INSTRUCTIONS BOOKLET

INCOME TAX RETURN
OF TAXABLE CORPORATIONS
2015

Rev. 07.16

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TAXPAYER'S BILL OF RIGHTS

The Taxpayer Bill of Rights grants the following rights under the Puerto Rico Internal Revenue Code of 2011, as amended (Code):

To receive a proper, considerate and impartial treatment.

The information submitted will be confidential.

All interviews must be at a reasonable time and place for the taxpayer, in coordination with the employee of the Department of the Treasury (Department).

The interview or audit must not be used to harass or intimidate in any manner the person interviewed.

To receive a clear and simple explanation of the process to which the taxpayer will be subjected and the rights that assist him.

To be assisted by an attorney, accountant, certified public accountant or any other authorized person, at any moment during the interview.

To be informed prior to the interview of the intention to tape the interview, and to be able to obtain an exact copy of such recording prior to the payment of the cost thereof.

To be informed of the nature of your tax liability.

To be advised of your right against self-incrimination by your own testimony, to remain silent and that your silence should not be taken or commented against you, in case of a possible exposure to a criminal action.

To consult an attorney, accountant, certified public accountant, or agent authorized to represent you within the Department at any moment during the interview, or to be able to finish the interview even when it has commenced.

To be notified in writing of any adjustment made by the Department as a result of a tax audit when it involves the addition of interest, penalties and surcharges, as provided by the Code, as well as the exact amount of the adjustment and the reasons for such changes.

To claim the benefits of a payment plan if you can't pay the tax liability in full in the corresponding time.

To waive the rights described in the preceding paragraphs, if such waiver is made knowingly and voluntarily.

To grant a written power of attorney to authorize any person to represent you during a tax interview or process. Such person shall receive, for purposes of the interview, equal treatment as you, unless you are notified that such person is responsible for an unreasonable delay or interference with the audit.

No discrimination on the basis of race, color, sex, birth, origin or social condition, or political, religious ideas or association of any taxpayer or his representative. No records will be maintained of tax information for these purposes.

The Department's employees will explain to you and protect your rights during all phases of the process. If you believe that your rights have been violated, you should discuss this matter with the supervisor of the employee. If you do not agree with the action taken by the supervisor, you may file a complaint with the Taxpayer's Advocate Office.

TAXPAYER'S ADVOCATE OFFICE

The Taxpayer's Advocate Office (Ombudsman of the Taxpayer) was created to assure compliance with the provisions of the Taxpayer Bill of Rights. Said office is located at the Department of the Treasury in Old San Juan, Office 105. For assistance, please call (787) 977-6622, (787) 977-6638, or (787) 721-2020, extension 2180.

The Taxpayer's Advocate Office is responsible for attending the problems and claims of the taxpayers and to facilitate the process between the taxpayers and the Department of the Treasury. Also, the Ombudsman of the Taxpayer has authority to prevent or correct any infringement of the rights of the taxpayer made by any employee of the Department.

For additional information, you can request or access through the website, the booklet: "*Carta de Derechos del Contribuyente*".

NEW LEGISLATION

- Act 238-2014 eliminates the Additional Tax on Gross Income for the taxable years beginning after December 31, 2014.

- Act 72-2015 incorporates the following changes to the corporation's tax system:

  - increases the general percent applicable to the purchases of personal property from a related person or from a home office located outside of Puerto Rico from a fixed rate of 2% to a rate ranging from 2.5% to 6.5% according to the total gross receipts from the conduct of a trade or businesses in Puerto Rico.

  - decreases from 1.5% to 0.5% the percent applicable to the purchases of motor vehicles from related person or from a home office located outside of Puerto Rico.

  - decreases the limit of total net operating loss deduction to determine the alternative tax from 80% of the alternative minimum net income to 70% of such income.

  - decreases the total limit of the deduction, for purposes of the regular tax, for the net operating loss from 90% of the taxable income to 80% of such income.

  - increases the limitation related to the deduction for net capital loss not used in previous years from 90% to 80% of the net capital gain determined for the taxable year.

SIGNIFICANT CHANGES IN THE RETURN

Return

A new section is presented at the bottom of the first page for the signature of the return. In this section the designated officials or the agent must print their name, sign and include the date of signature of the return.

Line 10 in **Part I** is added to inform separately the gross profit from sales of services. The Department will only consider the issuance of a Waiver Certificate from Withholding at Source for Services Rendered ("Waiver Certificate") to those corporations that report income from services on this line. Therefore, the Department will not be able to issue a Waiver Certificate to those corporations that do not report income from services on this line.

Line 25 in **Part I** is added to inform other payments received that were reported in Form 480.6A or 480.6B.

The credit for Alternative Minimum Tax paid in previous years is relocated to **line 48, Part IV**.

The credit for taxes paid to United States, its possessions and foreign countries is relocated to **line 43**, **Part IV**. This credit was claimed on Schedule B Corporation.

The format of the return is modified in order to expedite its processing.

Column A was eliminated and **lines 33** and **34** are added in **Part VI (Deductions)** for expenses paid to stockholders, related persons or entities outside of Puerto Rico. Also, other concepts of income and deductions and which are included in Parts I and IV, respectively.

A new **Part X** is added to include the detail of the compensation paid to Directors that is included on **line 1**, **Part VI**.

New questions are added in the questionnaire related to the compliance with: (1) the payment of the sales and use tax in the purchase of services and tangible personal property from nonresidents, (2) payments or charges made to related entities not subject to tax in Puerto Rico, (3) detail of foreign stockholders, including the country of origin, and (4) payments of deemed dividend in previous periods.

Schedule A Corporation

Line 1, **Part I** is restructured. **Line 35**, **Part V** is modified in order to adjust it to the requirement of Act 72-2015, related to purchases of personal property from a related person or from a home office located outside Puerto Rico. Also, **Parts VII** and **VIII** are added to determine the alternative minimum tax credit.

Schedule B Corporation

Credits informed in **Parts II and IV** were regrouped between credits subject to moratorium and credits not subject to moratorium. Also, **line 8** in **Part III** is added to indicate the tax withheld at source on distributable share to stockholders or partners of pass-through entities.

Schedule D Corporation

This schedule is restructured; it will only be used to determine the total of gains or losses from sale or exchange of property. The computation of alternative tax on capital assets and other income at preferential rates is excluded from this schedule, this computation will be determined on Schedule D1 Corporation. Also, **Part VI** is added to determine the total net capital loss carryover and **Part VII** to determine the net long-term capital gain for each tax rate.

Schedule D1 Corporation

This new schedule is provided to determine the tax on income subject to preferential rates.

Schedule G Corporation

This new schedule is provided to include the net operating losses from previous years.

Schedule IE Corporation

Lines 1(m), **1(n)**, **17** and **18** are added in **Part II** to indicate other interests reported in Form 480.6D, other interests not reported in Form 480.6D, the distributable share in the exempt income from pass-through entities and other payments reported in Form 480.6D, respectively.

Schedule R and R1 Corporation

Both schedules are adjusted to incorporate the limitation in the proportional share in pass-through entities losses up to the 80% of the distributable share on the aggregate income of such entities.

Schedule S Corporation

Column A is eliminated from **Part II** and **lines 32** and **33** are added for the expenses incurred or paid to stockholders, related persons or entities outside Puerto Rico.

PAYMENTS FOR THE PREPARATION OF THE RETURN AND SANCTIONS TO TAX RETURNS' SPECIALISTS

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 PROVIDES CIVIL AND CRIMINAL SANCTIONS TO THOSE INCOME TAX RETURN SPECIALISTS WHO FAIL TO SUBMIT THIS INFORMATION OR WHO DO NOT MEET ANY OTHER STATUTORY REQUIREMENTS.

The Tax Return Specialist must declare under penalty of perjury that he/she 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 Tax Return Specialist, it must include, the registration number and be signed by the authorized person.

AREA CODE

You must indicate the area code **(787** or **939)** in the parenthesis located in the spaces provided in the heading of the return to write the phone number.

RETURNED CHECKS

Every returned check drawn on behalf of the Secretary of the Treasury will be subject to a $25.00 minimum charge. This charge is in addition to any other interest, surcharges or penalties provided by the Code or any other fiscal law, for omissions in fulfilling your tax responsibility. The Department will make the collection in a traditional or electronic manner.

FINANCIAL STATEMENT'S REQUIREMENT

If the entity has a volume of income during a taxable year equal or greater than $3 million, financial statements reporting the operations of the taxable year must be included with the return.

In cases in which the entity generates a volume of business equal to or greater than $1 million but less than $3 million, the entity may choose to submit financial statements which reflect the results of its operations for the taxable year. Every business that is up to date with its tax responsibility and under these conditions choose to include the financial statements, shall be entitled to a total or partial withholding waiver of the 7% on payments for services rendered.

The financial statement must include a balance sheet, an income statement and a statement of cash flows. These statements should be submitted with an Audit Report issued by a certified public accountant (CPA) licensed in Puerto Rico.

Act 163-2013 established the requirement to include additional information in the financial statements attached with this return. In order to obtain additional information about the Guides for the Preparation of the Schedules Required as Supplementary Information, please refer to Administrative Determination No. 14-06 of March 6, 2014 and Administrative Determination No. 15-24 of December 23, 2015. The due date of the Supplementary Information must be no later than the last day of the month following the due date to file the income tax return, including the request for extension of time to file the income tax return. That is, a corporation with calendar year must file the return on April 15, therefore, the due date of the Supplementary Information will be no later than May 31. In case that the corporation requests an extension of time to file the income tax return, the due date of the return will be July 15, therefore, in this case the due date of the Supplementary Information will be August 31.

Also, Section 1061.15(a) of the Code establishes the requirement to submit consolidated financial statements including the result of operations for each member of the group of related entities doing business in Puerto Rico. About this, Administrative Determination No. 14-07 of March 12, 2014, establishes that this requirement will be considered as met by means of the filing of Form AS 2652.1, which must include the information corresponding to each entity member of the Group of Related Entities, including those that do not have the requirement to file the financial statements.

Every entity member of a group of related entities and that according with the previously indicated rules has the requirement to file audited financial statements, will be required to submit the supplementary information described in Section 1061.15(b) of the Code.

Therefore, for purposes of complying with the requirement to include audited financial statements with the income tax return of taxable years beginning after December 31, 2012, every entity that has generated volume of business of more than $1 million during such year and that is a member of a group of related entities subject to the provisions of Section 1061.15(a)(4) of the Code, for the reason that the volume of business of such group of related entities is more than $3 million, will be able to submit financial statements showing the financial position and the results of operations of such entity individually, without the need to submit consolidated or combined financial statements, as long as it includes, in the notes to such financial statements, a list of all related entities that are engaged in trade or business in Puerto Rico. Such information must include the name of each entity member of the group of related entities engaged in trade or business in Puerto Rico. An entity member of a group of related entities subject to the provisions of Section 1061.15(a)(4) of the Code but has not derived volume of business in excess of $1 million for a taxable year, will not be obligated to submit audited financial statements for such year.

A report that includes consolidated financial statements in which the operations in Puerto Rico are presented as supplementary information will not be accepted. Also, compiled or reviewed statements are not acceptable. They must be audited.

CONTRACTS WITH GOVERNMENTAL ENTITIES

Every person, natural or juridical, contracted by a governmental entity must comply with the Executive Order 91-24, as amended, and the provisions of the Circular Letters in force at the time of processing the contracts. According to said provisions, every contract subscribed by a governmental entity must include a clause to certify that the contracted party filed the income tax returns for the last five years, and that the income, property, unemployment, temporary disability and driver's social security taxes, as applicable, have been paid.

In addition, in order to approve a contract or purchase order, the governmental entity must require the tax return filing (Form SC 6088) and debt (Form SC 6096) certifications from the Internal Revenue Area of this Department, the property tax certification from the CRIM and the corresponding certification from the Department of Labor and Human Resources. These documents must be requested annually.

In order to expedite the process of issuing the certifications, every person who has filed income tax returns for the last 5 years and who does not have tax debts, or if having debts, has formalized a payment plan, will receive the Tax Return Filing and Debt Certification automatically by mail (Form SC 2628). **For this purpose, it is necessary that if the corporation is contracted by a governmental entity, indicate so in the heading of the return, page 1.**

Sometimes a certification cannot be issued in connection with the last taxable year since such return may have not been already processed. Because of this possibility, it is recommended to personally file the original return along with a copy, in order to receive back said copy sealed with the Department's receipt stamp. This service will be offered at the Department of the Treasury, Intendente Ramírez Building in Old San Juan, at the Internal Revenue Collections Offices, and at the Orientation and Return Preparation Centers.

COUPON'S BOOKLET FOR THE PAYMENT OF ESTIMATED TAX (FORM 480.E-2)

The four installments of estimated tax corresponding to the 2016 calendar year or to the 2016-2017 taxable period, will be made with the last version revised available. Payments made with coupons revised on previous dates may have problems in their application.

TAXPAYER'S SERVICE FACILITIES

In the Taxpayer Service Centers, besides **informing about the status of your refund**, other services are offered such as: Tax Return Filing Certifications, Return Copies, assistance for Cases of Inheritance and Donations, Individuals, Corporations or Partnerships and Professional Services Withholding Waivers.

Following are the postal address and telephone number of the Calls and Correspondence Center and the location of each one of our Service Centers:

- **"Hacienda Responde" Contact Center**
  Telephone: **(787) 722-0216**

- **San Juan Service Center**
  Intendente Ramírez Building
  10 Paseo Covadonga, Office 101

- **San Juan Service Center - Representative's Center**
  Intendente Ramírez Building
  10 Paseo Covadonga, Office 209

- **Aguadilla Service Center**
  Punta Borinquen Shopping Center
  Bert St., East Parade St. Intersection
  Malezas Abajo Ward, Ramey Base

- **Arecibo Service Center**
  Governmental Center
  372 José A. Cedeño Ave.
  Building B, Office 106

- **Bayamón Service Center**
  Road #2
  2nd Floor, Gutiérrez Building

- **Caguas Service Center**
  Goyco Street, Acosta Corner
  Governmental Building, Office 507

- **Mayagüez Service Center**
  Governmental Center
  50 Nenadich Street, Office 108

- **Ponce Service Center**
  Governmental Center
  2440 Luis A. Ferré Blvd. Office 410

TECHNICAL ASSISTANCE

For additional information on the technical contents of this booklet or to clarify any doubts, please call **(787) 722-0216, option number 8 in the directory.**

HACIENDA MAKING CONNECTION

Access the Department of the Treasury's website: **www.hacienda.pr.gov**. Here you can find information about the following services, among others:

- Electronic transfer of the Individual Income Tax Return using programs or applications certified by the Department
- 2015 W-2 and Informatives Returns Program
- Employer's Quarterly Return of Income Tax Withheld Filing and Preparation Program
- Payments Online
- Puerto Rico Internal Revenue Code of 1994, as amended (Spanish only)

- Act 1-2011, Puerto Rico Internal Revenue Code of 2011, as amended (Spanish only)

- Forms, Returns and Informative Booklets, such as:

  - Income Tax Return for Exempt Businesses under the Puerto Rico Incentives Programs
  - Form AS 4809 - Information of Identification Number - Organizations (Employers)
  - Form AS 2778.1 - Power and Declaration of Representation for Digital Signature by Returns, Declarations and Refund Claims Specialists
  - *Modelo SC 2800 - Planilla de Contribución sobre Caudal Relicto* (Spanish only)
  - *Modelo SC 2800 A - Planilla Corta de Contribución sobre Caudal Relicto* (Spanish only)
  - *Modelo SC 2800 B - Planilla de Contribución sobre Caudal Relicto (Causantes fallecidos a partir del 1 de enero de 2011)* (Spanish only)
  - *Modelo SC 2788 - Planilla de Contribución sobre Donaciones* (Spanish only)
  - *Modelo SC 2788 A – Planilla de Contribución sobre Donaciones (Aplica a donaciones efectuadas a partir del 1 de abril de 2011)* (Spanish only)
  - Informative Booklet to Provide Orientation about your Income Tax Return (Spanish and English)
  - Informative Booklet to Provide Guidance on the Income Tax Responsibilities of Federal, Military and Other Employees
  - Informative Booklet regarding the Withholding of Income Tax at Source in Case of Professional Services (Spanish and English)
  - *Folleto Informativo de Contribución sobre Ingresos de Sacerdotes o Ministros* (Spanish only)
  - *Folleto Informativo para Aclarar sus Dudas sobre Aspectos Contributivos en la Venta de Ciertas Propiedades Inmuebles* (Spanish only)
  - Withholding of Income Tax at Source on Wages - Instructions to Employers (Spanish and English)

- Circular Letters and Administrative Determinations, such as:

  - Internal Revenue Circular Letter No. 02-09 of June 28, 2002 – Withholding on Payments for Services Rendered
  - *Carta Circular de Rentas Internas Núm. 02-10 del 9 de julio de 2002 - Exclusión de la Retención del Siete por Ciento (7%) sobre los Pagos por Servicios Prestados a los Contratistas por Concepto de Construcción de Obras* (Spanish only)
  - *Carta Circular de Rentas Internas Núm. 02-13 del 24 de julio de 2002 – Retención sobre Pagos Efectuados por Servicios Prestados a Ciertos Sectores o Categorías de Empresas o Negocios* (Spanish only)
  - *Carta Circular de Rentas Internas Núm. 06-27 del 28 de diciembre de 2006 - Enmiendas a la Carta Circular de Rentas Internas Núm. 02-13 de 24 de julio de 2002 Relacionada a la Retención sobre Pagos Efectuados por Servicios Prestados a Ciertos Sectores o Categorías de Empresas o Negocios* (Spanish only)
  - *Carta Circular de Rentas Internas Núm. 11-01 del 3 de enero de 2011 - Procedimiento para Reclamar Créditos Contra la Contribución sobre Ingresos, Notificar la Venta de Créditos o Solicitar Cupones de Pago para Cubrir Gastos de Energía Eléctrica, Agua y Alcantarillado* (Spanish only)
  - *Determinación Administrativa Núm. 05-02 del 10 de junio de 2005 - Tratamiento Contributivo sobre Pagos Realizados Mediante Acuerdos Transaccionales* (Spanish only)
  - *Determinación Administrativa Núm. 07-01 del 12 de enero de 2007 - Tratamiento Contributivo de Indemnización Recibida por Concepto de Daños y Perjuicios, por Razón de Incapacidad Ocupacional y No Ocupacional; y Pagos por Terminación de Empleo* (Spanish only)
  - *Determinación Administrativa Núm. 07-03 del 4 de abril de 2007 - Aportaciones y Transferencias de Cuentas de Aportación Educativa* (Spanish only)
  - *Determinación Administrativa Núm. 08-04 del 22 de mayo de 2008 - Enmienda a la Determinación Administrativa Núm. 07-01 Relativa al Tratamiento Contributivo de Indemnización Recibida por Concepto de Daños y Perjuicios, por Razón de Angustias Mentales Incidentales a Daños Físicos* (Spanish only)
  - *Determinación Administrativa Núm. 11-10 del 30 de junio de 2011 - Disposiciones bajo el Código de Rentas Internas para un Nuevo Puerto Rico (Ley de Incentivos de Energía Verde de Puerto Rico)* (Spanish only)
  - *Determinación Administrativa Núm. 12-04 del 14 de febrero de 2012 - Disposiciones Relacionadas a la Elección o Conversión a Sociedad bajo el Capítulo 7 del Subtítulo A del Código de Rentas Internas del 2011* (Spanish only)
  - *Determinación Administrativa Núm. 12-09 del 29 de mayo de 2012 – Disposiciones Relacionadas a la Elección y Notificación de Tratamiento como Sociedad bajo el Capítulo 7 del Subtítulo A del Código de Rentas Internas de 2011* (Spanish only)
  - Administrative Determination No. 12-12 of August 8, 2012 – Nonresident Foreign Corporations Subject to the Income Source Rule under Section 1035.05 of the Puerto Rico Internal Revenue Code of 2011

- Administrative Determination No. 12-13 of September 14, 2012 – All Employers that Claim a Deduction for Contributions to Employee Exempt Trusts under Section 1081.01(a) of the Puerto Rico Internal Revenue Code of 2011

- *Determinación Administrativa Núm. 14-06 del 6 de marzo de 2014 - Guías para la Preparación de los Anejos Requeridos como Información Suplementaria* (Spanish only)

- *Determinación Administrativa Núm. 14-07 del 12 de marzo de 2014 - Requisito de Estados Financieros Auditados, Determinación de la Contribución Adicional sobre Ingreso Bruto y Cambios Importantes en el Formulario Modelo SC 2652* (Spanish only)

- *Determinación Administrativa Núm. 15-24 del 23 de septiembre de 2015 - Modificación a las guías para la Preparación de los Anejos Requeridos como Información Suplementaria*

INSTRUCTIONS TO COMPLETE THE CORPORATION INCOME TAX RETURN

WHO MUST FILE THIS RETURN?

In general, every domestic or foreign corporation engaged in trade or business in Puerto Rico must file this return.

The following entities are not required to file this return: (1) entities covered by the Incentives Acts or Tourism Development Act; (2) entities with partially exempt income under the Puerto Rico Agricultural Tax Incentives Act, as amended, or under any other special acts; (3) entities with partially exempt income under the Tax Incentives Act to Hospital Facilities; (4) entities which have earned income from Film Projects or Infrastructure Projects; (5) non-profit organizations with a tax exemption grant issued by the Department of the Treasury which has not been rejected; (6) foreign or domestic life insurance companies; (7) corporations of individuals; (8) partnerships; (9) special partnerships; or (10) employees-owned special corporations and ordinary and extraordinary members. Nevertheless, these entities must file a return designed by the Department of the Treasury, in accordance to the laws under which they operate.

The term *corporation* includes limited liability companies, joint stock companies, private corporations, insurance companies, and any other corporation organized under Act 164-2009, as amended, known as the "General Corporations Act", that derive income or taxable profits.

WHEN AND WHERE IT MUST BE FILED?

The income tax return of domestic or foreign corporations engaged in trade or business in Puerto Rico, must be filed on or before the fifteenth day of the fourth month following the end of the taxable year. In case of a foreign corporation not having any office or place of business in Puerto Rico, the return must be filed on or before the fifteenth day of the sixth month following the end of the taxable year.

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

(a) **Returns with Refund:**
DEPARTMENT OF THE TREASURY
PO BOX 50072
SAN JUAN PR 00902-6272

(b) **Returns with Payment and Others:**
DEPARTMENT OF THE TREASURY
PO BOX 9022501
SAN JUAN PR 00902-2501

It may also be delivered to the Internal Revenue Collections Office of your municipality or the Orientation and Return Preparation Centers.

AUTOMATIC EXTENSION OF TIME TO FILE THE RETURN

A 3 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. This will be done 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.

SCHEDULES TO COMPLETE THE CORPORATION INCOME TAX RETURNS

The following schedules must be attached, when necessary, to file the income tax return of a corporation.

Schedule A Corp.	- Alternative Minimum Tax
Schedule B Corp.	- Recapture of Credit Claimed in Excess, Tax Credits, and Other Payments and Withholdings
Schedule B1 Corp.	- Credits for Purchase of Products Manufactured in Puerto Rico and Puerto Rican Agricultural Products
Schedule C Corp.	- Credit for Taxes Paid to Foreign Countries, the United States, its Territories and Possessions
Schedule D Corp.	- Gains and Losses from Sale or Exchange of Property
Schedule D1 Corp.	- Tax on Income Subject to Preferential Rates
Schedule E	- Depreciation
Schedule G Corp.	- Detail of Net Operating Losses from Previous Years
Schedule IE Corp.	- Excluded and Exempt Income
Schedule Q	- Investment Funds - Credit for Investment, Losses and Amount to Carryover
Schedule Q1	- Investment Funds - Determination of Adjusted Basis, Capital Gain, Ordinary Income and Special Tax

Schedule R Corp. - Partnerships and Special Partnerships

Schedule R1 Corp. - Partnerships and Special Partnerships (Complementary)

Schedule S Corp. - Taxable Farming Income (Bona Fide Farmer)

Schedule T Corp. - Addition to the Tax for Failure to Pay Estimated Tax in Case of Corporations

Form AS 2652.1 - Apportionment of the Deduction for the Surtax Computation - 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)

Form AS 6042.1 - Deduction for Contributions to Qualified Retirement Plans and Tax on Certain Contributions

The schedules and their instructions are available in our webpage: www.hacienda.pr.gov.

HEADING OF THE RETURN

If the taxable year of the corporation is a calendar year, there is no need to enter the dates on which the taxable year begins and ends. You must only enter the corresponding year. If it is a fiscal year, you must enter the dates in the spaces provided on the return.

NAME, EMPLOYER IDENTIFICATION NUMBER AND ADDRESS

Enter the name and the registry number of the corporation in the space indicated on the return, as it appears in the Department of State records.

Enter date and place of incorporation of the corporation, already being in Puerto Rico or foreing country.

Also, enter the employer identification number in the space indicated. **The employer identification number is required to process the return.**

If the corporation does not have an assigned employer identification number, you must request it from the Federal Internal Revenue Service and notify it to the Department of the Treasury using Form AS 4809.

Enter the Merchant's Registration Number assigned by the Department, the complete address where the business or principal office is located, and the telephone number.

Inform the type of industry or business (principal business activity).

For example, if your principal activity is construction of furniture, enter **furniture manufacturing;** if it is retail sale of furniture, enter **furniture retail trade. Use the industrial code list provided on page 41, in order to facilitate the description of the commercial activity and enter the corresponding industrial code.**

Check the applicable box if it is the first or last return you are filing.

Check the box if the corporation have contracts with governmental entities.

If the corporation informs a change of address at the moment of filing the return, check the applicable box, and write the new address clearly and legible. On the other hand, if the change of address is made at any other moment during the year, you must use Form SC 2898 (Change of Address). The same is available at the Forms and Publications Division, Office 603, of the Department of the Treasury in Old San Juan, or you may request it calling (787) 722-0216. Also you may obtain it accessing our webpage: www.hacienda.pr.gov.

Indicate in type of entity if it is a corporation, limited liability company, partnership (for those existing partnerships that could choose to continue to be taxed as a corporation) or other applicable type.

Also indicate whether 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 through the application available on our website, by completing Form AS 2652.1. If the entity is a member of a group of related entities you must enter the group number or the return will not be processed.

You must enter the e-mail address of the contact person representing you before the Department of the Treasury.

REFUND

Line 1 – Amount overpaid

If the sum of lines 55 and 57, Part IV is less than line 56, transfer to this line and indicate the distribution of line 58 among line 1A (to be credited to estimated tax for 2016), 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.

Line 2 – Amount of tax due

If the sum of lines 55 and 57, Part IV is more than line 56, enter the amount of line 58 on this line.

PAYMENT

Line 3 – Amount paid

Make the check or money order payable to the Secretary of the Treasury. **Indicate the employer identification number and Form 480.20.** If you decide to pay in cash, debit card and/or credit card (Visa or MasterCard), you can do it at any of our Internal Revenue Collections Offices. Make sure to keep the official receipt received from the Collector at the time of payment.

If you filed the return after the filing due date or you requested an extension of time but did not pay the total amount due, you must compute the applicable interests and surcharges, from the filing due date to the date on which the return was filed.

INTERESTS, SURCHARGES AND PENALTIES

Interests

The 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 interest is applicable, a surcharge of 5% of the amount due will be assessed, if the delay in paying exceeds 30 days, but not over 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 under the Code to file a return, declaration, certification or report, who voluntarily fails to file such return, declaration, certification or report, within the term or terms required by the Code or regulations, in addition to other penalties, shall be guilty of a misdemeanor.

If any person voluntarily fails to file the above mentioned return, declaration, certification or report (within the terms required 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 or other principal officer and by the treasurer or assistant treasurer of the corporation.

Every principal officer must include his/her name in legible print letter and indicate in the document the date in which the return was signed.

The return can also be signed by an Authorized Agent by the Board of Directors of the Corporation. In this case, it will be required to include with the return copy of the Corporate Board Resolution authorizing the Agent to sign the return.

PART I - DETERMINATION OF THE NET OPERATING INCOME (OR LOSS)

Enter on line 1 **only** the net sales of goods or products. Do not include on this line the income received in the year from sales of services. They must be included on line 10 of this Part I.

Enter manufacturing and sales costs, as well as the gross profit from sales. Check the applicable box to indicate the inventory appraisal method at the beginning and end of the year (Cost or, the lower of cost or market).

Itemize in Part V of the return the other direct costs reported on line 5. The flexible depreciation of assets used in manufacture will be included as other direct costs in Part I, line 5 and Part VI, line 15. The flexible depreciation of assets other than the ones used in manufacture must be entered in Part VI, line 25.

Indicate on line 8 the total cost of goods sold or direct costs of production (Line 6 less line 7).

Enter on line 10 the gross profit from sales of services. The corporations that have income from services reported on this line will be the only ones that may be eligible to request to the Department a Waiver Certificate. If the corporation does not report income from services on this line, it will not be eligble to receive the benefits of the Withholding Waiver.

Enter on line 13 the rental income. If the rental income is derived from the lease of a New Construction Property or Qualified Residential Property, it is fully exempt under the provisions of Act 132-2010. This exemption applies from January 1, 2011 to December 31, 2020, regardless of the date on which the contract has been subscribed. Do not include on this line the income received for this concept, include the same on Schedule IE Corporation, Part II, line 14.

For more information refer to Act 132-2010 and its corresponding regulations.

Enter on line 14 the eligible interest that you elected to pay taxes at the regular tax rates and the preferential rate of 10%, among others.

Enter on line 17 the distributable share on the income from partnerships and special partnerships. To determine this income, complete Schedule R Corporation and Schedule R1 Corporation, if necessary (See instructions for Schedules R Corporation and R1 Corporation).

Enter on line 18 the result of the distributable share on net income subject to preferential rates from partnerships and special partnerships, as informed on line 7 of Form 480.60 EC.

In case that the corporation is a partner of a pass-through entity with a taxable year different to December 31, the amounts informed on line 7 of Forms 480.60 S or 480.60 SE will be included on this line.

If the amount informed is a loss, the same must be carried forward, as provided in the corresponding Special Act. If you have losses from previous years to be claimed against the current year **net** income, submit with the return a detail that include the year in which the loss was generated, as reported on Form 480.60 EC (480.60 S or 480.60 SE in case of partnerships with a taxable year different to December 31), the amount of loss reported, and the expiration date of the same.

Enter on line 19 the amount determined on **Schedule S Corporation - Taxable Farming Income**. In case that the agricultural activity is not the principal source of income, any loss incurred may only be carried against any income derived from the agricultural activity.

Enter on line 20 the result of the net income subject to the 4% tax rate, derived from the operations of an international financial entity that operates as a bank unit.

Do not complete this line if it is an international financial entity that does not operates as bank unit. In this case you must complete the 4% Special Tax Return of an International Insurer or an International Financial Entity (Form 480.20(AI)).

For additional details about the net income subject to the 4% tax rate, refer to Act 273-2012, known as the International Financing Center Regulatory Act.

Enter on line 23 the amount of income from debt discharge as informed on Form 480.6A. In case of entities that have a taxable year different to a year ending on December 31, they must include the total income from debt discharge corresponding to the taxable year for which the return is being filed.

Enter on line 24 the net income from public shows. The determined amount will not be part of the gross income informed on lines 1 (Net sales of goods or products) or 10 (Gross profit from sales of services) of this Part I.

Enter on line 25 the amount informed as income from other payments included on line 9 of Form 480.6A. In case of entities with a taxable year ending on December 31, they will include the total of the other payments corresponding to the taxable year for which the return is being filed.

Enter on line 28 the first $500,000 of gross income generated by a new business created by a young entrepreneur whose age ranges between 16 and 35 years. Such new business should have granted a Special Agreement for the Creation of Companies by Young Entrepreneurs (Agreement) with the Puerto Rico Trade and Export Company, in order to enjoy the exemption during the first 3 years beginning on the date on which the Agreement is signed. **In order to claim this exemption, copy of the Agreement must be included with the income tax return**.

This benefit is limited to only one new business by each young entrepreneur and cannot receive any other economic or fiscal incentive provided by any act to promote a commercial, industrial o touristic operation in Puerto Rico. Any amount in excess of $500,000 will pay taxes at the ordinary rates. For purposes of determining the first $500,000 of gross income generated by the new business, add the gross income of a controlled group of corporations and a group of related entities according to Sections 1010.04 and 1010.05 of the Code, respectively.

Enter on line 30 the total deduction as determined on line 51, Part VI of the return.

PART II - DETERMINATION OF THE NEXT INCOME (OR LOSS)

Line 32 - Net operating loss deduction from preceding year

Enter on this line the total of net operating losses of previous years, as determined on Schedule G Corporation, Part I, line 13, Column E. Include said schedule with the return.

The total amount of loss to be claimed on this line cannot exceed 80% of the net operating income determined on line 31, Part I of the return.

PART III - DETERMINATION OF THE NET INCOME SUBJECT TO NORMAL TAX AND SURTAX

Line 34 - Dividends received from domestic corporations

Enter 85% of the amount received as dividends or profits from a domestic corporation taxable under the Code, but limited to 85% of the net income of the corporation.

If the dividend received is from industrial development income derived from operations covered by the provisions of Act No. 57 of June 13, 1963, as amended, the credit will be 77.5% of the amount received, but limited to 77.5% of the net taxable income.

The credit of 77.5% does not apply to dividends or profits distributions derived from operations covered under Act 78-1993, as amended, or Act 8 of January 24, 1987, as amended. Nevertheless, if the corporation receives dividends or benefits from a domestic corporation, it may use the 85% credit mentioned in the first paragraph of this part.

However, the Code provides the following exceptions:

1) In the case of a small business investment company operating in Puerto Rico under the Small Business Act of 1958, there shall be allowed as a credit an amount equal to 100% of the total amount received as dividends or profits from a domestic corporation taxable under the Code.

2) Subject to certain requirements imposed by the Code, a credit of 100% is allowed against the net income from the total amount received as dividends by corporations organized under the laws of any state of the United States or the Commonwealth of Puerto Rico, that is the principal derived from industrial development income accrued during taxable years beginning prior to January 1, 1993 and invested in obligations of the Commonwealth of Puerto Rico, its instrumentalities or political subdivisions, or invested in mortgages secured by the Puerto Rico Housing Bank and Finance Agency or in loans or other securities guaranteed by mortgages granted under any general character pension or retirement system established by the Legislative Assembly of Puerto Rico, the municipalities and the agencies, entities or public corporations of the Commonwealth of Puerto Rico.

3) There shall be granted a 100% credit against the net income from the total amount received as dividends by corporations organized under the laws of any state of the United States or

the Commonwealth of Puerto Rico, that is the principal derived from industrial development income accrued during taxable years beginning prior to January 1, 1993 and invested in obligations of the Governmental Development Bank for Puerto Rico or any of its subsidiary corporations, for the financing through the purchase of mortgages, or the construction, purchase or housing improvements in Puerto Rico made after December 31, 1984.

4) A 100% credit will be granted against the net income from the total amount received as dividends or profits from a domestic controlled corporation.

Line 36 - Surtax net income deduction

Enter **$25,000**, except in case the corporation belongs to a controlled group of corporations which are 50% or more owned, directly or indirectly, by the same person or persons. In those cases, the allowed 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 by December 31, the credit allowed to such corporation for the taxable year that includes such December 31, shall be an amount equal to $25,000 distributed among the 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 is a component member of a controlled group of corporations with respect to such taxable year, the allowable credit for that taxable year will be $25,000 distributed among the number of corporations that are component members of the group as of the last day of said taxable year.

In case of group of related corporations, the deduction for the computation of the surtax must be prorated among all corporations that are members of the related group of corporations. The group of corporations must file Form AS 2652.1, where the deduction distribution shall be reported. This form must be filed electronically.

This amount cannot exceed $25,000 for the year.

PART IV - COMPUTATION OF TAX

Line 38 – Normal tax

Indicate the corresponding tax rate and multiply it by the amount on line 35, Part III of this return.

A 20% tax will be levied, collected and paid on the net income subject to normal tax of every corporation.

Nevertheless, a corporation that have granted a Special Agreement for the Creation of Employments and constitutes a New Business under the provisions of Act 1-2013, will be subject to a 10% normal tax during the first operating year. For the taxable year following the year which the Agreement is signed the tax rate will be 15%.

Line 39 – Surtax

Multiply line 37 by the applicable tax rate according to the following table, and enter the result.

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

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

Line 41 - 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 elect to pay an alternative tax. The alternative tax is determined by taxing the net income excluding net long-term capital gains at the normal tax rates, plus a 20% on such gains.

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

Any corporation may exercise the option of paying 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 from operations of an international financial entity that operates as bank unit.

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

Compute the alternative tax on income subject to preferential rates 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 the return.

Line 43 – Credit for taxes paid to the United States, its possessions and foreign countries

Enter on this line the total credit for taxes paid to the United States, its possessions or foreign countries as determined on line 6(b), Part III of Schedule C Corporation.

Line 45 - Alternative minimum tax in excess of the regular tax

Enter the excess of tentative minimum tax over the adjusted regular tax from Schedule A Corporation, Part VI, line 41.

Every corporation (except those corporations not engaged in 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 include it with your return.

Line 48 – Credit for alternative minimum tax paid in previous years

Enter the total of credit for alternative minimum tax paid in previous years as determined on line 4, Part VII of Schedule A Corporation.

Line 51 - Branch profits tax

In addition to any other tax imposed by the Code, those foreign corporations engaged in trade or business in Puerto Rico that operate as branches, **are subject to a 10% tax** of the amount equivalent to the dividend 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 its 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 taxable years period ended at the closing of said taxable year.

Corporations subject to said additional tax, must complete Form AS 2879 and include it with their return. For more information, see the instructions of the form.

Line 52 – Deemed dividend tax

For taxable years commenced after December 31, 2013, 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 from 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 55 - Balance of tax due

In case that line 54 is less than line 53, enter on this line the result of line 53 less line 54. In case that line 54 is more than line 53, enter zero and continue with line 56.

Line 57 – 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).

PART V - OTHER DIRECT COSTS

Those cost items for which Part V does not provides specific lines, will be totalized and entered as other expenses on line 16 of this Part. **Submit with the return a schedule itemizing those costs**.

The total of these costs should be entered on line 17 of this part and shall be equal to the amount in Part I, line 5 of the return.

PART VI - DEDUCTIONS

Line 1 – Compensation to directors

Enter on this line the total compensation paid to the corporation's directors during the year, as determined in Part X, page 5 of the return.

Line 2 – Compensation to officers

Enter on this line the total compensation paid to the corporation's officers during the year, as determined in Part XI, page 5 of the return.

Line 3 - Salaries, commissions and bonuses to employees

Enter on this line the total salaries, commissions and bonusees paid to employes of the corporation during the taxable year.

No deduction shall be allowed for salaries paid if at the time of filing the income tax return the full amount of tax withheld from salaries paid to employees corresponding to the taxable year for which the return is filed has not been remitted to the Treasury Department.

Line 10 – Interests paid in automobiles financing lease

Enter on this line the total amounts included in Column of “Amount of Payment that Constitutes Interest” in Form 480.7D. If the corporation have an economic year, enter the total paid or incurred during the taxable year.

Line 11 – Mortgage interests

Enter on this line the amount of mortgage interests included in Box 1 (Interest Paid by Borrower) of Form 480.7A. If the corporation has an economic year, enter the total amount paid or incurred during the taxable year.

Line 12 - Other Interests

Enter the interest paid or accrued during the year not included on the previous lines. In case of a financial institution, no deduction shall be allowed for that portion of exempt interest expenses attributable to exempt obligations acquired after December 31, 1987.

Line 16 - Other taxes, patents and licenses

Submit a schedule detailing the excise taxes, licenses or other taxes paid. Payments made during the year for sales tax will not be included as part of this deduction.

Line 17 – Sales and use tax

Enter on this line the amount of sales and use tax payments made by the corporation during the taxable year not claimed as credit in the sales and use tax monthly returns filed by the corporation. The tax to be claimed takes into consideration such amount paid in: (1) imports, (2) subcontracts, (3) purchase of tangible personal property and taxable services to Puerto Rico residents, (4) purchases of designated professional services, and (5) auto imposition of the tax in the purchase of services and goods (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 18 - Losses from fire, storm, other casualties or theft

It will be allowed as a deduction the losses sustained during the taxable year not compensated by an insurance company or other.

Line 19 - Automobile expenses

The taxpayer have 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 determined based on a standard mileage rate of sixty cents ($0.60) for each mile that the taxpayer uses in its industry or business or for the production of income; or

2) the actual expenses related to the use and maintenance of an automobile incurred by the taxpayer in its industry or business or for the production of income, including those expenses that are duly documented by the employees under an expenses reimbursement plan established by their employer.

Nevertheless, once any of the alternatives is selected, the taxpayer will be required to use the same during the entire taxable period.

The expense related to use and maintenance of automobiles includes repairs, insurances, gasoline, oil and filter changes, cleaning, tires, annual license fees and other expenses of a similar nature. This expense does not include depreciation, rental payments on ordinary leases or financial leases which are claimed on line 25 and detailed on Schedule E. Also, do not include expenses related to the use of tolls or parking, they must be included as miscelaneous expenses.

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

- those used directly in the business of transporting passengers or property for which compensation or payment is made, such as limousines, taxis and public vehicles;
- funeral cars, flower carriages, buses, ambulances, motorcycles, trucks, vans and any other similar vehicle used primarily for transport of cargo, and
- cars rented or held for rental by persons regularly engaged in the business of car leasing.

If you incurred expenses for vehicles which are not considered automobiles according to the above definition, you should claim them on line 20.

Administrative Determination No. 15-01 of January 9, 2015, revoked several articles of Regulation 8297 of December 18, 2012, related to the requirements to claim the deduction for expenses incurred or paid for the use and maintenance of automobile. For additional details, see Administrative Determination No. 15-01.

Line 20 - Other motor vehicle expenses

If you incurred expenses related to the use and maintenance of vehicles which are not considered automobiles, according to the definition of the previous line, they should be claimed on this line.

Line 21 - Meal and entertainment expenses

You may deduct 50% of the expenses actually paid or incurred, up to a limit of 25% of the gross income for the taxable year, for meal and entertainment expenses directly related with your trade or business or with the production of income. You cannot include as part of such expenses, the items that do not constitute ordinary and necessary expenses of your trade or business.

No deductions shall be allowed for meal and entertainment expenses considered extravagant or sumptuous.

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

Line 23 – Professional services

Enter on this line the total professional services paid to service providers engaged in trade or business in Puerto Rico. Do not include the purchase of services or designated professional services to persons not engaged in trade or business in Puerto Rico. Said item will be included on line 44, Part VI.

To claim this deduction, the taxpayer must file before the Department of the Treasury the Informative Return related to the services paid during the taxable year.

Line 24 - Contributions to pension or other qualified plans

Enter the amount contributed to pension, stock bonus, profit sharing or other qualified 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, you must complete and include with the return Form AS 6042.1 - Deduction for Contributions to Qualified Retirement Plans and Tax on Certain Contributions. For additional details, see Regulation No. 8299 of December 18, 2012 and Administrative Determination No. 12-13 of September 14, 2012.

Line 25 – Depreciation and amortization

Flexible depreciation

Enter the amount of flexible depreciation you are entitled and submit copy of the authorization for the flexible depreciation option.

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

Accelerated depreciation

In order to be entitled to this deduction, an election to use the accelerated depreciation method must be exercised with the return. Said election may be exercised only with respect to property acquired during taxable years beginning after June 30, 1995. Once the option is exercised, it is irrevocable.

This depreciation method does not apply to automobiles, property used outside Puerto Rico, property used by exempt entities, property used totally or partially in activities under the Industrial Incentives Acts, Tax Incentives Act and Tourism Incentives Act, Tourism Development Act, Agricultural Tax Incentives Act, or any other act of similar nature or to intangible property.

Also, Act No. 212-2002, as amended (Act No. 212), provides a type of accelerated depreciation, where the constructed structure, that constitutes housing, can be depreciated using the straight-line method over a 7 year period. However, this deduction is available to persons that invest in housing construction or improvement in an urban center and that has not benefited from the credit provided in Article 4.03E or 4.03F of Act No. 212. For additional details, refer to Act No. 212, Internal Revenue Circular Letter No. 08-14 of October 31, 2008 and its regulatory provisions.

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

Current depreciation, amortization, automobiles and vehicles under financial leases

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

The maximum basis to depreciate an automobile acquired and used in a trade or business or for the production of income, is $30,000; the deduction shall not exceed $6,000 annually per automobile.

For depreciation purposes, the useful life of an automobile used exclusively in selling activities is 3 years, and 5 years for every other purpose.

The $30,000 basis limitation and useful life term do not apply to those automobiles acquired by corporations engaged in the leasing, transportation of passengers or cargo businesses.

Also, a deduction for goodwill amortization is granted, as long as the goodwill is purchased from third parties 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.

Every corporation which total income for the taxable year does not exceed $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 such corporation or acquired from a related person, will not qualify for the acceleration of the depreciation allowance. It may also be depreciated under the straight-line method, based on a useful life of 2 years, the land transportation equipment, except automobiles, and environmental conservation equipment.

Line 26 - Bad debts

Enter the accounts receivable that are considered uncollectible. For taxable years beginning after June 30, 1995, corporations will not be able to use the reserve method to compute the deduction for bad debts.

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

Neither will be deductible amounts owed to related persons who are foreign or nonresidents not engaged in trade or business in Puerto Rico. Act 163-2013 added a new paragraph (c) to Section 1040.04 – Period for Which the Deductions and Credits must be claimed, to establish the following:

> Amounts owed to related persons who are foreign 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 this Code) who is foreign or nonresident not engaged in trade or business in Puerto Rico and, that otherwise, be deductible under Section 1033.01 of this Code, will not be deductible by the taxpayer until this amount is paid to any of the related persons.
>
> (2) Amounts covered by this paragraph – This paragraph applies to those amounts, that otherwise had been deductible, and are of the type described in Sections 1091.01(a)(1) (A)(i) and 1092.01(a)(1)(A)(i).

Line 27 - Repairs

On this line, claim the expenses which constitute repairs and not improvements to the assets of the corporation. Excessive repair expenses will be subject to investigation.

Line 30 - Deduction for employers who employ handicapped persons

Enter $400 for each severely handicapped person employed for at least 20 hours per week during nine months of the taxable year.

The deduction is allowed for a maximum of 5 severely handicapped persons. In force regulations of the Vocational Rehabilitation Program of the Department of the Family will be used to determine the severely handicapped condition.

To claim this deduction, you must submit with the return:

(1) evidence that proves the handicapped person has been employed at least during 9 months of the taxable year for which the deduction is claimed, and

(2) a certification issued by the Secretary of the Department of the Family stating that, in accordance to its rules and procedures, the person for whom the deduction is claimed is a severely handicapped person.

Line 31 - Contributions to educational contribution accounts for the employee's beneficiaries

Enter the amount of contributions to educational contribution accounts for the employees' eligible beneficiaries up to the maximum amount of **$500 for each beneficiary**, as provided by Section 1081.05 of the Code. Employer's contributions will be considered as ordinary and necessary expenses of the industry or business, and can be deducted as such in the year they are made. These contributions must be included as part of the employee's income by the employer in the year they are made, and can be claimed as a deduction by the employee in the same year. The trusts instrument must state that the participants will be those individuals that through a contract or application claim the benefits provided by such trust.

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

Line 32 – Expenses in properties leased to the Puerto Rico Industrial Development Company or Warehouse of the Puerto Rico Trade and Export Company

Any Eligible Business, according to Act 1-2013 (known as "Jobs Now Act"), that leases any building to the Puerto Rico Industrial Development Company or Warehouse of the Puerto Rico Trade and Export Company, in addition to any other deduction provided by law, will be able to deduct an amount equal to the total capitalized expenses incurred in the improvements, remodeling or repair of eligible property or the leased warehouse, as well as the acquisition of machinery and equipment to be permanently or temporary installed in the eligible property or warehouse, as long as the improvement, remodeling, repairs, machinery and equipment are to be used in the eligible business operations subject to the lease. Also, the improvements, remodeling, repairs and the machinery and equipment should not have been used or depreciated previously.

The total of the eligible investment for this deduction in excess of the eligible business net income in the year of the expenses may be claimed as deduction in the subsequent taxable years, until totally used. A deduction will not be allowed for this concept in relation to the portion of expenses or investment on which the eligible business has received economic incentives from the Puerto Rico Industrial Development Company or from any other agency, governmental instrumentality or municipality of the Commonwealth of Puerto Rico. Neither will this deduction apply if the investment has produced other special deductions or tax credits.

Line 33 - Expenses incurred or paid to stockholders, persons or related entities outside of Puerto Rico

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

- the expenses incurred or paid to a related person not engaged in trade or business in Puerto Rico, if such payments are attributable to the conduct of a trade or business in Puerto Rico and are not subject to withholding at source under the Code during the taxable year in which they are incurred or paid, or

- the expenses paid to a home office located outside of Puerto Rico, by a foreign corporation engaged in trade or business in Puerto Rico through a branch.

For these purposes, the applicable regulations to determine the members of a controlled group of corporations or group of related entities, established in Sections 1010.04 and 1010.05 of the Code, will be applicable at the moment of determining the relation between the corporation and its stockholders and affiliates.

The nondeductible portion (51%) will be reported in Part VIII, line 5(d). This amount together with the deduction must be the same as the amount included in the space of Total provided on this line.

Line 34 – Deduction for expenses incurred or paid to stockholders, persons or related entities, fully deductible

Enter the total expenses, as described on the previous line, if the corporation is excluded from the limitation (49%) established by Section 1033.17(a)(17), by any disposition of law or because the taxpayer's request and the approval by the Department of Treasury of any waiver to be excluded from the limitation.

Line 44 – Expenses incurred or paid for services received from persons not engaged in trade or businesses in Puerto Rico

Enter the total of services, including designated professional services paid to persons not engaged in trade or business in Puerto Rico. In this case the client must have determined and sent to the Department of the Treasury the sales and use tax related to these services. In the case that the sales and use tax related to these services had not been sent to the Department, the taxpayer will not be able to claim the payment of this services as a deduction in the return.

Line 46 – Related expenses to licenses and computer programs that cannot be capitalized

Enter the amount paid for the acquisition of licenses and computer programs that were not capitalized and for which amortization expense is not claimed on Schedule E.

Line 47 - Other deductions

Every employer may claim annually, as an operating expense of the industry or business, an amount equal to a month of salary for each employee to whom you have granted the right to nurse their babies or extract their maternal milk during one hour within each full time working day which can be divided in two periods of 30 minutes or three periods of 20 minutes. In the case of companies considered as small businesses by the Federal Small Business Administration, the period will be one half hour of each full time working day, which can be divided in two periods of 15 minutes.

Every person affiliated to an exempt business under the Tax Incentives Act of 1998 or under previous tax incentives acts, will be entitled to claim a special deduction equal to the total expenses incurred in Puerto Rico in activities related to investigation, experimentation, medical studies, health studies, clinical studies and basic sciences studies guided to the development of new products, new uses or indications for such products, to the improvements of the same, or to the study of diseases, in excess of the annual average of such expenses incurred during the 3 taxable years ended prior to January 1, 2004, or those parts of said period that may be applicable and which are deductible in the taxable year.

For these purposes "affiliated person" means any juridical person that:

a) is controlled directly or indirectly in 50% or more of the total value of their stocks or shares by a corporation, and

b) at the same time, said corporation owns directly or indirectly 50% or more of the total value of the stocks or shares of an exempt business.

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

Every industry or business that meets the requirements established in Act No. 212- 2002, as amended (Act No. 212), that creates new employments as part of an urban center revitalization process, will be entitled to a special additional deduction equivalent to 5% of the minimum salary applicable to each new employment created. Also, the transfer of your business with a minimum of 5 employees to an urban center will entitle you to an additional deduction equivalent to 15% of the payroll expenses related to the employees transferred during the year in which the business was transferred. This deduction will be limited to 50% of the net income according to the Code, adjusted by the special deductions provided by Act No. 212, without considering this deduction.

These deductions will be available for a term of 5 years from the taxable year in which the taxpayer applies for these benefits. You must keep for your records a certification issued by the Territorial Ordinance Office or from the City Planning Director indicating the name, social security number and minimum salary for each new employment created; or name and account number of the transferred business, its previous location, name and social security number of the transferred employees and the amount of payroll related to said employees. For both deductions you must also specify the taxable year in which you applied for these benefits and their due dates.

This act also grants other benefits like an exclusion for parking development, special exemption over income from loan interests and accelerated depreciation.

For additional details, refer to Act No. 212 and its regulatory provisions.

Those expense items for which Part VI does not provide specific lines, will be totalized and entered as Other Deductions. **Submit with the return a schedule itemizing those deductions**.

As a general rule, expenses related to the ownership, use, maintenance and depreciation of boats, aircraft or residential property outside of Puerto Rico are not deductible under Section 1033.17 of the Code.

Line 49 - Charitable contributions

A corporation may deduct an amount which does not exceed 10% of the net income, computed without the benefit of this deduction, for contributions made to:

- the Commonwealth of Puerto Rico, the United States or any state or territory, exclusively for public purposes;

- a corporation, trust or community fund, or foundation created or organized in Puerto Rico or in the United States that operates exclusively for religious, charitable, scientific, veteran rehabilitation services, literary or educational purposes or for the prevention of cruelty to children, as long as no part of its earnings inures to the benefit of any private shareholder or individual.

  To claim the deduction the entity must have an Administrative Determination issued by the Department of the Treasury certifying that is a nonprofit entity and complies with the requirements of Section 1101.01 of the Code. No deduction will be accepted for contributions made to entities qualified under the Federal Internal Revenue Code, not qualified in Puerto Rico by the Department of the Treasury.

- posts or organizations of war veterans or auxiliary units organized in Puerto Rico or in the United States.

Charitable contributions in excess of 10% may be carried forward to the following 5 taxable years, in chronological order, but the deduction in each one of said following 5 taxable years shall not exceed 10% of the net income determined without the benefit of said deduction.

The contributions made to a municipality that conducts an activity or event of cultural or historic value, as certified by the Institute of Puerto Rican Culture or the Cultural Center of each municipality, or that makes possible the realization of any cultural or historic work, may be claimed as charitable contributions. The contributed amount shall be $50,000 or more, and must be made in connection with the celebration of the centennial foundation of the municipality. The total of said contributions is not subject to the limitations provided by the Code.

Line 50 – Deduction under Act 185-2014

In case of taxpayer that, pursuant to Act 185-2014, as amended, who are considered as accredited investors, will be able to claim a deduction for their initial investment in a private capital fund (PCF) or in a private capital fund Puerto Rico (PCF-PR). For these purposes, a corporation will be considered an accredited investor if at the moment of realizing the initial investment in a PCF or a PCF-PR is:

1) a bank, insurance company, registered investment company, business development company, investment company in small enterprises, BGF, BDE, EBI or EFI. It will be understood that the EBI and the EFI may be Accredited Investors irrespectively of what is established by the International Banking Center Regulatory Act and the International Financial Center Regulatory Act, respectively;

2) a nonprofit organization, corporation or association with assets in excess of five million dollars ($5,000,000); and

3) a business in which all capital owners are accredited investors.

The allowable amount as deduction will be the following:

- If the initial investment was made in a PCF, the maximum amount of deduction will be 30% of the initial investment provided that such amount will not exceed 15% of the net income before such deduction.

- If the initial investment was done in a PCF-PR, the maximum amount of deduction will be 60% of the initial investment provided that such amount will not exceed 30% of the net income before such deduction.

Determination of the Deduction:

1. Initial investment ………………….......….. $__________

2. Multiply by the applicable percent:

   - If the investment was in a PCF multiply by 30%
   - If the investment was in a PCF-PR multiply by 60% ________%

3. Amount of deduction for initial investment (Multiply line 1 by the aplicable percent of line 2) $__________

Deduction.0 Limitation:

4. Net income (Subtract line 48 and 49, Part VI from linea 29, Part I. If the sum of lines 48 and 49, Part VI is more than line 29, Part I, enter zero) .... $__________

5. Multiply by the applicable limitation percent:

   - 15% if the investment was in a PCF
   - 30% if the investment was in a PCF-PR ________%

6. Maximum amount allowed as deduction (Multiply line 4 by the applicable percent of line 5) $__________

7. Deduction allowed in this return (Enter the smaller between lines 3 and 6) .. $__________

The amount of deduction not claimed in the first year can be carried forward for a maximum period of 10 years if the investment was made in a PCF and 15 years if the investment was made in a PCF-PR.

For additional information, refer to Act 185-2014, as amended.

In case of corporations that qualify to claim this deduction, they must complete the worksheet provided in the previous column of this page to determine the maximum amount allowed as deduction by initial investment in a PCF or PCF-PR.

You must submit with the return a PCF or PCF-PR certification indicating the amount of initial investment realized in a PCF or PCF-PR that qualify for the deduction. The amount determined in this certification will be the one to be included on line 1 of the worksheet to be completed. Also, you must submit with the return the worksheet completed showing the determination of the net taxable income considering this deduction.

PART VII, VIII AND IX - 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 of its parts in order for the return to be considered filed. Therefore, you cannot submit these statements in loose sheets. **Any return that does not comply with these requirements will be returned.**

The amount in Part VIII, line 10 (Reconciliation of net income (or loss) per books with net taxable income (or loss) per return) must be the same amount as the one of Part III, line 35 of this return.

PART X AND XI - COMPENSATION TO DIRECTORS AND OFFICERS

Include in this part the total compensation paid or accrued as salaries, allowances or any other type of compensations to the directors and officers of the corporation. Include in this part the detail of each one of the directors and officers to whom compensation was paid during the year.

The determined amount in Parts X and XI will be entered on lines 1 and 2, Part VI, as applicable.

PART XII - QUESTIONNAIRE

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

INCOMPLETE RETURN

The return must be completed in all of its parts. Therefore, all the information of the Income Statement, Balance Sheet, Reconciliation of Net Income (or Loss) per Books with Net Taxable Income (or Loss) per Return, Analysis of Retained Earnings per Books and the questionnaire included in Part XII must be detailed. **Returns that do not comply with this requirement will be considered as not filed.**

SCHEDULE A CORPORATION - ALTERNATIVE MINIMUM TAX

WHAT IS THE ALTERNATIVE MINIMUM TAX?

The Alternative Minimum Tax is an additional tax which is imposed when the net income, adjusted by certain preferential items, exceeds the exempt amount of $50,000. The tax rate for this tax is 30% of said net income or the sum of the following items, whichever is larger:

A) the 20% of:

(i) that amount which represents expenses incurred or paid to a related person if such payments are attributable to the conduct of a trade or business in Puerto Rico and are not subject to income tax or withholding at source under the Code during the taxable year; and/or

(ii) that amount which represents cost transfer or expense assignment from a home office located outside of Puerto Rico to a branch if that item was not subject to income tax under the Code,

B) the total that results when applying the percent indicated in the following table to the value of purchases of personal property from a related person and/or the transfer of personal property from a home office located outside of Puerto Rico to a branch engaged in trade or businesses in Puerto Rico, when the purchaser of personal property has gross receipts from the conduct of trade or businesses in Puerto Rico of ten millions ($10,000,000) dollars or more.

(i) for taxable years beginning before January 1, 2015, the rate will be 2%.

(ii) For taxable years beginning after December 31, 2014, the rate will be:

If the purchaser of personal property has gross receipts from the conduct of a trade or business in Puerto Rico:	The percentage shall be:
Greater than or equal to $10 million, but less than $500 million	2.5%
Greater than or equal to $500 million, but less than $1,500 million	3%
Greater than or equal to $1,500 million, but less than $2,000 million	3.5%
Greater than or equal to $2,000 million, but less than $2,750 million	4.5%
Greater than $2,750 million	6.5%

(iii) in case of importers of the following products, **instead of using the percents of 2.5% through 6.5% previously detailed,** a reduced rate will be applied:

(I) alcoholic beverages 0.5%
(II) fuel, crude oil, and products derived from oil ... 0.5%
(III) Vehicles:
- for taxable years ending before January 1, 2015 .... 1.5%
- for taxable years beginning after December 31, 2014 .... 0.5%

For additional information, please refer to Section 1022.03 of the 2011 Code.

WHICH ENTITIES ARE SUBJECT TO THE ALTERNATIVE MINIMUM TAX?

Every corporation engaged in trade or business in Puerto Rico, including insurance companies. It also applies to those corporations operating under the Puerto Rico Tax Incentives Act or under any other similar act, with respect to that portion of income derived from taxable operations.

The following entities are not subject to the alternative minimum tax: (1) foreign corporations not engaged in trade or business in Puerto Rico; (2) partnerships; (3) special partnerships; (4) registered investment companies taxable under the provisions of Subchapter L of the Code; (5) corporations operating under Act 8-1987 or under any other similar act, but only on its income derived from its exempt operations; (6) exempt real estate investment trusts; (7) corporations of individuals; (8) corporations under the provisions of Tourism Acts; (9) bona fide farmers; (10) employees-owned special corporations and ordinary and extraordinary members.

Prepare and file this schedule with the income tax return, **even though no amount may result subject to the imposition of the alternative minimum tax**.

PART I - ADJUSTMENTS IN THE COMPUTATION OF THE ALTERNATIVE MINIMUM NET INCOME BEFORE BOOKS ADJUSTMENTS AND OPERATING LOSSES

Line 1 - Use lines 1(a) through 1(c) to compute the net income (or loss) subject to normal tax without considering the net operating loss of previous years and excluding the income subject to preferential tax rates that you have elected to pay taxes at the corresponding preferential rate. Follow the detailed instructions provided on the schedule.

Line 2 - Enter on lines 2(a) through 2(e) the adjustments to determine the Alternative Minimum Net Income prior to book adjustments and operating losses. If the adjustments to determine the Alternative Minimum Net Income in Part I exceed the amount used to determine the regular tax, the difference (negative) is considered a deduction. On the contrary, if the amount used to determine the regular tax exceeds the adjustments, the difference (positive) will be reflected as an additional adjustment to the net income.

Line 2(a) - If you used the flexible depreciation method to compute your regular tax, determine the depreciation using the straight-line method and enter here the difference between both methods.

Line 2(b) - If you are a merchant in personal property and reported gains through a sales installment plan for the regular tax, you must recognize the gain (or loss) in its entirety for the year in which the personal property was sold. Enter on this line the difference between both methods.

Line 2(c) - If you used the completed contract accounting method to report the income (or loss) derived from construction of projects, and such activities exceeded one year, recompute your profit (or loss) under the percentage of completion method. Enter on this line the difference between both methods.

Line 2(d) - If the corporation is a financial institution, determine the amount of interest expense not allowable as a deduction attributable to interest income derived from exempt obligations, irrespective of the date of its acquisition.

This will be made based on the average balance ratio of assets of the institution. The adjustment does not apply to exempt obligations related to mortgage loans granted or guaranteed prior to September 1, 1987 by the Commonwealth of Puerto Rico, its agencies, municipalities and instrumentalities, which interest would have been deductible from the gross income to determine the tax imposed by Act No. 34 of June 4, 1975, as amended.

Line 2(e) - If you used the accelerated depreciation method to determine the regular tax, compute the depreciation using the straight-line method. Enter on this line the difference between both methods.

PART II - ADJUSTMENT FOR THE EXCESS OF THE NET INCOME PER BOOKS OVER THE ALTERNATIVE MINIMUM NET INCOME BEFORE ADJUSTMENTS

Line 4 - Enter your net income (or loss) as per your Income Statement. For this purpose, **Income Statement means** a financial statement that reflects the results of the operations of the corporation for the taxable year, accompanied by a Balance Sheet and a Statement of Cash Flows. The statements must be prepared in accordance with the generally accepted accounting principles, and if the company had a volume of business of more than $3 million, such statements must be audited by a certified public accountant licensed in Puerto Rico.

Line 5 - Determine the amortization expense as reported in your financial statements for goodwill acquired prior to June 30, 1995 or after July 1, 1995 purchased from affiliates. Enter the difference between the goodwill amortization expense as determined from your net income per books and the goodwill claimed as a deduction on the return.

Line 6 - Enter the Puerto Rico income taxes and any other taxes on income or excessive profits imposed by the United States or any of its possessions or foreign countries, considered directly or indirectly in your Income Statement. Do not include the amount of any tax you may have elected to deduct and not claim as credit as provided in the Code.

Line 8 - Enter the total of interest from exempt obligations, but exclude the exempt interest expense or any other expenses incurred in the acquisition or withholding of such obligations.

Line 9 - Enter the total amount received as dividends or profits from domestic corporations or from industrial development income, or tourism development income, as defined under the Tourism Incentives Act of 1983 or the Puerto Rico Tourism Development Act of 1993, as amended, up to the amount in which the dividends or profits have not been included in the net income for regular tax purposes.

Line 10 - Enter the net income amount per books from industrial development, or derived from exempt income of tourism development, as defined in the Puerto Rico Tourism Incentives Act of 1983 or the Puerto Rico Tourism Development Act of 1993. Enter also the amount of the deduction for income derived by a bona fide agricultural business, or rental income from a new construction property or a qualified property pursuant to the provisions of Act 132-2010.

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Line 11 - Enter any book income (or loss) from the operations of a subsidiary included in the Income Statement recognized under the equity method, for accountability of the investment in the subsidiary.

Line 12 - Enter the amount of the reserve for the payment of catastrophic losses required by Chapter XXV of Act No. 77 of June 19, 1957, as amended.

Line 13 - Enter the net long-term capital gain that you elected to pay taxes at the special tax rate of 20% or applicable rate under special legislation (lines 8(a) and 8(b), Part VII of Schedule D Corporation, as applicable).

Line 16 - Subtract line 3 from line 15 (but not less than zero). This is the excess of the Adjusted Net Income per books over the Alternative Minimum Net Income.

PART III - COMPUTATION OF THE ALTERNATIVE MINIMUM NET INCOME

Line 19 - Enter on this line the total net operating losses of previous years for purpose of the alternative minimum tax, as determined on Schedule G Corporation, Part II, line 13, Column E. Include such schedule with the return.

The amount of the loss to be claimed in this line cannot exceed 70% of the alternative minimum net income determined on line 18.

Line 21 - The alternative minimum tax allows an exemption of $50,000 if the alternative minimum net income is $500,000 or less. That exempt amount is reduced by 25% (but no less than zero) of the excess of the alternative minimum net income over said amount. If your alternative minimum net income is $700,000 or more, you are not entitled to claim any exemption. To determine the exempt amount follow the instructions below:

A. Maximum exempt amount	$50,000
B. Total line 20	__________
C. Less:	$500,000
D. Excess of line B over line C	(__________)
E. Multiply line D by 25%	__________
F. This is your exempt amount (Subtract line E from line A)	__________

PART IV - COMPUTATION OF THE TENTATIVE MINIMUM TAX AND THE ALTERNATIVE MINIMUM CREDIT FOR FOREIGN TAXES PAID

Line 23 – Multiply the amount of line 22 by thirty percent (30%) and enter the result on this line.

Line 24 – Enter on this line the Alternative Minimum Net Income before the net operating loss (amount informed on line 18).

Line 25 – If line 18 is less than $500,000, the exempt amount is $50,000. If line 18 exceeds $500,000 but is less than $700,000, the exempt amount will be $50,000 less 25% of the excess over $500,000.

Line 30 - Compute your credit for foreign taxes paid according to the Code. Use the formula indicated and adjust the net income by the adjustment items specified in the Code. The formula is as follows:

Alternative Minimum Net Income from sources outside Puerto Rico will be divided by Total Alternative Minimum Net Income and multiplied by the Tentative Minimum Tax.

Any increase to the Alternative Minimum Net Income due to the adjustment for the excess of the net income as per the Income Statement, will have the same proportion and character of the Alternative Minimum Income determined without considering such increase.

The calculated credit is subject to an additional limitation. It may be reduced up to 90% of the Tentative Minimum Tax (line 23) without considering the deduction for the net operating loss used in the determination of the alternative minimum tax. Determine the credit limitation amount on lines 23 through 30. **Any credit amount not claimed in the taxable year can be carried over to the following 7 years.** No part of the credit may be carried back.

PART V - COMPUTATION OF EXPENSES PAID TO A RELATED PERSON AND PURCHASES OF PERSONAL PROPERTY FROM A RELATED PERSON

Line 32 – Enter on this line the total expenses paid to a related person and cost transfer or expense assignment from a home office located outside of Puerto Rico to a branch engaged in trade or business in Puerto Rico. The total expenses paid of this line should be equal to the total informed on the line of Total of Part VI, line 33 of the return.

Line 34 – Enter on this line the total purchase of personal property from a related person and transfer of personal property from a home office located outside of Puerto Rico to a branch engaged in trade or business in Puerto Rico.

Line 35 – Refer to Section (B) of the definition of the Alternative Minimum Tax on page 20.

Line 36 – Enter on this line the sum of lines 33 and 35. This sum is the total of expenses paid to a related person and purchases of personal property from a related person.

PART VI - COMPUTATION OF THE ALTERNATIVE MINIMUM TAX

Line 37 – Enter on this line the amount of line 31, Part IV of this Schedule.

Line 38 – Enter on this line the amount of line 36, Part V of this Schedule.

Line 39 – Enter on this line the larger between lines 37 and 38. This is your tentative minimum tax.

Line 40 – Enter on this line the regular tax determined before the alternative minimun tax as computed on line 44, Part IV, page 2 of the return.

Line 41 – Enter on this line the total of the alternative minimum tax. The total of the alternative minimum tax will be the difference of line 39 less line 40. In case that line 40 exceeds the amount of line 39, the taxpayer must enter zero on this line. If line 40 is less, in addition to enter the difference on this line you must enter this amount on line 45, Part IV, page 2 of the return.

PART VII – COMPUTATION OF ALTERNATIVE MINIMUM TAX CREDIT

Use this part to the determine the amount of credit for alternative minimum tax paid in excess of the regular tax and not used in previous taxable years. To be entitle to this credit, the regular tax for the year must exceed the alternative minimum tax for such year, and the alternative minimum tax for previous years must have been paid.

Line 1- Enter the excess of the regular tax over the alternative minimum tax determined in the current year. The amount to be included will be the different between line 40 and 39, Part VI of this schedule. If the alternative minimum tax determined on line 39 is more than the regular tax determined on line 40, enter zero and do not continue with the schedule.

Line 2 - On this line compute the alternative minimum tax credit limitation to be claimed in the return. The amount to be claimed as credit cannot exceed 25% of the excess of the regular tax over the alternative minimum tax determined for the current year.

Line 3 – Enter on this line the available balance of the alternative minimum tax paid in previous years not claimed as credits, as determined on line 11 of Column C, Part VIII of this schedule. To compute the alternative minimum tax credit is necessary to complete Part VIII of the Schedule A Corporation, which provides the detail of the excess of the alternative minimum tax paid by the taxpayer in previous years and that is available to be claimed as credit in the current year, subject to the limitations established by the Code.

Line 4 – Enter the smaller between the amounts determined on lines 2 and 3. Transfer this amount to line 48, Part IV of the return.

If line 3 exceeds line 2, the balance will be carried forward to future years.

PART VIII – DETERMINATION OF THE AMOUNT OF ALTERNATIVE MINIMUM TAX PAID ON PRIOR YEARS NOT CLAIMED AS CREDIT

Use this part to determine the alternative minimum tax paid in previous years, date of origin and amounts used, including the taxable year in which it was claimed as credit.

It is necessary to complete this detail in order to proceed with the alternative minimum tax credit computation in Part VII of this schedule.

SCHEDULE B CORPORATION - RECAPTURE OF CREDIT CLAIMED IN EXCESS, TAX CREDITS, AND OTHER PAYMENTS AND WITHHOLDINGS

Use this schedule to determine the recapture of investment credit and for the donation of a conservation easement claimed in excess, the tax credits, and other payments and withholdings.

PART I - RECAPTURE OF CREDIT CLAIMED IN EXCESS

In Columns A, B and C you must enter the name and the employer identification number of the entity to which the investment credit or the donation of a conservation easement claimed in excess belongs, and check the box that identifies the act that regulates the investment or donation made.

Enter the credit claimed in excess in previous years as a result of the intervention of the Secretary or Director of the Agency or Department, or the Board who regulates each of the following acts: Puerto Rico Tourism Development Act (Act 78-1993, as amended), Solid Waste Authority Act (Act No. 70 of June 23, 1978, as amended), Tax Incentives Act for Investment in Solid Waste Reduction, Disposal and/or Treatment Facilities (Act 159-2011), Capital Investment Fund Act, as amended (Act No. 3 of October 6, 1987, as amended), Act for the Creation of the Theatrical District of Santurce (Act 178 -2000), Act for the Development of the Film Industry (Act 362-1999), Puerto Rico Film Industry Economic Incentives Act (Act 27-2011), Act for Tax Credits from Investment in Housing Infrastructure (Act 98-2001, as amended), Act for Tax Credits for Investment in the Construction or Rehabilitation of Rental Housing Projects for Low or Moderate Income Families (Act 140-2001), Act for Credit to Investors in an exempt business that is in the process of closing its operations in Puerto Rico (Act 109-2001) and Conservation Easement Act (Act 183-2001, as amended).

The total investment carried out by the exempt business in the project is subject to the revision of the Secretary or Director of each Agency or Department, or the Special Work Board (Board) in case of the Theatrical District of Santurce. If the investment credit claimed by the investors exceeds the investment credit computed by the Secretary, the Director or the Board, this excess shall be due as income tax. In some cases this debt must be paid by the investors in one installment, and in other cases in two installments beginning with the first taxable year following the date in which the unfulfillment or revocation of the credits is determined or any other date provided by law. The Director, the Secretaries or the Board will notify the Secretary of the Treasury the excess of credit claimed by the investors.

The provisions of credit recapture previously mentioned will not apply to participants and investors that are not developers in a project under the Tourism Development Act or the Solid Waste Authority Act.

On the other hand, the provisions of credit recapture under the Agricultural Tax Incentives Act will apply to participants or investors in agricultural businesses.

In case of condohotels, the integrated leasing program operator must file an annual report to the Director and to the Secretary identifying the participant units in the integrated leasing program. Said report must indicate the participation beginning date of the participant units, as well as the date or dates in which one or more units were withdrawn from the program.

In case of Act 178-2000 (theatrical business), Act 140-2001 (rental housing), and Act No. 109-2001 (business closing operations), if any unit or business is withdrawn from the program, ceases its operations or does not comply with any of the requirements provided by the corresponding law before the expiration of the 10 year period or other period provided by law, the investor will owe as income tax an amount to be computed as provided by law or as follows, as applicable:

$$\text{Income Tax owed} = \text{Total investment credit claimed per unit or business} \quad X \quad \frac{\text{Balance of the 10 year period}}{10}$$

In case of owners of a levied property or donors of a conservation easement, in case of an eligible land, they shall be subject to the recapture of the tax credits granted, in the event that the obligations included in the constitution deed of the conservation easement or donation of an eligible land are not fulfilled, as applicable, but only in those cases in which it is impossible to return the land to its original condition. These dispositions will also apply when the perpetuity requirement is not fulfilled by the owners and the titular of the easement.

The income tax amount owed must be paid in one or two installments, whichever applies, beginning with the first taxable year following the date of the withdrawal of the unit, the first taxable year following the cease of operations or any other date provided by law.

Line 1 - Enter the total excess of credit notified by the Director, the Secretary or the Board, or in the case of condohotels, theatrical business, business closing operations or rental housing projects for low income families, the total of income tax debt according to the formula previously mentioned or established by law.

Line 3 - Multiply line 1 by 50% and enter the result. Transfer to Part IV, line 47 of the return. If part of the excess was paid in the previous year, enter the balance owed.

On this line you must also include the recapture of investment credit claimed in excess related to any of the following acts: housing infrastructure act and rental housing act for low or moderate income families.

Line 4 - If this is the first year that you make the recapture, subtract line 3 from line 1 and enter the difference. This will be the tax debt to be paid for next year. If this is the second year of recapture, subtract lines 2 and 3 from line 1.

PART II – TAX CREDITS

A. Credits subject to moratorium:

Line 1 - Enter the amount determined on Schedule Q. To claim this credit you must submit with the return Schedules Q and Q1, as well as the documents indicating the credit earned by the investment in the different capital investment funds or direct investments.

To claim this credit you must submit copy of the certification issued by the regulatory agencies and copy of the notification or sworn statement issued by the regulatory agency to inform the credit distribution.

Line 2 – Enter the amount of the credit for housing infrastructure investment recommended by the designated officials of the Housing Department and the Department of the Treasury.

Act 98-2001, as amended, grants a credit for infrastructure investment to the developers of housing projects. It will be subject to the taxpayer's request and the approval by the Secretary of the Treasury of an administrative determination under Act 98-2001 and the applicable regulations. You must include with the return copy of the Administrative Determination issued by the Department of the Treasury.

For additional details, refer to Act 98-2001 and its regulations.

Line 3 – Enter the amount of credit for investment in the construction or rehabilitation of rental housing projects for low or moderate income families.

Act 140-2001 provides that every owner of a rental housing project for low or moderate income families may qualify for a tax credit. The petitioner must file an application with the Housing Finance Authority.

The tax credit will be subject to the taxpayer's request and the approval by the Secretary of the Treasury of an administrative determination. You must include with the return copy of the Administrative Determination issued by the Department of the Treasury.

Line 4 - Enter the amount of credit for construction investment in urban centers. Every person that carries out a construction or improvement project in an urban center, as provided by law, may qualify to claim a credit against the tax.

The concession of the credit is subject to the taxpayer's request and the approval by the Secretary of the Treasury of an administrative determination. You must include with the return copy of the Administrative Determination issued by the Department of the Treasury.

The taxpayer must include with the return for every year in which the credit is claimed, a schedule detailing the date in which the credit was granted, the taxable years in which the tax credit has been claimed, its expiration date, the total amount of the credit, and the amounts claimed in previous years.

For additional details, refer to Act 212-2002, as amended, and the corresponding regulations.

Line 5 – Enter the amount of Tax Credit for Merchants Affected by Urban Center Revitalization. Every commercial entity established in the area affected by the construction of the revitalization projects in urban centers, will be entitled to claim an 8% tax credit from 50% of the gross sales generated during the construction period.

The amount of this credit cannot exceed the tax responsibility reported on the previous year return. **To claim this credit, you must include with the return a certification issued by the Puerto Rico Trade and Export Company in which the taxpayer is identified as a merchant affected by the construction work**.

For additional details, refer to Act 212-2002, as amended, and the corresponding regulations.

Line 6 – Enter the amount determined on Schedule B1 Corporation. In order to know the rates and limitations of this credits, refer to the instructions of Schedule B1 Corporation.

Line 7 – Enter the amount of credit for the establishment and donation of a conservation easement, equal to 50% of the value of the eligible conservation easement.

To claim this credit you must submit the certification issued by Secretary of the Treasury.

For additional details, refer to Act No. 183-2001, as amended, and Internal Revenue Circular Letter No. 05-04 of March 23, 2005.

Line 8 - Enter the tax credit acquired during the year through the purchase, exchange or transfer made by the investor or participant of the primary investor and which are included on the list of credits subject to moratorium under Sections 1051.11 and 1051.12 of the Code.

See instructions of Schedule Q for the percentages and limitations to claim on the return.

To claim this credit, the transferor and the transferee will submit a sworn statement notifying the transfer to the Secretary. The sworn statement must be submitted with their income tax returns in the year in which the transaction takes place.

Complete Part IV of Schedule B Corporation

Line 9 – Enter on this line the total of carryforward credits determined on line 26, Part II of the Schedule B Corporation of the income tax return filed in the previous year, which are subject to moratorium under Sections 1051.11 and 1051.12 of the Code. The taxpayer must include with the return a detail that includes the taxable year in which the credit originated, the amount of credit produced by taxable year, the amount of credit carried by taxable year used in previous year, the taxable year in which any balance of such credit was claimed and the balance of credit available for the current year.

Submit evidence of the credit that you are claiming.

Line 10 – Enter the total credits subject to moratorium that has not been included in the previous lines.

B. Credits not subject to moratorium:

Line 14 - Enter the credit portion attributable to dividends received from industrial development income, corresponding to the 3% of the investment made by the subsidiary in the acquisition, construction and expansion of buildings and other structures used in manufacture, in excess of the investment in such properties owned by the subsidiary as of March 31, 1977.

In those cases in which the corporation has not benefited from tax exemption under Act 57 of 1963, Act 26 of 1978 or Act 8 of 1987 for two taxable years, this credit will be granted to the parent corporation for the increase in investment made by the subsidiary after the end of the second year of the tax exemption.

In order to be entitled to such credit, the investment must have been made prior to January 1, 1993.

This credit may be carried over to subsequent taxable years. However, investments made in real property to obtain the waiver established in paragraph 6(a) of Section 4 of Act 8 of 1987, cannot be used for purposes of this credit.

Line 15 - Enter the amount of the credit to be claimed for the investment in a Film Entity engaged in a Film Project and/or Infrastructure Project under Act 27-2011.

The concession of this credit will be subject to the taxpayer's request and the approval by the Secretary of the Treasury of an administrative determination under Act 27-2011 and its regulations. You must include with the return copy of the certification issued by the Puerto Rico Film Commission, which is adscribed to the Department of Economic Development of Puerto Rico.

For additional details, refer to Act 27-2011.

Enter the amount of the credit for the purchase or transmission of television programming made in Puerto Rico. Every investor may claim up to 15% of the expenses paid by the television channel in the taxable year for which the credit is claimed.

The taxpayer must request the annual compliance certification that will be issued by the Department of Economic Development through the Interagency Validation Portal for the Granting of Incentives for the Economic Development of Puerto Rico.

For additional details, refer to Section 1051.14 of the Code.

Line 16 - Enter the amount of the credit for investment in an exempt business that is in the process of closing its operations in Puerto Rico. Every investor may claim an industrial investment credit equal to 50% of its eligible investment.

The credit must be claimed in two installments: the first half in the year that the eligible investment was made and the balance in subsequent years.

Every investor must request an Administrative Determination to the Secretary of the Treasury before claiming the industrial investment credit.

Every industrial investment credit not used in the taxable year may be carried over to subsequent years, until totally used.

The taxpayer must include with the return copy of the Administrative Determination issued by the Department granting the credit.

Line 17 - Enter 100% of contributions made to Santa Catalina's Palace Patronage (Patronage). The tax credits to be granted cannot exceed $2,500,000 for any taxable year.

To claim this tax credit you must submit the certification issued by the Patronage as evidence that the contribution was made and accepted. Such part of the credit not used in the taxable year in which the contribution was made, may be carried over to subsequent taxable years, until totally used.

Remember that contributions to the Patronage generate a tax credit. Therefore, such contribution cannot be claimed as part of the deduction for charitable contributions.

Line 18 - Enter the amount of credit to be claimed for industrial investment under Section 6 of Act 73-2008. This amount must be equal to 50% of the eligible investment to be claimed in two or more installments: the first half in the year in which the eligible investment is completed and the balance in the subsequent years.

To claim this tax credit the taxpayer must submit with the return copy of the Administrative Determination issued by the Department of the Treasury granting the credit.

The credit not used in a taxable year may be carried over to subsequent years, until totally used.

For additional details, refer to Act 73-2008 and the corresponding regulations.

Line 19 – Enter the amount of credit to be claimed for investment in research and development of green energy sources under Act 83-2010, better known as the Puerto Rico Green Energy Incentives Act. This amount must equal 50% of the special eligible investment and will be claimed in two or more installments: the first half in the year in which the eligible investment is made and the balance in the subsequent years

To claim this credit, the taxpayer must submit with the return copy of the certification issued by the Industrial Development Company of Puerto Rico.

The credit not used in the taxable year may be carried over to subsequent years, until totally used. This credit does not generate a refund.

For additional details, refer to Act 83 -2010.

Line 20 - Enter here the tax credit acquired during the year through the purchase, exchange or transfer made by the investor or participant of the primary investor and which are not included on the list of credits subject to moratorium under Sections 1051.11 and 1051.12 of the Code.

See instructions of Schedule Q for the percentages and limitations to claim on the return.

To claim this credit, the transferor and the transferee will submit a sworn statement notifying the transfer to the Secretary. The sworn statement must be submitted with their income tax returns in the year in which the transaction takes place.

Complete Part IV of Schedule B Corporation.

Line 21 - Enter on this line the total of carryforward credits determined on line 26, Part II of Schedule B Corporation of the income tax return filed in the previous year which are not subject to moratorium under Sections 1051.11 and 1051.12 of the Code. The taxpayer must include with the return a breakdown including the taxable year in which the credit originated, the amount of credit generated per taxable year, the amount of carry forward credit per taxable year used in previous taxable years, the taxable year in which any balance of such credit was claimed and the balance of credit available for the current taxable year.

You must submit evidence of the credit that is being claimed.

Line 22 - Enter the total amount of other tax credits not subject to moratorium not included on the preceding lines, for example, the credit for contributions to former governors foundations, provided as follows.

A credit equivalent to 100% of the amount contributed during the taxable year to former governors foundations is granted for operating expenses and those expenses related to the purposes for which they were created and/or those charitable contributions to a Depository of Files and Relics of Former Governors and Former First Ladies of Puerto Rico constituted according to the provisions of Act 290-2000 by itself or as a whole with public or private Higher Education entities, to pay the construction, operation and all necessary expenses for the true fulfillment of the purposes of Act 290-2000 and Act 302-2012. The tax credits to be granted cannot exceed $1,000,000 in aggregate, for any tax year.

Remember that the contribution to the Former Governors Foundation generates a tax credit. Therefore, these contributions cannot be claimed as part of the deduction for charitable contributions.

To claim this tax credit you must submit the certification issued by the recipient entity as evidence that the contribution was made and accepted. Such part of the credit not used in the taxable year in which the contribution was made, may be carried over to subsequent taxable years, until totally used.

If this line includes credits from different concepts, submit a schedule showing a breakdown of such credits. Also submit documents or evidences to support them.

Do not include on this line Tax Credits for the Acquisition of New Construction Housing or Existing Housing. Such credits will be claimed in Part III, line 11 of this schedule as “Other Payments and Withholdings”. For additional details, refer to the Internal Revenue Circular Letter No. 09-02 of March 16, 2009.

Line 25 – This amount cannot be more than the amount indicated on line 46, Part IV of the return reduced by the credit, if any, reflected on line 48, Part IV of the return.

PART III - OTHER PAYMENTS AND WITHHOLDINGS

Enter on lines 1 through 10, the amount of tax paid or withheld regarding the type of income described on these lines.

Line 2 - Enter the estimated tax paid for the taxable year. **For more information on the estimated tax, refer to the INSTRUCTIONS (DUTY TO PAY ESTIMATED TAX).**

Line 3 - Enter the tax paid in excess in previous years that you had elected to claim against the payment of estimated tax. Do not include amounts already included on line 2.

Line 5 - Enter the amount withheld over payments for services rendered. In order to claim this credit, you must submit Form 480.6B. Otherwise, you must submit a sworn statement indicating the name, address, employer identification number and telephone number of the person who made the deposit or payment, the total amount of the deposits and the tax withheld.

Line 6 - Enter the tax withheld reported on the Informative Return - Special Partnership (Form 480.60 SE). You must submit this form with your return.

Line 7 - Enter the tax withheld reported on the Informative Return - Partnership (Form 480.60 S). You must submit this form with your return.

Line 8 – Enter the tax withheld at source on distributable share of pass-through entities as reported on the Informative Return – Pass-Through Entity (Form 480.60 EC) received from partnerships and special partnerships with taxable year ending on December 31.

The withholding at source to pass-through entities with fiscal years will be reported on Forms 480.60 S and 480.60 SE, which will be included on lines 6 and 7 of this part.

Line 9 – Enter the tax withheld reported on the Informative Return – Revocable Trust or Grantor Trust (Form 480.60 F). You must submit this form with your return.

Line 11 - Enter any other payment or withholding not specified on the preceding lines. Submit a detail and evidence of the payment or withholding.

PART IV – BREAKDOWN OF THE PURCHASE OF TAX CREDITS

Select the box corresponding to the act (or acts) under which you acquired the tax credit. Enter in the space provided the amount of the tax credit available for the taxable year.

The limitation related to the credits subject to moratorium will be made over the total credits subject to moratorium included on line 8, Part II of this Schedule, and not over each credit included in this part.

To claim any of the credits included in this part, the taxpayer must submit with the return a sworn statement notifying the Secretary of the Treasury the purchase or transfer of the credit.

SCHEDULE B1 CORPORATION – CREDITS FOR PURCHASE OF PRODUCTS MANUFACTURED IN PUERTO RICO AND PUERTO RICAN AGRICULTURAL PRODUCTS

PART I – CREDIT FOR INCREASE IN PURCHASES OF PUERTO RICAN AGRICULTURAL PRODUCTS (SECTION 1051.07)

Section 1051.07 of the Code provides a credit to all eligible business that increases its purchases of Puerto Rican agricultural products to replace imported products available for sale on the local market.

The credit shall not be less than 5% and up to a maximum of 20% of the increase in purchases of agricultural products harvested, produced and elaborated in Puerto Rico during the taxable year in which the credit is claimed, over the average of purchases of such products during the 3 preceding taxable years, or such part of that period that is applicable, or in some cases, the average of the 3 taxable years ending with the close of the taxable year that ended during calendar year 2003.

For purposes of the credit under Section 1051.07, an eligible business is the one that acquires Puerto Rican agricultural products through a contract between such business, the Secretary of Agriculture and an agricultural production group promoted by the Department of Agriculture or an Agricultural Sector organized under the Puerto Rico Agriculture and Livestock Industry Regulating Act or with a Qualified Farmer, to be sold directly to the consumer.

Enter in the spaces provided, the name of each Agricultural Production Group, Agricultural Sector or Qualified Farmer from which you made the purchases; the number of each contract with the Department of Agriculture; the purchases increase; the percentage granted; and the amount of each credit according with the Tax Credit Certification issued by the Department of Agriculture.

Line 2 - Enter the amount of credit under Section 1051.07 of the Code, from previous years that was not used (carryover) due to the 25% limitation of the eligible business tax. Submit a detailed schedule to reflect the composition of the carryover.

PART II - CREDIT FOR PURCHASES OF PRODUCTS MANUFACTURED IN PUERTO RICO (SECTION 1051.09)

Section 1051.09 of the Code provides a credit against the income tax of those eligible businesses that purchase eligible products manufactured in Puerto Rico, including component parts and accessories.

The credit is equal to 10% of the increase in the purchases of such products during the taxable year in which it is claimed, over the average of the purchases made for the 3 years, out of the 10 preceding taxable years, in which the purchases were lower, that is, excluding the 7 years of higher purchases.

Eligible businesses for purposes of the credit under Section 1051.09 are: (1) manufacturing businesses, and (2) any other company engaged in trade or business in Puerto Rico which annual sales volume does not to exceed $ 5,000,000. However, businesses that have a tax exemption decree are not considered eligible businesses.

Eligible products are only those manufactured in Puerto Rico by a manufacturing business that, individually or in the aggregate with its affiliates, has had a net sales volume (within or outside of Puerto Rico) of one hundred million (100,000,000) dollars or less for calendar year 2010. A product will be considered as a product manufactured in Puerto Rico only if more than thirty (30) percent of its value has been added in Puerto Rico.

Enter in the spaces provided for each manufacturing business from which the products were acquired the name, employer identification number, manufacturing business identification number and the value (cost) of each purchase. In case of manufacturing businesses with a tax exemption decree, the manufacturing business identification number will be the decree number. If the business does not have a decree, enter the number assigned by the Industrial Development Company. Also indicate if the manufacturer provided you with a certification to the effect that the product(s) acquired are eligible products. Do not include purchases of products that have been manufactured in Puerto Rico by businesses related to the business claiming the credit.

The eligible business must keep the necessary records evidencing the value of purchases for which the credit is claimed, as well as, any certificate issued by the manufacturer or other evidence of the nature of the eligible products purchased.

PART III - CREDIT FOR PURCHASE OF PRODUCTS MANUFACTURED IN PUERTO RICO (TUNA PROCESSING)

The credit provided in Section 1051.09 of the Code is also available for purchases of tuna packaged and processed in Puerto Rico. In this case, the credit is 10% of the total amount of the purchases of such products made during the taxable year in which it is claimed, regardless of the volume of business of the processing plant or its affiliates. Tuna products will be treated as manufactured (packaged and processed) in Puerto Rico only if more than thirty (30) percent of its value has been added in Puerto Rico.

Enter in the spaces provided for each tuna manufacturing business (packing and processing) from which the products were acquired, the name, employer identification number, manufacturing business identification number and the value (cost) of each purchase. In case of manufacturing businesses with a tax exemption decree, the manufacturing business identification number will be the decree number. If the business does not have a decree, enter the number assigned by the Industrial Development Company. Also indicate if the manufacturer provided you with a certification to the effect that the product(s) acquired are eligible products. Do not include purchases of products that have been manufactured in Puerto Rico by a business related to the business claiming the credit.

The eligible business must keep the necessary records evidencing the purchase value of the products for which the credit is claimed, as well as any certificate issued by the manufacturer or other evidence of the eligible nature of the products purchased.

Line 4 - Enter the amount of credits under Section 1040D of the Puerto Rico Internal Revenue Code of 1994, as amended, and Section 1051.09 of the Code not used in previous years (carryover) due to the 25% limitation of the eligible business tax. Submit a detailed schedule to reflect the composition of the carryover.

PART IV - LIMITATION OF CREDITS FOR PURCHASES OF PRODUCTS MANUFACTURED IN PUERTO RICO AND PUERTO RICAN AGRICULTURAL PRODUCTS

The credits provided in Sections 1051.07 and 1051.09 of the Code may only be used to reduce a 25% of the eligible business tax.

SCHEDULE C CORPORATION - CREDIT FOR TAXES PAID TO FOREIGN COUNTRIES, THE UNITED STATES, ITS TERRITORIES AND POSSESSIONS

Use this Schedule to determine the portion of the taxes paid to foreign countries, the United States, its territories and possessions allowable as a credit.

To claim a credit for taxes paid to foreign countries, the United States, its territories and possessions , it is necessary that you:

1) Have paid or accrued income tax in one or more of such jurisdictions.

2) Have included taxable income from such jurisdictions in your Puerto Rico income tax return.

3) Keep for your records evidence of the tax paid (copy of canceled checks and copy of the return filed to the IRS or other eligible jurisdiction). If the payment receipt or the tax return is written in a language that is not Spanish or English, you must provide a certified translation of the same.

If you received income from sources in, or paid taxes to, more than one foreign country, territory or possession of the United States, you must provide the information separately for each foreign country, territory or possession in Parts I, II and III of Schedule C Corporation, indicating the name of each country, territory or possession in Columns A, B and C. If you received income from sources in, or paid taxes to, more than 3 jurisdictions as well as the United States, submit additional Schedules C Corporation.

Include in the column titled “Total” the total amount of items of income and expenses, losses and deductions, from sources outside of Puerto Rico.

PART I - DETERMINATION OF NET INCOME FROM SOURCES OUTSIDE OF PUERTO RICO

Line 1 - Enter the gross taxable income derived from sources in each of the applicable jurisdictions, itemized by the type of income listed on lines (a) through (g), and totalize them on line 1(h).

Taxable Gross Income

For purposes of Part I of Schedule C, the term “taxable gross income” means gross income of the taxpayer that is subject to income tax in Puerto Rico, so it will not include any items exempt under Section 1031.02 of the Code. Include in the appropriate columns all items of taxable gross income earned from sources in the applicable jurisdiction, even if such item of income was not subject to tax in that jurisdiction. Remember that on sales of property, gross income is determined by subtracting from the amount of sales, the cost or adjusted basis of the property sold.

Sources of Income

As a general rule, the source of income is determined as follows:

(1) Interest and dividends - Based on the residence or place of incorporation of the payer.

(2) Compensation for services - Based on where services are rendered.

(3) Rents and royalties - Based on where the property is located or the place of use or the privilege of using patents, copyrights, trademarks, goodwill or other similar property.

(4) Gain on sale of inventory - If the property sold was acquired by purchase from unrelated persons, it is determined based on where you transferred the title of the goods; to determine the source of income from the sale of inventory produced by the seller, or acquired by purchase from related persons, see Sections 1035.04 and 1035.05 of the Code.

(5) Gain on sale of personal property other than inventory - Based on the residence of the seller; certain exceptions apply in the case of depreciable property and intangible assets, as well as sales through offices or other places of business located outside of Puerto Rico.

(6) Gain on sale of real property – It is determined by the place where the property is located.

For additional information on how to determine the source of income, see Sections 1035.01 to 1035.07 of the Code.

Line 2 - Reduce the taxable gross income reflected on line 1(h) of each column by:

(1) The expenses directly related to the production of such income,

(2) The losses from sources of the applicable jurisdiction, and

(3) A proportion of other expenses or deductions not related to a category of income.

The expenses or deductions to be included on line 2(c)(i) do **NOT** include losses accrued from sources in Puerto Rico, or expenses or deductions directly related to income from sources in Puerto Rico or items excluded from income or exempt from income tax under the Code or special acts.

Include on line 2(c)(ii) the taxable gross income of the taxpayer from all sources, including sources from Puerto Rico.

PART II - TAXES PAID TO THE UNITED STATES, ITS POSSESSIONS AND FOREIGN COUNTRIES

Indicate the date of payment and the total tax paid or accrued to each jurisdiction. If the tax was paid or accrued in a foreign currency, such tax must be converted to U.S. dollars at the date of the payment. A schedule indicating the conversion to U.S. dollars must be kept for your records.

In the case of the taxes paid or accrued to the United States, it shall be computed **after** claiming the Foreign Tax Credit for taxes paid to foreign countries or United States possessions and territories, **including Puerto Rico**, on income from sources outside the United States included in the federal tax return.

PART III - DETERMINATION OF THE CREDIT

Line 2 - Include on line 2 the taxpayer's net income from all sources, increased by the income subject to preferential rates. Exclude the income subject to preferential rates under the special acts and that are reported in Column D through G of Schedule D1 Corporation.

Line 4 - Include on this line the total tax determined on line 42, Part IV, page 2 of the return.

Determine the credit to be claimed and enter the amount you are entitled.

The credit cannot be more than the tax paid or accrued to the foreign countries, the United States, its territories and possessions.

Transfer the total credit determined on line 6(b) to Part IV, line 43 of the return.

Alternative Minimum Tax

If you are subject to the alternative minimum tax, you must compute the amount determined under this Schedule using such tax and the alternative minimum net income. In Part I, include income from sources outside of Puerto Rico that were considered in determining the alternative minimum net income. Furthermore, it is necessary to make the adjustments that are indicated below:

- Part I, lines 1(a) through 1(g) of Schedule C Corporation - substitute by the corresponding items of gross income of the taxpayer that is subject to alternative minimum tax; include in the corresponding column all items of gross income subject to alternative minimum tax earned from sources in the applicable jurisdiction, even if such item of income was not subject to tax in that jurisdiction.

- Part I, line 2(c)(ii) of Schedule C Corporation - substitute by the total gross income of the taxpayer that is subject to alternative minimum tax.

- Part III, line 2 of Schedule C Corporation - substitute by line 22 of Part III of Schedule A Corporation.

- Part III, line 4 of Schedule C Corporation - substitute by line 39 in Part VI of Schedule A Corporation.

Determine the credit amount on Schedule C Corporation recalculated with the above adjustments, enter the same on this line and fill in completely the oval at the top identifying that the Schedule was recalculated for purposes of the alternative minimum tax.

SCHEDULE D CORPORATION - GAINS AND LOSSES FROM SALE OR EXCHANGE OF PROPERTY

Use this schedule to determine the gains or losses from the sale, exchange or disposal of capital assets.

A capital asset may be defined as a property acquired for investment owned by the taxpayer (related or not to its industry or business), but does not include: (a) goods of the taxpayer's business or other property of similar nature that can be properly included in the taxpayer's inventory, if it was in existence at the close of the taxable year, or property owned by the taxpayer primarily for the sale to customers during the ordinary course of its trade or business, or (b) property used in its trade or business subject to the allowance for current depreciation, or real property used in its trade or business.

Capital gains or losses are classified as short or long-term, depending on the period held. If the capital assets were held for not more than 1 year, it is considered as **short-term** gain or loss. On the other hand, if the capital assets were held for more than 1 year, it is considered as **long-term** gain or loss.

To determine short and long-term capital gains or losses, you must provide the description and location of the property sold, indicate if the adjusted basis was increased by the prepayment of the tax and complete the information in Columns (A) through (F) of Parts I and III, and Columns (A) through (G) of Part II with respect to the properties.

The preferential tax rate in case of corporation is 20%.

As a general rule, **the adjusted basis of the property is** its original cost plus the cost of the permanent improvements, less depreciation. Do not include lodging expenses (i.e hotels) nor travel expenses (i.e. airline tickets).

Provisions applicable to the adjusted basis of certain capital assets:

The adjusted basis must include the increase in accumulated value of the capital assets on which a special tax was prepaid:

- 10% during the period of **July 1 to December 31, 2006**, as provided in Section 1121A of the Puerto Rico Internal Revenue Code of 1994, as amended (1994 Code), and

- 12% during the period of **July 1, 2014 to April 30, 2015**, as provided in Section 1023.22(b) of the Puerto Rico Internal Revenue Code of 2011, as amended (2011 Code).

Those taxpayers who elected to prepay the special tax rate of 10% or 12%, as applicable, must indicate so by filling in the oval in Parts II of this Schedule. **You must keep for your records Form AS 2731 with the corresponding Schedule**.

Any increase in value of the included capital assets generated after the elections provided by Sections 1121A of the 1994 Code and 1023.22 of the 2011 Code, must be taxed according to the tax rate in force at the moment in which the sale, exchange or other disposal of such capital assets finally takes place.

Selling expenses include sales commissions, advertisements, legal fees, appraisal and other similar expenses. Do not include lodging expenses (i.e. hotels) nor travel expenses (i.e. airline tickets).

Recognition of loss:

Losses generated in the sale of capital assets for which the 10% or 12% special tax was prepaid, shall be adjusted according to the income tax rate in force applicable to this kind of transaction at the moment of the sale of such assets, before the use or carry over of said loss by the corporation. According to the above, such loss will be adjusted by a formula or fraction, where the numerator will be the 10% or 12% rates, as applicable, and the denominator will be the income tax rate in force at the date on which the sale of the asset took place.

For additional details, see Regulation No. 7188 of August 4, 2006.

Provisions applicable under Act 132-2010, as amended (Act 132), best known as the Real Property Market Stimulus Act and Act 216-2011, as amended (Act 216) better known as Housing Promotion Program Transition Act:

Acts 132 and 216 provide, among others, the following tax benefits for certain capital gains or losses:

(a) Exemption over net long-term capital gain

- the net long-term capital gain realized in the sale of **new construction property** acquired by the seller between **September 1, 2010 and June 30, 2013**, will be totally exempt from the payment of income tax.

- the net long-term capital gain realized in the sale of **qualified property** acquired by the seller between **September 1, 2010 and June 30, 2013**, will be 50% exempt from the payment of income tax.

- the net long-term capital gain realized in the sale of **eligible housing** acquired by the seller or by a qualified institutional investor between **July 1, 2013 and August 31, 2015**, will be exempt from the payment of alternative minimum tax. It provides that this exemption applies equally to that purchaser who purchases an eligible unit from a qualified institutional investor, provided it is the first sale that the investor makes after the initial acquisition.

(b) Use of the realized loss in the sale of qualified property

- Capital losses realized between **September 1, 2010 and June 30, 2013**, may be carried over up to a maximum of **15 years**. If you realized a loss on the sale of qualified property, submit with the return a schedule detailing the origination date of such losses, the amounts and the years in which they were claimed and the balance to be claimed in future years.

For purposes of Act 132 and Act 216, the following terms means:

(a) **"Qualified property"**

- every existing residential real property located in Puerto Rico suitable for family living, not occupied or occupied for residential purposes, that is not a New Construction Property, or

- every existing nonresidential real property located in Puerto Rico that was sold between September 1, 2010 and June 30, 2013 and which sales price did not exceed $3,000,000.

(b) **"New construction property"**

- all newly built residential real property located in Puerto Rico, suitable for family living that has not been occupied and that is acquired from a Developer.

  For real property to be considered as New Construction Property, the seller of the real property shall certify in writing to the purchaser, by affidavit, on or before the date of acquisition, that the real property is of new construction and has not been previously occupied; or

- every house model consisting of a ground level, two level or elevation of predesigned or prefabricated in reinforced concrete purchased from a bona fide pre-design or pre-fabrication company and which plans have been approved by the Regulations and Permits Administration (ARPE) on or before December 30, 2009, except by means of a waiver from Secretary of the Department of Consumer Affairs.

  For the pre-designed or pre-fabricated home to be considered of New Construction Property, the acquirer must submit a copy of the sales contract executed between the purchaser and the pre-design or pre-fabrication company and must have begun building with the appropriated Construction Permit issued by the Permits Management Office (OGPE), between September 1, 2010 and June 30, 2013 and completed the construction on or before March 31, 2013 with the proper filing of the Application of Use Permit at the OGPE.

(c) **"Developer"**

Every natural or legal person, with the proper developer license, issued by the Department of Consumer Affairs, which is engaged in the construction business as an employer or principal responsible for the promotion, design, sales, construction of infrastructure works and housing projects, either single or multi-story type. For purposes of this Act, the term "Developer" shall also include those financial institutions or any natural or legal persons that by virtue of a judicial or extrajudicial proceeding, or by agreement of payment or similar transaction, becomes the successor in interest of a Developer.

(d) **"Eligible Housing"**

Property of new construction which was under construction at least a 50% of its realization at June 30, 2013.

(e) **"Qualified Institutional Investor"**

Every individual or legal person resident of Puerto Rico, or any individual or legal person nonresident of Puerto Rico, which is engaged in the construction business that invest in a single act or separate acts, exclusively on eligible housing units, a minimum of $1,000,000 or acquire not less than five eligible housing units.

The benefits provided by Act 132 and Act 216 will be available only to the first seller and corresponding first buyer of each new construction unit or qualified property, and will not apply to any acquirer in a subsequent transfer, even if it took place before June 30, 2013. Also, the benefits will not apply if the transferor of the property is considered a related person of the transferee of such property.

To be entitled to these benefits, you must include with the return corresponding to the year of the sale, copy of the Certification issued by the Department of the Treasury for such purposes.

For additional information, refer to Act 132, Act 216, Regulation No. 7923 of September 7, 2010, Regulation No. 8127 of December 23, 2011 and the Executive Order 2012-27 of June 8, 2012.

PART I - SHORT-TERM CAPITAL ASSETS GAINS AND LOSSES (HELD ONE YEAR OR LESS)

Line 3 - Enter the distributable share on the net short-term capital gain (or loss) from partnerships or special partnerships if you elected to be taxed by category of income, as determined on line 2, Part III of Form 480.60 EC, as applicable.

In the case that the corporation is a partner in a partnership or special partnership with a fiscal year, you will also enter on this line the amount determined on line 2, Part III of Forms 480.60 S or 480.60 SE, as applicable.

PART II - LONG-TERM CAPITAL ASSETS GAINS AND LOSSES (HELD MORE THAN ONE YEAR)

You must inform in this part the long-term capital gains and losses from the sale or exchange of capital assets held more than one year.

In order to be entitled to the benefits provided by Act 132 and Act 216, the taxpayer must inform in Column (F) the long-term capital gains and losses of qualified property or new construction property, as applicable. The total exempt gains will be declared for informative purposes only, therefore, they should not be included in Column (G). For gains that are only 50% exempt, you should include in Column (G) the 50% of Column (F). Furthermore, the losses determined in Column (F) must also be included in Column (G). In this way, they may be applied against other gains, if any, or carried over to future years.

Line 8 – If you elected to paid taxes by category over the distributable share on the long-term capital gain (or loss) from a partnership or special partnership, enter the amount informed on line 1, Part III of Form 480.60 EC, as applicable.

In the case that the corporation is a partner in a partnership or special partnership with a fiscal year, also enter on this line the amount determined on line 1, Part III of Form 480.60 S or 480.60 SE, as applicable.

PART III – LONG-TERM CAPITAL ASSETS GAINS AND LOSSES REALIZED UNDER SPECIAL LEGISLATION

You must inform in this part **only** the long-term capital gain and loss derived from the sale of shares or other property of a business that operates with a decree granted under any special act, or that operates and benefits from any special act, in which a special tax rate is provided in lieu of the tax imposed by the Code.

Line 11– Enter the amount of Column (F). Indicate the act under which you received the benefit, and include the number of the decree that grants you the special treatment, if applicable.

PART IV – SUMMARY OF CAPITAL GAINS AND LOSSES

Line 12 – Enter here **only** the net capital gains determined on lines 5, 10 and 11.

Column A – Enter the net short-term capital gain, if any, determined in Part I, line 5, Column (F).

Column B – Enter the net long-term capital gain, if any, determined in Part II, line 10, Column (G).

Column C – Enter the net long-term capital gain realized from the sale of shares or other property under the provisions of special legislation, if any, determined in Part III, line 11, Column (F).

Line 13 – Enter here **only** the net capital losses determined on lines 5, 10 and 11.

Column A – Enter the net short-term capital loss, if any, determined in Part I, line 5, Column (F).

Column B – Enter the net long-term capital loss, if any, determined in Part II, line10, Column (G).

Column C – Enter the net long-term capital loss realized from the sale of shares or other property under the provisions of special legislation, if any, determined in Part III, line 11, Column (F).

Line 14 - This line must be used only **when any** of Columns B and C reflect a loss on line 13. Such loss will be applied to the gain, if any, reflected in the other Column of line 12, except Column A. If the other Column does not reflect a gain on line 12, enter zero in the box.

Line 16 - If line 13, Column A reflects a loss, apply the same proportionally to the gains, if any, reflected on line 12. If no Column reflected gain on line 12, enter zero.

On this line, the net short-term capital loss reflected on line 13, Column A, is applied proportionally to the net long-term capital gains reflected on the line 12, Columns B and C, after having applied the net long-term capital loss.

Line 20 – The net capital loss carryover will be the smaller between the total determined on line 23, Part VI or 80% of the net capital gain determined on line 19.

To claim the deduction for net capital loss carryover, the taxpayer must complete in its entirety Part VI of this Schedule. Any balance not claimed can be carried forward to future years subject to the carryover term established in Section 1034.01 of the Code.

Line 21 – Enter the net capital gain that results after claiming the deduction for net capital loss not used in previous years (Line 19 less line 20). This amount will also be entered in Part I, line 11, page 2 of the return.

Losses not allowed - No loss incurred will be recognized in any sale or other disposition of stocks or securities if substantially identical stocks or securities were purchased, or if it was agreed through a contract or purchase option to acquire substantially identical stocks or securities within 30 days prior to or after the sale or disposition date, except in case of stock and security dealers with respect to operations made in the ordinary course of business.

No deduction shall be allowed with respect to losses from sale or exchange of property executed directly or indirectly (except in case of distributions in liquidation), between an individual and a corporation in which that individual possesses, directly or indirectly, more than 50% of the outstanding stocks, or (except in case of distributions in liquidation) between two corporations, with respect to any of these corporation's outstanding stocks in which more than 50% is owned, directly or indirectly, by or for the same individual.

PART V – GAINS (OR LOSSES) FROM PROPERTY OTHER THAN CAPITAL ASSETS

Enter on line 22 the gain determined from involuntary conversion and from the sale or exchange of certain property used in the trade or business.

The term property used in the trade or business means property that is used in the trade or business subject to the allowance for current depreciation held for more than 1 year, if the sale or exchange was realized after June 30, 2014, and real property used in the trade or business held for more than 1 year, which is property not included in the taxpayer's inventory if in existence at the close of the taxable year, or property held by the taxpayer primarily for the sale to customers in the ordinary course of its trade or business.

The Code provides for a special treatment for gains and losses derived from the sale or exchange of depreciable property used in the trade or business held for more than 1 year, and for gains and losses from a compulsory or involuntary conversion of such depreciable property and of capital assets, held for more than 1 year. Such gains could be treated as long-term capital gains and taxed at a rate of 20%, or the normal tax rates, whichever is lower.

PART VI – DETERMINATION OF THE NET CAPITAL LOSS CARRYOVER

Enter the detail of the capital losses incurred in previous years and that have not been used. For each one of the losses to be considered, include the year in which it was incurred, the amount of loss incurred, the amount used, the carry forward amount and the expiration date.

Carryover of Capital Losses

The carryover period of the capital losses will depend of the date in which the losses were generated, as follows:

- For taxable years beginning after June 30, 1995 and before January, 2006, the carryover period will be five (5) years.

- For taxable years beginning after December 31, 2005 and before January 1, 2013, the carryover period will be ten (10) years.

- For taxable years beginning after December 31, 2012, the carryover period will be seven (7) years.

Nevertheless, if you generated a loss under the provisions of Act 132 or Act 216, the same can be used against any capital gain generated in the future and if there is a remaining loss, it can be claimed as deduction in each one of the next 15 years.

The total carryover losses determined on line 23 will be transferred to line 20, Part IV of this Schedule.

PART VII – DETERMINATION OF THE NET LONG-TERM CAPITAL GAIN – FOR EACH TAX RATE

This part will be used to determine the amount of long-term capital gain that will be transferred to the corresponding columns on line 2(a) of Schedule D1 Corporation. Follow the instructions provided on each line.

Transfer the total capital gain determined on line 9, Column D, to line 2(a), Column A of Schedule D1 Corporation. You must transfer the long-term capital gain determined on line 8(a), Column B, to line 2(a), Column B of Schedule D1 Corporation. In the case of a capital gain determined under special legislation, you must transfer the amount determined on line 8(b), Column C, to line 2(a), Column E, F or G, as applicable, of Schedule D1 Corporation.

On the other hand, if the net capital gain includes a net short-term capital gain, it will be part of the computation of the regular tax that will be determined in Column A of Schedule D1 Corporation. This is due to the fact that the short-term capital gain is taxable at the regular tax rates. For additional details on the taxation of short-term capital gains, see instructions of line 2(a) of Schedule D1 Corporation.

SCHEDULE D1 CORPORATION – TAX ON INCOME SUBJECT TO PREFERENTIAL RATES

Complete this Schedule if during the taxable year you received income subject to preferential rates, such as: net long-term capital gain and interests paid or credited on deposits in accounts held on certain financial institutions.

Line 1 – Transfer the Net Income determined in Part III, line 35 of the return. This Net Income must consider all income subject to preferential rates, as informed on the other corresponding schedules of the return.

Line 2 – Transfer to Column A and to the corresponding Columns from B through G the different types of income subject to preferential rates as identified on lines 2(a) through 2(e). In Column B, include the income subject to a rate of 20%, in Column C, those subject to a rate of 10% and in Column D, those subject to a rate of 4%.

If you received income subject to a rate that is not 4%, 10% or 20% under any special law, include the same in Columns E, F or G, as applicable.

Specify the applicable rate in the blank space provided for this purpose.

Line 2(a) – Transfer to Column A of this line the amount shown on line 9, Part VII of Schedule D Corporation (Schedule D).

As a general rule, the applicable rate on a realized capital gain is 20%. In such case, include in Column B of this line the amount shown on line 8(a), Column B, Part VII of Schedule D Corporation, if any.

However, all or part of the long-term capital gain can be taxed at a different rate if the gain was realized under special legislation. In such case, enter in Columns E, F or G of this line, as applicable, the amount shown on line 8(b), Column C, Part VII of Schedule D Corporation, if any.

Is important to note that if you claim a net capital loss not used in previous years, you must complete Part VII of Schedule D Corporation to determine the amount that you must transfer to this line.

Line 2(b) – Enter on this line the interest you elect to pay tax at the preferential rate, including eligible interests **only** if you elected the option to pay the total amount at the preferential tax rate of 10%. In this case, include in Column C of this line the amount shown on line 14(a), Part I of the return. On the other hand, if you choose to include such interests as part of your gross income and pay the tax determined according to the normal tax rates, do not complete this line. The total interest, including eligible interests, must be included in Part I, line 14 of the return.

The term **eligible interest** means any interest in bonds, notes or other obligations issued by a corporation engaged in a trade or business in Puerto Rico, including shares in trusts representing an interest in such bonds, notes or other obligations, provided that the proceeds from these obligations are used only in the industry or business in Puerto Rico of such corporation within a period no longer than 24 months from the issuance date of such obligations.

Also, any interest on mortgage loans on residential property located in Puerto Rico issued after July 31, 1997 and before January 1, 2014, secured or guaranteed under the provisions of the National Housing Act of June 27, 1934, as amended, or under the provisions of the Servicemen's Readjustment Act of 1944, will qualify for the aforementioned special preferential rate of 10%.

You must also include any interest in mortgage loans on residential property located in Puerto Rico which interest are not exempt under Section 1081.02(a)(3) of the Code, and shares in trusts representing an interest over such loans (or any other instrument representing an interest in such loans), provided the interest recipient is not a financial institution as such term is defined in Section 1033.17(f)(4) of the Code.

Line 2(c) – Enter on this line the distributable share on the net income subject to preferential rates from partnerships and special partnerships, as reported on line 18, Part I of the return. In this case, include in Columns C through G the net income, as applicable. Also, enter the applicable Tax Rate in Columns E through G if the net income is subject to a tax rate different to 4% or 10%.

Line 2(d) – Enter on this line, Column D the net income subject to the 4% tax rate, generated by an international financial entity that operates as a banking unit, as reported on line 20, Part I of the return.

Line 2(e) – Enter on this line any other income subject to a preferential rate not specified on lines 2(a) through 2(d).

Lines 5 and 6 – Refer to the instructions of Part III, line 36 and Part III, line 37 of the return.

Line 7(a) – Determine the tax applicable to the income of line 2(f) according to the corresponding tax rate. For Column B, multiply the income of line 2(f) by 20%. For Column C, multiply the income of line 2(f) by 10%. For Column D, multiply the income of line 2(f) by 4%. For Columns E through G, multiply the income of line 2(f) by the rate specified in such column, which cannot be 4%, 10% or 20%.

Line 8(b) – Multiply line 6 by the applicable tax rate. Refer to the instructions of line 39, Part IV of the return.

Line 9 – Enter the sum of tax at preferential rates determined on line 7(b) with the regular tax determined on line 8(c). The amount of this line will be transferred to Part IV, line 41, page 2 of the return.

SCHEDULE E – DEPRECIATION

Use this Schedule to provide detailed information related to the depreciation and amortization expense.

It will be used to inform each of the properties for which you claim depreciation. There are spaces for current, flexible and accelerated depreciation; amortization, automobiles and vehicles under financial leases.

On this schedule you must provide the following information:

- classification of the property;
- date acquired;
- allowable cost or basis;
- depreciation claimed in previous years;
- estimated useful life to determine the depreciation; and
- depreciation claimed in the current year.

For properties acquired from January 1, 2010, it is allowed to use the provisions of the Federal Internal Revenue Code and its Regulation in those cases in which Section 1033.07 or 1040.12 of the Code does not establish depreciation periods for certain tangible property.

Line (b) - Flexible Depreciation

In order to be entitled to claim flexible depreciation in lieu of current depreciation, the Code requires you to make an option through a sworn statement to be filed no later than 30 days after the end of the taxable year. Said option may be exercised only for property acquired by the taxpayer prior to June 30, 1995.

Line (c) - Accelerated Depreciation

The Code grants a deduction for accelerated depreciation in lieu of current depreciation. It is required that an election be exercised with the return to use the accelerated depreciation method in order to be entitled to this deduction. Said election may be exercised only for property acquired by the taxpayer during taxable years commenced after June 30, 1995. The aforesaid election, once made, is irrevocable.

Refer to the Code and its regulations for other requirements and provisions in connection with the deduction under the flexible and accelerated depreciation methods. Submit this Schedule with your return.

Line (e) – Automobiles

For property that is an automobile it is allowed a deduction for depreciation up to $6,000 annually per automobile, up to a maximum of $ 30,000 for the automobile's useful life.

In the case of automobiles used by sellers, the amount of the depreciation deduction cannot exceed $10,000 annually per automobile, up to a maximum of $ 30,000 for the automobile's useful life.

If the automobile is used in a trade or business or for the production of income and is also used for personal purposes, the amount of this deduction will be reduced by the amount of its personal use.

In the case of automobiles under operating leases, the amount of rent paid during the taxable year shall be allowed as a deduction for **depreciation** up to a maximum of $6,000 annually per automobile or $10,000 if used by a seller. Include on this line, the lease rental payments for automobiles under operating leases up to the limits indicated above. Do not include them as a deduction for rent, interest, motor vehicles expenses or any other item other than depreciation.

Line (f) - Vehicles under financial lease

In the case of leased automobiles **that are essentially equivalent to a purchase**, instead of current depreciation, it is allowed a deduction for the use of the vehicle for the amount paid during the taxable year up to $6,000 per year per car, up to a maximum of $30,000 for the lifetime of the automobile. See Section 1033.07 (a)(3)(D) for the definition of a lease that is essentially equivalent to a purchase.

If the case of automobiles used by sellers, it will be allowed as a deduction the amount paid for the lease of the car during the taxable year for an amount not exceeding $10,000 per year per automobile, up to a maximum of $30,000 for the automobile useful life.

Enter on this line the amount of lease payments that are substantially equivalent to a purchase, subject to the limits previously indicated. Do not include as part of the payments the interest portion. Also, indicate the amount of vehicles for which you made lease payments. **Include with your return Form 480.7D.**

Do not include on this line regular lease payments for leased cars ("operating leases"). These are reported on line (e).

Include this Schedule with your return.

SCHEDULE G CORPORATION – DETAIL OF NET OPERATING LOSSES FROM PREVIOUS YEARS

This Schedule must detail the net operating losses incurred in previous years and that are available to be claimed as deduction against the operating net income subject to regular tax and the alternative minimum tax, subject to the limitations established by the Code.

For each one of the incurred losses enter the year in which the loss was incurred, the amount of incurred loss, the amount used in previous year, any adjustment required by Section 1033.14 of the Code, the amount available and its expiration date.

PART I – DETAIL OF NET OPERATING LOSSES FOR REGULAR TAX PURPOSE

The net losses can be used against the income of future years as follows:

- Taxable years beginning before January 1, 2005 – the net operating losses can be carryover to each one of the following seven (7) taxable years.
- Taxable years beginning after December 31, 2004 and before January 1, 2013 – the carryover period will be twelve (12) years.
- In case of net operating losses incurred in taxable years beginning after December 31, 2012 – the carryover period will be ten (10) years.

The amount of the deduction to be claimed on line 32, Part II, page 2 of the return will be the smaller of the following:

(1) the excess, if any, of the amount of such net operating loss over the sum of the net income, computed with the exceptions, additions and limitations established in Section 1033.14(d), for each one of the taxable years beginning before January 1, 2013,

(2) the eighty (80) percent of the net operating income determined on line 31, Part I, page 2 of the return.

PART II – DETAIL OF NET OPERATING LOSSES FOR ALTERNATIVE MINIMUM TAX PURPOSE

Detail in this part the net operating losses available to be claimed as deduction against the alternative minimum income computed on line 18, Part III of Schedule A Corporation. The amount of this deduction cannot exceed 70% of the alternative minimum net income determined without considering this deduction. Any excess of net loss may be carried over as established in the Code.

The net losses can be used against the next year's income as follows:

- Taxable years beginning before January 1, 2005 – the net operating losses can be carryover to each one of the following seven (7) taxable years.
- Taxable years beginning after December 31, 2004 and before January 1, 2013 – the carryover period will be twelve (12) years.
- In case of net operating losses incurred in taxable years beginning after December 31, 2012 – the carryover period will be ten (10) years.

SCHEDULE IE CORPORATION – EXCLUDED AND EXEMPT INCOME

Complete this Schedule to inform the excluded and exempt income received during the taxable year.

PART I – EXCLUSIONS FROM GROSS INCOME

Line 1 - Indicate the amounts received under any plantation insurance, excluding fire insurance as a result of losses incurred by the insured.

Line 2 - Enter the income from debt discharge, in whole or in part, if the discharge is granted under any of the following circumstances:

- filing for bankruptcy under Title 11 of the United States of America Code approved by a court with competent jurisdiction, or
- insolvency of the taxpayer (the liabilities exceed the fair market value of the assets).

If debt discharge is not due to the above circumstances, the income from it is considered taxable income.

The amount excluded from income from debt discharge will reduce the net operating loss incurred or available in the year of the discharge, the net capital loss incurred or available in the year of the discharge or the basis of any assets constituting collateral of the debt subject to the discharge, in that order.

Line 4 – Enter the total amount of other exclusions of gross income for which a specific line is not provided on this Schedule, for example, the interest on mortgage loans on new construction property located in Puerto Rico issued after January 1, 2014 and secured under the provisions of the National Housing Act of 1934 or under the provisions of the Servicemen's Readjustment Act of 1944, as amended. Also, enter amounts excluded from gross income under special laws. For more information, see Section 1031.01(b) of the Code.

PART II - EXEMPTIONS FROM GROSS INCOME

Line 1(C) - Enter the income received from interest on securities issued under the Agricultural Loans Act of 1971, as amended, including obligations issued under any subsidiary of the Farm Credit Banks of Baltimore which funds are used to finance, directly or indirectly, agricultural loans and farmers in Puerto Rico. For more information, refer to Section 1031.02(a)(3)(C) of the Code.

Line 1(D) – Enter the interest income received from any of the following mortgages:

- secured by the National Housing Act of 1934, as amended, that has been issued no later than February 15, 1973 and possessed by residents of Puerto Rico on May 5, 1973 and issued within the 180 days following February 15, 1973 to be acquired by a resident of Puerto Rico;
- on residential property located in Puerto Rico issued after June 30, 1983 and before August 1, 1997 secured by the National Housing Act of 1934 or the Servicemen's Readjustment Act of 1944, as amended;
- on new residential property located in Puerto Rico issued after July 31, 1997 and before January 1, 2014 and secured by the National Housing Act of 1934 or the Servicemen's Readjustment Act of 1944. For those granted after January 1, 2014, see instructions for Part I, line 4 of this Schedule;
- originated to provide permanent financing for the construction or acquisition of social interest housing; and
- secured under the Bankhead-Jones Farm Tenant Act of 1937, as amended.

Line 1(E) – Enter the interest income received from obligations secured by the Servicemen's Readjustment Act of 1944 that were issued not later than February 15, 1973 and possessed by residents of Puerto Rico on May 5, 1973 and issued within the 180 days following February 15, 1973 to be acquired by a resident of Puerto Rico.

Line 1(F) – Enter the interest income received from obligations secured by cooperative associations up to $5,000.

Line 1(G) – Enter the interest income received from obligations issued by the Puerto Rico Conservation Trust, the Puerto Rico Housing and Human Development Trust, the San Juan Monument Patronage and the Society of Education and Rehabilitation of Puerto Rico (SER of Puerto Rico) (See Section 1031.02(a)(3)(L) of the Code).

Line 1(H) - Enter the income received from interest on loans issued by a commercial bank or any banking or financial organism established in Puerto Rico to an employee's owned special corporation, which proceeds are used by such special corporation for one of the following purposes:

- finance the acquisition, development, construction, expansion, rehabilitation or improvement of real property located in Puerto Rico to be used for commercial purposes by the special corporation, provided that the loan does not exceed the cost of the property or the improvements to be made on it;
- finance the acquisition of machinery or other tangible personal property to be used for commercial purposes by

the special corporation in its business operations in Puerto Rico, provided the loan does not exceed the purchase price of such property, or

- finance the acquisition of shares of stock in a corporation that is treated for Puerto Rico income tax purposes as a purchase of the assets of that corporation.

Line 1(I) - Enter the income received from interest on loans issued by a commercial bank or any banking or financial organism established in Puerto Rico to a person for the acquisition and payment of membership certificates as an ordinary, extraordinary or corporate member, as applicable, in an employee's owned special corporation.

Line 1(J) - Enter the income received from interest on loans issued by a commercial bank or any banking or financial organism established in Puerto Rico to a person for the purchase or investment in itself and for itself of preferred shares of an employee's owned special corporation.

Line 1(K) - Enter the income received from interest on loans of up to $250,000 in the aggregate per exempt business granted to small and medium businesses as that term is defined in Act 73-2008, known as the "Economic Incentives for the Development of Puerto Rico Act" for its establishment or expansion, provided the loan meets the requirements of the act known as the Community Reinvestment Act of 1977, Pub Law 95-128, 91 Stat. 1147, as amended, and the requirements established by the Commissioner of Financial Institutions by regulations.

Line 1(L) - Enter the income received from interest on loans of up to $250,000 in the aggregate per exempt business granted to shareholders of exempted businesses to be used in the initial capitalization or a subsequent capital requirement of a small or medium business which enjoys tax exemption, as such term is defined in Section 2(i) of Act 73-2008, known as the Economic Incentives for the Development of Puerto Rico Act.

Line 1(M) – Enter the amount of other interests reported in Box 10 of Form 480.6D. Provide the required information of Form 480.6D.

Line 1(N) – Enter the amount of other interests not reported in Form 480.6D. Provide the required information of the form or document in which the interests were reported.

Line 2(A) - Enter the dividends received by corporations distributed from industrial development income generated from interests on:

- obligations of the Commonwealth of Puerto Rico or any of its instrumentalities or political subdivisions;

- mortgages insured by the Puerto Rico Housing Finance Authority acquired after March 31, 1977; or

- loans or other securities which are guaranteed by a mortgage, issued by any pension or retirement system of a general nature established by the Legislature of Puerto Rico, the municipalities and agencies, instrumentalities and corporations of the Government of Puerto Rico, acquired after March 31, 1977.

Line 2(B) - Enter the distributions of limited dividends' corporations that qualify under Section 1101.01(a)(6)(A) of the Code. The taxpayer must submit with the return a statement showing the number of shares held and the dividends received on such shares during the taxable year.

Line 2(C) - Enter the dividends received from domestic cooperative associations if the taxpayer who received them is considered an entity resident of Puerto Rico.

Line 2(D) - Enter the income received by means of dividend distributions made by an International Insurer or an International Insurer Holding Company pursuant to the provisions of Article 61.240 of the Insurance Code of Puerto Rico. Include Form 480.6D.

Line 3 - Enter the amount received for recovery of bad debts, previous taxes, surcharges and other items. For more information, see Section 1031.02(a)(8) of the Code.

Line 4 - Enter the income from news agencies or unions or other press services, received from journalism or broadcasting companies, for rents or royalties for the use or publication or the right to use or publish in Puerto Rico, literary or artistic property of such agencies or unions.

Line 5 - Enter the amount received for certain exempt income related to the operation of an employee's owned special corporation, such as 90 percent of the rental of real and personal property used by the corporation in its development, organization, construction, establishment or operation. For more information, see Section 1031.02(a)(17) of the Code.

Line 6 - Enter the income received or accrued in connection with the celebration of sports games organized by international associations and federations. This provision applies to teams from the Major League Baseball (MLB) and the National Basketball Association of America (NBA) in connection with the celebration of games in Puerto Rico. For more information, see Section 1031.02(a)(21) of the Code.

Line 7 - Enter the income derived by the International Insurer or an International Insurer Holding Company, subject to the provisions of Article 61.240 of the Insurance Code of Puerto Rico, including the income derived from the liquidation or dissolution of the operations in Puerto Rico.

Line 8 - Enter the amount of income received from the rental of buildings in historic areas as established by the Institute of Puerto Rican Culture or the Planning Board.

Line 10 - Enter the income derived from buildings leased to the Commonwealth of Puerto Rico for public hospitals, convalescence or nursing homes and public schools, exclusively for those buildings that had a lease in effect as of November 22, 2010.

Line 11 - Enter the income derived by the taxpayer from the resale of personal property or services whose acquisition by the taxpayer was subject to taxation under Section 3070.01 of the Code or Section 2101 of the Puerto Rico Internal Revenue Code of 1994, as amended.

Line 12 - Enter the distributions of amounts previously reported as eligible deemed distributions under Section 1023.06(j) of the Code.

Line 13 - Enter the distributions of dividends or profits of industrial development income of exempt businesses or in liquidation under the Economic Incentives for the Development of Puerto Rico Act (Act 73-2008) and the Tax Incentives Act of 1998 (Act 135-1997).

For the treatment of such current or liquidation distributions, see Internal Revenue Circular Letter No. 09-06 of July 22, 2009.

Line 15 - Enter the gross income, up to $500,000, generated by a new business created by a young entrepreneur whose age fluctuates between 16 and 35 years. Such new business will have to be in the first three years of operation with a special agreement for the creation of young businesses. For additional details, refer to the Act 135-2014 (Act for the Incentives and Financing of Young Entrepreneurs).

Line 16 – Enter the amount received from the distributable share in the exempt income from pass-through entities as informed in Forms 480.60 EC, Part III, line 13; 480.60 SE, Part III, line 12 and 480.60 S, Part III, line 12, as applicable.

Line 17 – Enter the amount included in Box 16 (Other Payments) of Form 480.6D, for which a specific line is not provided on this Schedule.

Line 18 - Enter the total amount of other exemptions from gross income for which a specific line is not provided on this Schedule, even if they are granted by special acts.

The taxpayer must include with the return a breakdown of the gross income exemptions or exempt income and the amount of such income received during the taxable year.

SCHEDULE R CORPORATION – PARTNERSHIPS AND SPECIAL PARTNERSHIPS

Complete Schedule R Corporation if the corporation is a partner of one or more partnerships or special partnerships. If you have share in more than three partnerships or special partnerships, you must also complete and submit with the return the amount of Schedules R1 Corporation that are necessary.

Part I of Schedule R Corporation is used every year to determine the taxpayer's basis in each partnership or special partnership. Part II of this schedule is used to determine the net income or loss of the partner's share in one or more partnerships and special partnerships, including those losses carried over from previous years.

Part III provides to determine the aggregated net loss of partnerships or special partnerships that can be used against the aggregated net income of these pass-through entities. For taxable years beginning after December 31, 2014, such losses cannot exceed 80% of the distributable share in the aggregated net income of other partnerships or special partnerships.

You must complete this schedule annually, whether the partnership or special partnership has derived or not gains or losses.

PART I - ADJUSTED BASIS DETERMINATION OF A PARTNER IN ONE OR MORE SPECIAL PARTNERSHIPS OR PARTNERSHIPS

Line 1 - Enter the amount from Part I, line 4 of previous year Schedule R Corporation.

The basis of a partner's interest from a partnership or special partnership will be the amount of cash, or the adjusted basis of any property that is not considered cash, contributed to said partnership.

This basis will be adjusted by the following items or transactions made during the taxable year in which the determination is made and others included on the previous year income tax return:

Line 2 - Basis increase

(a) Enter the partner's distributable share on previous year's income and profits.

For example, in case of a taxpayer with a calendar taxable year, enter the total distributable share on the partnership or special partnership's income or profit included on the income tax return filed on April 15 of previous year (or later if you requested an extension of time to file your return). This amount must be the same as the one shown on line 7, Part II of Schedule R Corporation included on the previous year income tax return.

(b) through (d) These entries are from the current taxable year.

(e) Enter the proportion of income or gain attributable to your share on the income from agriculture earned by the partnership or special partnership, which is tax exempt under Section 1033.12 of the Code.

(f) Enter other income or gains like for example, the distributable share on the dividends and interest received by the partnership or special partnership.

Line 3 - Basis decrease

(a) Enter the distributable share on the loss attributable to the partner in the previous year.

For example, in case of a taxpayer with a calendar taxable year, enter the total distributable share on the partnership or special partnership's loss included on the income tax return filed on April 15 of the previous year (or later if you requested an extension of time to file your return). To determine the total loss claimed on the previous year return, add lines 5(c) and 8 and compare with line 14 of Part II from Schedule R Corporation included on the previous year return. In order to add lines 5(c) and 8, use the parenthesis for line 8, if the excess is a loss. If line 14 of Part II is zero or more than zero, add lines 5(c), 8 and 9 of Part II. For example, if line 5(c) of Part II is $12,000, line 8 of Part II ($2,000) and line 9 of Part II $2,000, the result will be $12,000 ($12,000 + ($2,000) + $2,000). If line 14 of Part II is less than zero, you must add lines 5(c) and 8 of Part II and subtract the corresponding share of the available loss of the previous year and not used, reflected on line 14 of Part II.

(b) The distributable share on partnership or special partnership's capital assets loss.

(c) Distributions made to the partner by the partnership or special partnership, whether in cash or in property, including tax exempt income.

(d) The amount claimed as credit against the income tax in the previous taxable year for investments made in partnership or special partnership engaged in the production of feature films or under the Puerto Rico Tourism Development Act of 1993, the Puerto Rico Capital Investment Fund Act, the Puerto Rico Agricultural Tax Incentives Act, as amended, or any other credit admitted by law to the partners related to the partnership or special partnership's activities.

(e) The amount claimed as credit against the income tax for withholding of tax at source from the distributable share made to a resident partner (30%) or to a nonresident alien partner (29%).

(f) Any expense from the partnership or special partnership not allowed as a deduction while determining your net income and that is not capitalized.

(g) The distributable share on net losses from tax exempt operations under the Tourism Incentives Act of 1983 and the Tourism Development Act of 1993.

(h) **Only in the case of partnerships**, the charitable contributions made to eligible entities.

(i) Partner's debts assumed and guaranteed by the partnership.

Line 4 - If the amount on this line is less than zero, enter zero.

PART II - DETERMINATION OF NET INCOME OR LOSS IN ONE OR MORE SPECIAL PARTNERHIPS OR PARTNERSHIPS

For taxable years beginning after December 31, 2010, if the special partnership or partnership derived losses, the partner may not claim such losses as a deduction from other income that is not the income derived from other special partnerships or partnerships. This loss will be limited to the adjusted basis of the partner's interest in the partnership at the end of the taxable year in which the partnership loss is claimed.

The adjusted basis limitation will be determined for each one of the special partnerships or partnerships in which is a partner.

Line 5(a) - Enter the amount distributed from the partner's loss in accordance to its share percentage in the special partnership or partnership. This amount is informed to the partner in Form 480.60 EC (or Form 480.60 S or 480.60 SE if the pass-through entity has an fiscal year).

Line 5(b) - Enter the carryover losses which were not claimed in previous years due to the limitation. This amount must be equal to line 14, Part II of Schedule R Corporation included on the income tax return of 2014 taxable year, if a loss. If a partner possesses shares in losses from more than one partnership or special partnership, the balance subject to the loss carryover, as determined in the previous taxable year, will be proportionally attributed to the loss of each one of the partnerships. Said attribution will be done by using as factor the adjusted basis of the partner's share in each one of the partnerships at the end of the previous taxable year.

Line 6 - Enter on this line the amount determined in Part I, line 4. If the special partnership or partnership has an exemption decree under the Puerto Rico Tourism Incentives Act or the Puerto Rico Tourism Development Act, you may use the debts of the special partnership or partnership, as reported in Part I, line F of Forms 480.60 EC (or Form 480.60 S or 480.60 SE if the pass-through entity has a fiscal year), in proportion to your share, to increase your adjusted basis on line 6(b), only to claim losses of the special partnership or partnership from this activity.

Also, include on line 6(c) the portion of the partnership's current debts assumed by the partner that are guaranteed by such partner as established on Form 480.60 EC, Part I, line E (or Form 480.60 S or 480.60 SE if the pass-through entity has a fiscal year).

Line 7 - Enter the partner's distributable share on the income and profits derived from the special partnership or partnership during the year. This amount is reflected on Form 480.60 EC (or Form 480.60 S or 480.60 SE if the pass-through entity has a fiscal year). Exclude the net income subject to special tax rate derived from operations of a business with a tax exemption decree.

Line 8 - Enter the smaller of the amounts on lines 5(c) and 6(d). This will be the maximum amount to which the partner is entitled to claim as a deduction for losses against income from other partnerships or special partnerships, subject to the limitations established by the Code and that are computed in Part III.

PART III – DISTRIBUTABLE SHARE ON BENEFITS FROM PARTNERSHIPS AND SPECIAL PARTNERSHIPS

Line 4 - The amount accepted as loss cannot exceed the 80% of the aggregated net income of partnerships and special partnerships generated in the current taxable year, that is showed on line 1 of this part.

Line 6 - If the result is a **net loss**, the same is not deductible but you can carry it to future years. The balance of the carry forward loss is attributed proportionally to the loss in each one of the entities. The allocation will be done by using as factor the adjusted basis of the partner interest in each one of the entities at the close of the taxable year.

SCHEDULE R1 CORPORATION – PARTNERSHIPS AND SPECIAL PARTNERSHIPS (COMPLEMENTARY)

Complete Schedule R1 Corporation, if the corporation is a partner of more than three partnerships or special partnerships. As Schedule R Corporation, Schedule R1 Corporation is used each year to determine the adjusted basis and the net profit or loss on the partner's share in each partnership or special partnership, including the loss carryover from previous years.

Use the amount of Schedules R1 Corporation as needed. For additional information, see instructions of the Schedule R Corporation.

SCHEDULE S CORPORATION - TAXABLE FARMING INCOME (BONAFIDE FARMER)

Use this schedule to determine the agricultural taxable benefit. However, if you claimed benefits under the provisions of the Puerto Rico Agricultural Tax Incentives Act (Act 225-1995, as amended), refer to the Income Tax Return for Exempt Businesses under the Puerto Rico Incentives Programs - Special Acts (Form 480.30(II)LE).

PART II – OPERATING EXPENSES AND OTHER COSTS

Enter the deductions related to the farming operations on lines 10 through 34.

Line 32 - Enter the portion deductible (49%) of the "Total" line of:

- the expenses incurred or paid to a related person that is not engaged in trade or business in Puerto Rico, that are attributable to the conduct of a trade or business in Puerto Rico and are not subject to withholding at source under the Code during the taxable year in which are incurred or paid, or

- the expenses incurred or paid to a home office located outside of Puerto Rico, by a foreign corporation engaged in trade or business in Puerto Rico through a branch.

Line 33 – Enter the total expenses, as described on previous line, if the corporation is excluded from the limitation (49%) provided by Section 1033.17(a)(17) by any disposition of law or because the taxpayer's request and the approval by the Department of Treasury of a waiver to be excluded from the limitation.

SCHEDULE T CORPORATION – ADDITION TO THE TAX FOR FAILURE TO PAY ESTIMATED TAX IN CASE OF CORPORATIONS

Use this Schedule to determine the addition to the tax for failure to pay estimated tax.

PART I – DETERMINATION OF THE MINIMUM AMOUNT OF ESTIMATED TAX TO PAY

Line 2 – Include the total of withholdings and credits provided by the Code or special acts for the taxable year, including the non refunded tax paid in excess corresponding to the previous taxable year. Add line 24, Part II of Schedule B Corporation, and lines 3 through 11, Part III of Schedule B Corporation.

For information about the Moratorium of Tax Credits, please refer to the instructions of Schedule B Corporation, the Internal Revenue Circular Letter No. 13-08, Sections 1051.11, 1051.12 and 1051.13 of the Code, and Act 72-2015.

Line 3 – If the amount of estimated tax to be paid is zero or less, you were not required to pay estimated tax, thus, do not complete this Schedule.

Line 5 – Enter the amount indicated on lines 12, 13, 16, 20 and 21 of Part III, page 1 of the preceding taxable year's return, or an amount equal to the tax computed at the rates and under the act applicable to the taxable year using the data included on the income tax return of the previous year.

PART II – ADDITION TO THE TAX FOR FAILURE TO PAY

Section A – Failure to Pay

Fill in completely the oval for calendar year if your taxable year ends on December 31, otherwise, fill in the oval which indicates fiscal year. If you filled in the oval for fiscal year, enter in Columns (a), (b), (c) and (d), the date corresponding to the 15th day of the fourth month, sixth month, ninth month, and twelfth month of the taxable year, respectively.

Line 8 – If the duty to pay the estimated tax was met **for the first time** before the first day of the fourth month of the taxable year, enter in each one of the columns 25% of line 7. If the duty was met **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, enter in Columns (b), (c) and (d) 33% of line 7. If the duty was met **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, enter in Column (c) and (d) 50% of line 7. If the duty was met **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, enter in Column (d) 100 % of line 7.

If there is any change in the computation of the estimated tax, enter the amount of the installment according with the corresponding change.

Line 9 – Enter in Column (a) the amount of estimated tax paid no later than April 15 of the taxable year (the 15th day of the fourth month of the taxable year if you have a fiscal year); in Column (b), the estimated tax paid after April 15 of the taxable year (the 15th day of the fourth month of the taxable year if you have a fiscal year) and no later than June 15 of the taxable year (the 15th day of the sixth month of the taxable year if you have a fiscal year); in Column (c), the estimated tax paid after June 15 of the taxable year (the 15th day of the sixth month of the taxable year if you have a fiscal year) and no later than September 15 of the taxable year (the 15th day of the ninth month of the taxable year if you have a fiscal year); and in Column (d), the estimated tax paid after September 15 of the taxable year (the 15th day of the ninth month of the taxable year if you have a fiscal year) and no later than December 15 of the taxable year (the 15th day of the twelfth month of the taxable year if you have a fiscal year).

Line 10 – If various payments were made in the periods described in the instructions for line 9, indicate the amount and date of the payments.

Line 11 – To determine the amounts to be entered in Columns (b), (c) and (d), you must complete lines 11 through 17 of the previous column.

Any overpayment, after covering the estimated tax payment of the corresponding installment, will be attributed first to the amount of estimated tax of previous installments due and not paid and then to the subsequent installments.

Section B – Penalty

Line 18 – A 10% penalty of the estimated tax of each installment due but not paid will be added to the tax.

Line 19 – The amount determined on this line reflects the proportion of the penalty attributable to the installments of estimated tax paid after the due date, if applicable.

DUTY TO PAY ESTIMATED TAX

IMPORTANT NOTICE

Beginning on taxable year 2010, the requirement to file the Estimated Tax Declaration (Form 480-E) was eliminated. However, the duty to make the estimated tax payments is still required.

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 provided by 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 paid 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 prior to 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 prior to 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 prior to 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.

The estimated tax installments will be paid together with a payment coupon (Forms 480.E-1 or 480.E-2). Taxpayers who paid estimated tax in the previous year, will receive a booklet containing 4 coupons (Forms 480.E-2) with their name, address and employer identification number. New taxpayers or taxpayers who have not received the coupons booklet, must visit the Taxpayer Service Center (Office 101) of the Department of the Treasury in Old San Juan, where the payment coupons (Form 480.E-1) will be prepared. You may also make the payments without the need of a coupon using Payments Online. For additional information, please call (787) 722-0216.

The estimated tax payments must be made through Payments Online, in the participating banks (if you have the preprinted coupon), at the Internal Revenue Collections Offices or mailed to the Returns Processing Bureau to the following address:

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

Payments with checks in participating banks must be made payable to the order of such banks. Payments with managers checks, checks or money orders at the Internal Revenue Collections Offices will be made payable to the Secretary of the Treasury.

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 must be proportionally increased or reduced to reflect the increase or reduction in the estimated tax.

PENALTIES

The Code establishes in Section 6041.10 a 10% penalty 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 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 act applicable to the taxable year using the data included in the income tax return of the previous 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 and possessions, or any foreign country to which you are entitled.

INDUSTRIAL CODES

11 Agriculture, forestry, fishing and hunting
1111 Oilseed and Grain Farming
1112 Vegetable and Melon Farming
1113 Fruit and Tree Nut Farming
1114 Greenhouse, Nursery, and Floriculture Production
1119 Other Crop Farming
1121 Cattle Ranching and Farming
1122 Hog and Pig Farming
1123 Poultry and Egg Production
1124 Sheep and Goat Farming
1125 Animal Aquaculture
1132 Forest Nurseries and Gathering of Forest Products
1133 Logging
1141 Fishing
1142 Hunting and Trapping
1151 Support Activities for Crop Production
1152 Support Activities for Animal Production
1153 Support Activities for Forestry
21 Mining
2121 Coal Mining
2122 Metal Ore Mining
2123 Nonmetallic Mineral Mining and Quarrying
2131 Support Activities for Mining
22 Utilities
2211 Electric Power Generation, Transmission and Distribution
2212 Natural Gas Distribution
2222 Water Distribution
23 Construction
2331 Land Subdivision and Land Development
2333 Nonresidential Building Construction
2341 Highway, Street, Bridge, and Tunnel Construction
2349 Other Heavy Construction
2351 Plumbing, Heating, and Air-Conditioning Contractors
2352 Painting and Wall Covering Contractors
2353 Electrical Contractors
2355 Carpentry and Floor Contractors
2356 Roofing, Siding, and Sheet Metal Contractors
2357 Concrete Contractors
2358 Water Well Drilling Contractors
2359 Other Special Trade Contractors
31-33 Manufacturing
3111 Animal Food Manufacturing
3112 Grain and Oilseed Milling
3113 Sugar and Confectionery Product Manufacturing
3115 Dairy Product Manufacturing
3116 Animal Slaughtering and Processing
3117 Seafood Product Preparation and Packaging
3118 Bakeries and Tortilla Manufacturing
3119 Other Food Manufacturing
3121 Beverage Manufacturing
3122 Tobacco Manufacturing
3132 Fabric Mills
3133 Textile and Fabric Finishing and Fabric Coating Mills
3141 Textile Furnishings Mills
3149 Other Textile Product Mills
3151 Apparel Knitting Mills
3152 Cut and Sew Apparel Manufacturing
3159 Apparel Accessories and Other Apparel Manufacturing
3161 Leather and Hide Tanning and Finishing
3162 Footwear Manufacturing
3169 Other Leather and Allied Product Manufacturing
3211 Sawmills and Wood Preservation
3212 Veneer, Plywood, and Engineered Wood Product Manufacturing
3222 Converted Paper Product Manufacturing
3231 Printing and Related Support Activities
3241 Petroleum and Coal Products Manufacturing
3251 Basic Chemical Manufacturing
3252 Resin, Synthetic Rubber, and Artificial and Synthetic Fibers
3253 Pesticide, Fertilizer, and Other Agricultural Chemical Manufacturing
3254 Pharmaceutical and Medicine Manufacturing
3255 Paint, Coating, and Adhesive Manufacturing
3256 Soap, Cleaning Compound, and Toilet Preparation Manufacturing
3259 Other Chemical Product and Preparation Manufacturing
3261 Plastics Product Manufacturing
3262 Rubber Product Manufacturing
3271 Clay Product and Refractory Manufacturing
3272 Glass and Glass Product Manufacturing
3273 Cement and Concrete Product Manufacturing
3274 Lime and Gypsum Product Manufacturing
3279 Other Nonmetallic Mineral Product Manufacturing
3311 Iron and Steel Mills and Ferroalloy Manufacturing
3312 Steel Product Manufacturing from Purchased Steel
3313 Alumina and Aluminum Production and Processing
3314 Nonferrous Metal (except Aluminum) Production and Processing
3315 Foundries
3321 Forging and Stamping
3322 Cutlery and Hand tool Manufacturing
3323 Architectural and Structural Metals Manufacturing
3324 Boiler, Tank, and Shipping Container Manufacturing
3325 Hardware Manufacturing
3326 Spring and Wire Product Manufacturing
3327 Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing
3328 Coating, Engraving, Heat Treating, and Allied Activities
3329 Other Fabricated Metal Product Manufacturing
3331 Agriculture, Construction, and Mining Machinery Manufacturing
3332 Industrial Machinery Manufacturing
3333 Commercial and Service Industry Machinery Manufacturing
3334 Ventilation, Heating, Air-Conditioning, and Commercial Refrigeration Equipment Manufacturing
3335 Metalworking Machinery Manufacturing
3336 Engine, Turbine, and Power Transmission Equipment Manufacturing
3339 Other General Purpose Machinery Manufacturing
3341 Computer and Peripheral Equipment Manufacturing
3342 Communications Equipment Manufacturing
3343 Audio and Video Equipment Manufacturing
3344 Semiconductor and Other Electronic Component Manufacturing
3345 Navigational, Measuring, Electro medical, and Control Instruments Manufacturing
3346 Manufacturing and Reproducing Magnetic and Optical Media
3351 Electric Lighting Equipment Manufacturing
3352 Household Appliance Manufacturing
3353 Electrical Equipment Manufacturing
3359 Other Electrical Equipment and Component Manufacturing
3361 Motor Vehicle Manufacturing
3362 Motor Vehicle Body and Trailer Manufacturing
3363 Motor Vehicle Parts Manufacturing
3364 Aerospace Product and Parts Manufacturing
3365 Railroad Rolling Stock Manufacturing
3366 Ship and Boat Building
3369 Other Transportation Equipment Manufacturing
3371 Household and Institutional Furniture and Kitchen Cabinet
3372 Office Furniture (including Fixtures) Manufacturing
3379 Other Furniture Related Product Manufacturing
3391 Medical Equipment and Supplies Manufacturing
3399 Other Miscellaneous Manufacturing
42 Wholesale Trade
4211 Motor Vehicle and Motor Vehicle Parts and Supplies
4212 Furniture and Home Furnishing
4213 Lumber and Other Construction Materials
4214 Professional and Commercial Equipment and Supplies
4215 Metal and Mineral (except Petroleum)
4216 Electrical Goods
4217 Hardware, and Plumbing and Heating Equipment and Supplies
4218 Machinery, Equipment, and Supplies
4219 Miscellaneous Durable Goods
4221 Paper and Paper Product
4222 Drugs and Druggists' Sundries
4223 Apparel, Piece Goods, and Notion
4224 Grocery and Related Product
4225 Farm Product Raw Material
4226 Chemical and Allied Products
4227 Petroleum and Petroleum Products
4228 Beer, Wine, and Distilled Alcoholic Beverage
4229 Miscellaneous No durable Goods
44-45 Retail Trade
4411 Automobile Dealers
4412 Other Motor Vehicle Dealers
4413 Automotive Parts, Accessories, and Tire Stores
4421 Furniture Stores
4422 Home Furnishings Stores
4431 Electronics and Appliance Stores
4441 Building Material and Supplies Dealers
4442 Lawn and Garden Equipment and Supplies Stores
4451 Grocery Stores
4452 Specialty Food Stores
4453 Beer, Wine, and Liquor Stores
4461 Health and Personal Care Stores
4471 Gasoline Stations
4481 Clothing Stores
4483 Jewelry, Luggage, and Leather Goods Stores
4511 Sporting Goods, Hobby, and Musical Instrument Stores
4512 Book, Periodical, and Music Stores
4521 Department Stores
4529 Other General Merchandise Stores
4531 Florists
4532 Office Supplies, Stationery, and Gift Stores
4533 Used Merchandise Stores
4539 Other Miscellaneous Store Retailers
4541 Electronic Shopping and Mail-Order Houses
4542 Vending Machine Operators
4543 Direct Selling Establishments
48-49 Transportation and Warehousing
4811 Scheduled Air Transportation
4812 Nonscheduled Air Transportation
4821 Rail Transportation
4831 Deep Sea, Coastal, and Great Lakes Water Transportation
4832 Inland Water Transportation
4841 General Freight Trucking
4842 Specialized Freight Trucking
4851 Urban Transit Systems
4852 Interurban and Rural Bus Transportation
4853 Taxi and Limousine Service
4855 Charter Bus Industry
4859 Other Transit and Ground Passenger Transportation
4861 Pipeline Transportation of Crude Oil
4862 Pipeline Transportation of Natural Gas
4871 Scenic and Sightseeing Transportation, Land
4872 Scenic and Sightseeing Transportation, Water
4881 Support Activities for Air Transportation
4882 Support Activities for Rail Transportation
4883 Support Activities for Water Transportation
4884 Support Activities for Road Transportation
4885 Freight Transportation Arrangement
4889 Other Support Activities for Transportation
4911 Postal Service
4921 Couriers
4922 Local Messengers and Local Delivery
51 Information
5111 Newspaper, Periodical, Book, and others Publishers
5112 Software Publishers

5121 Motion Picture and Video Industries
5122 Sound Recording Industries
5131 Radio and Television Broadcasting
5132 Cable Networks and Program Distribution
5133 Telecommunications
5141 Information Services
5142 Data Processing Services

52 Finance and Insurance

5221 Depository Credit Intermediation
5222 No depository Credit Intermediation
5223 Activities Related to Credit Intermediation
5231 Securities and Commodity Contracts Intermediation and Brokerage
5239 Other Financial Investment Activities
5241 Insurance Carriers
5242 Agencies, Brokerages, and Other Insurance Related Activities
5251 Insurance and Employee Benefit Funds
5259 Other Investment Pools and Funds

53 Real Estate and Rental and Leasing

5311 Lessors of Real Estate
5312 Offices of Real Estate Agents and Brokers
5313 Activities Related to Real Estate
5321 Automotive Equipment Rental and Leasing
5322 Consumer Goods Rental
5323 General Rental Centers
5324 Commercial and Industrial Machinery and Equipment Rental and Leasing
5331 Lessors of Non financial Intangible Assets (except Copyrighted Works)

54 Professional, Scientific, and Technical Services

5411 Legal Services
5412 Accounting, Tax Preparation, Bookkeeping, and Payroll Services
5413 Architectural, Engineering, and Related Services
5414 Specialized Design Services
5415 Computer Systems Design and Related Services
5416 Management, Scientific, and Technical Consulting Services
5417 Scientific Research and Development Services
5418 Advertising and Related Services
5419 Other Professional, Scientific, and Technical Services

55 Management of Companies and Enterprises

5511 Management of Companies and Enterprises

56 Administrative and Support and Waste Management and Remediation Services

5611 Office Administrative Services
5612 Facilities Support Services
5614 Business Support Services
5615 Travel Arrangement and Reservation Services
5616 Investigation and Security Services
5617 Services to Buildings and Dwellings
5619 Other Support Services
5621 Waste Collection
5629 Remediation and Other Waste Management Services

61 Educational Services

6111 Elementary and Secondary Schools
6112 Junior Colleges
6113 Colleges, Universities, and Professional Schools
6114 Business Schools and Computer and Management Training
6115 Technical and Trade Schools
6116 Other Schools and Instruction
6117 Educational Support Services

62 Health Care and Social Assistance

6211 Offices of Physicians
6212 Offices of Dentists
6213 Offices of Other Health Practitioners
6214 Outpatient Care Centers
6215 Medical and Diagnostic Laboratories
6216 Home Health Care Services
6219 Other Ambulatory Health Care Services
6221 General Medical and Surgical Hospitals
6222 Psychiatric and Substance Abuse Hospitals
6231 Nursing Care Facilities
6232 Residential Mental Retardation, Mental Health and Substance Abuse Facilities
6233 Community Care Facilities for the Elderly
6239 Other Residential Care Facilities
6242 Community Food and Housing, and Emergency and Other Relief Services
6243 Vocational Rehabilitation Services
6244 Child Day Care Services

71 Arts, Entertainment, and Recreation

7111 Performing Arts Companies
7112 Spectator Sports
7113 Promoters of Performing Arts, Sports, and Similar Events
7114 Agents and Managers for Artists, Athletes, Entertainers, and Other Public Figures
7115 Independent Artists, Writers, and Performers
7121 Museums, Historical Sites, and Similar Institutions
7131 Amusement Parks and Arcades
7132 Gambling Industries
7139 Other Amusement and Recreation Industries

72 Accommodation and Food Services

7211 Traveler Accommodation
7212 Recreational Vehicle Parks and Camps
7213 Rooming and Boarding Houses
7221 Full-Service Restaurants
7222 Limited-Service Eating Places
7223 Special Food Services
7224 Drinking Places (Alcoholic Beverages)

81 Other Services (except Public Administration)

8111 Automotive Repair and Maintenance
8112 Electronic and Precision Equipment Repair and Maintenance
8113 Commercial and Industrial Machinery and Equipment Repair
8114 Personal and Household Goods Repair and Maintenance
8121 Personal Care Services
8122 Death Care Services
8123 Dry-cleaning and Laundry Services
8129 Other Personal Services
8131 Religious Organizations
8132 Grant making and Giving Services
8133 Social Advocacy Organizations
8134 Civic and Social Organizations
8139 Business, Professional, Labor, Political, and Similar Organizations
8141 Private Households

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

IMPORTANT NOTICE:

DO NOT FORGET TO WRITE THE EMPLOYER IDENTIFICACION NUMBER IN THE CORRESPONDING BOX ON THE RETURN AND SCHEDULES. THIS NUMBER IS NECESSARY TO PROCESS YOUR RETURN.