by Act 223-2012; and
- any foreign corporation subject to the tax on dividend equivalent amount prescribed by Section 1092.02 of the Code.

This tax shall be paid by the corporation on the date established for the payment of the income tax for the taxable year. It is not subject to estimated tax payments.

### PART I - AVERAGE VALUE OF FOREIGN ASSETS

The average value of a foreign asset is the result of dividing an amount equal to the sum of the

adjusted basis of each foreign asset as of the end of each quarter (or part thereof) of the taxable year (or period of less than 12 months) of the corporation, by four (4) (or the number of quarters, or part of a quarter during the computation period).

Total average value of foreign assets is the sum of all the average values of foreign assets as of the end of each taxable year, less the deemed dividend subject to this tax in previous years.

The following are not considered foreign assets:

- obligations of the United States, or any state or territory of the United States, or political subdivision thereof and the District of Columbia;
- cash deposited in a financial institution only in the name of the corporation and for its exclusive use;
- property acquired outside of Puerto Rico to be used by the corporation in its Puerto Rico operations, located outside of Puerto Rico at the time of determining the average value of the foreign assets;
- an obligation of a foreign owner resulting from the sales of property or services rendered, provided that at any time during the taxable year the obligation amount exceeds the amount of the obligation that would result if the transaction was made between unrelated persons;
- an airplane, ship, motor vehicle or container used in the transportation of people or property in the foreign commerce and used primarily in Puerto Rico; and
- obligations or stock of a foreign corporation that is not a foreign owner or a related person of the corporation.

If any of the above listed exceptions is used as a guarantee or collateral by, or for the benefit of, a foreign owner or related person as defined by Section 1010.05 of the Code, then it will be treated as a foreign asset.

### Line 1(d) – Rights to use certain property outside of Puerto Rico

Enter the average amount of any right to use outside of Puerto Rico any of the following:

- patents or copyrights;
- an invention, model or design;

- a secret formula or process; and
- any other similar property right, acquired or developed by any corporation to be used outside of Puerto Rico.

### PART II - ACCUMULATED EARNINGS AND PROFITS

#### Line 5 – Earning and profits as of the close of the taxable year

Consist of the total earnings and profits as of the close of the taxable year, decreased by:

1. the earnings and profits from Industrial development income under the provisions of Act No. 73-2008, known as the "Economic Incentive Act for the Development of Puerto Rico", or any previous or subsequent similar act; from tourist development income under the provisions of Act 74-2010, known as "Puerto Rico Tourism Development Act of 2010", Act 83-2010, Act 20-2012, or any previous or subsequent similar act; or from income covered by any other special act granting tax exemption with respect to the operations, covered under a tax exemption decree, resolution or grant under said acts;
2. the earnings and profits from a bona fide agricultural business to the extent that the income from said activity is allowed as a deduction under the provisions of section 1033.12 of the Code or it is covered under the provisions of Act No. 225-1996, known as the "Puerto Rico Agricultural Tax Incentives Act";
3. the earnings and profits from activities allowed and generated by International Banking Entities organized under the provisions of Act 52-1989, known as the "International Banking Center Regulatory Act".