



# INSTRUCTIONS BOOKLET

INCOME TAX RETURN  
FOR EXEMPT BUSINESSES  
UNDER THE PUERTO RICO  
INCENTIVES PROGRAMS  
2022

**FOR PUERTO RICO**  
FILE YOUR RETURN ON TIME



**DEPARTMENT OF THE TREASURY**  
GOVERNMENT OF PUERTO RICO

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## TAXPAYER 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 employees of the Department of the Treasury (Department).

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

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 subject 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 before the Department at any moment during the interview, or to be able to conclude 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 interests, 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 full tax liability when it becomes due.

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 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 Office for the Protection of Taxpayer Rights.

### OFFICE FOR THE PROTECTION OF TAXPAYER RIGHTS

The Office for the Protection of Taxpayer Rights (Ombudsman of the Taxpayer) was created foremost to assure the 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 Ombudsman of the Taxpayer 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 official or employee of the Department.

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

**SIGNIFICANT CHANGES IN THE RETURN**

↪ **Return**

It is provided in the **Heading** to indicate if you are a Private Equity Fund.

**Question 7(c)** is modified and **question 7(d)** is added to **Part V** of the Questionnaire to indicate whether audited financial statements or agreed upon procedures report signed by a CPA licensed in Puerto Rico are included, in accordance with the updated requirements provided in Section 1061.15 of the Code and Internal Revenue Circular Letters No. 19-14 and No. 20-39.

Two questions were added at the end of **Part V** of the Questionnaire to: (i) indicate if you included Form AS 6045, *Partnership, Limited Liability Company or Corporation Classification Notification or Election*, with the return, and (ii) provide certain information in case you checked that you are a Private Equity Fund in the heading of the return.

↪ **Schedule B Incentives**

**Part I** is modified to leave a single line to indicate the Act that provides 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 that regulates each of the acts.

**Parts II and III** are modified to add two columns to segregate the credits between "Pre Tax Credits Manager" and "Post Tax Credits Manager", pursuant to the provisions of Section 1051.16 of the Code, as added by Act 52-2022.

In **Part II**, the credit line for investment in strategic projects was eliminated and the tax credits were reorganized.

↪ **Schedules L, N, P, V, W, X, Y, Z, AA and BB Incentives**

**Line 31** in the *Deductions and Net Operating Income* part is modified to consider the deduction to employers for breastfeeding period.

**FORMATS OF THE RETURN**

The Income Tax Return for Exempt Businesses under the Puerto Rico Incentives Program is divided in five returns according to the act under which the business operates. The returns are:

- Form 480.30(II)DI – Industrial Development
- Form 480.30(II)DT – Tourism Development
- Form 480.30(II)EV – Green Energy
- Form 480.30(II)C – Film Industry
- Form 480.30(II)LE – Special Acts

**PAYMENTS FOR THE PREPARATION OF THE RETURN AND SANCTIONS TO RETURNS SPECIALISTS**

Indicate if you paid for the preparation of your 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 IMPOSED BY THE CODE.**

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

If the return is prepared by an accounting firm duly registered as a 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 minimum charge. This charge is in addition to any other interests, 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 STATEMENTS REQUIREMENT**

Those taxpayers engaged in trade or business or engaged in the production of income in Puerto Rico, will be required to submit with their income tax return for taxable year 2022, financial statements, as indicated below:

If during a taxable year the entity generated a business volume equal to or greater than \$10 million, it will have the obligation to submit with the return financial statements audited by a Certified Public Accountant ("CPA") with a valid license in Puerto Rico that reflect the result of operations for the taxable year.

When the business volume during a taxable year is less than \$1 million, the business does not have the obligation to submit the financial statements. However, the taxpayer may voluntarily submit, together with the filing of the return, one of the following documents to be able to claim in the return the other deductions subject to validation for purposes of the alternative minimum tax, as provided in Section 1022.04 of the Code.

- Agreed Upon Procedures Report ("AUP") prepared by a CPA with a license in force in Puerto Rico under Internal Revenue Circular Letter No. 19-14 ("CC RI 19-14") related to the alternative minimum tax; or
- Audited Financial Statements with an Auditor's Report issued by a CPA licensed to practice in Puerto Rico under Section 1061.15 of the Code ("Audited Financial Statements").

In cases where the entity generates a business volume equal or greater than \$1 million, but less than \$3 million, the business does not have the obligation to submit audited financial statements with the return. However, the taxpayer who, together with the filing of the return, voluntarily submits one of the following documents, the limitations to the deductions established in Section 1022.04 of the Code will not apply.

- AUP prepared by a CPA with a license in force in Puerto Rico under CC RI 19-14;



- AUP prepared by a CPA with a license in force in Puerto Rico under Internal Revenue Circular Letter No. 20-39 (CC RI 20-39); or
- Audited Financial Statements.

In addition, every individual who is up to date with the tax responsibility and under these conditions, choose to include the Audited Financial Statements or the AUP under CC RI 20-39; will have the right to the Secretary relieve of being subject, total, or partially, to the withholding at source on payments received for services rendered.

When the business volume during a taxable year is equal or greater than \$3 million, but less than \$10 million, the entity must submit, at its choice, Audited Financial Statements or the AUP prepared by a CPA with a license in force in Puerto Rico under CC RI 20-39. If the business submit one of this documents, the limitations to the deductions established in Section 1022.04 of the Code will not apply

#### Audited Financial Statements and Requirement of Supplementary Information

The Audited Financial Statements required by Section 1061.15 of the Code, will include an income statement, a balance sheet, a cash flow, and a stockholders equity statement. They must be submitted with an Auditor's Report issued by a CPA licensed to practice public accounting in Puerto Rico. Said Auditor's Report shall indicate that the financial statements have been submitted under the Auditing Standards Generally Accepted in the United States of America ("US GAAS"), without it being necessary, however, that the CPA issues a non-qualified opinion. Qualified opinions will be accepted, as defined by the US GAAS, provided that the qualification of the opinion is not due to restrictions on the scope of the audit imposed by the business. Reports with abstention of opinion will not be accepted due to restrictions on the scope of the audit imposed by the business. Reports of adverse opinion shall not be accepted.

In addition, Section 1061.15(b) of the Code establishes the requirement to include additional information to the financial statements that are submitted with this return. Every individual who has to submit Audited Financial Statements along with his or her return, will have the obligation to submit supplementary information as described in Section 1061.15(b) of the Code. For additional information on the Guidelines 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 17, 2015. The Supplementary Information must be submitted no later than the last day of the month following the due date to file the income tax return, including extensions. That is, an individual with a calendar year must file the return on April 15, therefore, the due date to submit the Supplementary Information will be no later than May 31. If the individual requests an extension of time to file the income tax return, the due date to submit said return will be October 15, therefore, in this case the due date to submit the Supplementary Information will be November 30.

#### Group of Related Entities

In case of a group of related entities, as defined in Section 1010.05 of the Code, Section 1061.15(a)(5) of the Code establishes the requirement to submit consolidated or combined financial statements according to the provisions of the United

States Generally Accepted Accounting Principles (US GAAP) that include a schedule that presents in columns, the financial situation and the results of operations of each member of the group of related entities.

For purpose of complying with the requirement to include audited financial statements of a group of related entities, it will be necessary to determine the aggregate group business volume. Therefore, will be necessary add the business volume of each member of the group of related entities.

If during the taxable year the group of related entities determines an aggregate business volume equal or greater than \$10 million, the following requirements will apply:

- Every entity member of the group that has generated volume of business equal or greater than \$1 million, will have to submit consolidated or combined financial statements, according to the provisions of the US GAAP, that include a schedule that presents in columns, the financial situation and the results of operations of each member of the group of related entities prepared by a CPA with license in force Puerto Rico. Nevertheless, the entity will be able to submit audited financial statements individually, 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.
- Those entities that are members of the group, that have generated a business volume less than \$1 million, will not be required to submit audited financial statements. Nevertheless, such entities will be required to submit, at their choice, an AUP under CC RI 20-39 realized by a CPA with license in force in Puerto Rico or audited financial statements.

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

**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.**

**For additional information on the requirements to file audited financial statements, see Section 1061.15 of the Code. For additional information about the Agreed-Upon Procedures Report, refer to CC RI 19-14 related to the alternative minimum tax and to CC RI 20-39 related to the Audited Financial Statements.**

#### CONTRACTS WITH GOVERNMENTAL ENTITIES

Every person, natural or legal, contracted by a governmental entity must comply with the Executive Order 91-24, as amended, and the provisions of the Circular Letters of the Department 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 the Department, the property tax certification from the Municipal Revenue Collections Center ("CRIM", for its Spanish acronym) 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 (Form SC 2628) automatically by mail. **For this purpose, it is necessary that if the corporation is contracted by a governmental entity, it is indicated in the heading of the return on page 1.**

Since sometimes the tax return for the last filing year cannot be certified because the return has not been processed by the Department, it is recommended to file the return personally, along with a copy, in order to have 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.

### 360° SERVICE CENTERS

In the 360° Services Centers, additional to **informing the taxpayer 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 telephone number of the "Hacienda Responde" Contact Center and the location of each one of our 360° Services Centers:

☞ **"Hacienda Responde" Contact Center**  
Telephone: (787) 622-0123

☞ **San Juan 360° Services Center**  
Intendente Ramírez Building  
10 Paseo Covadonga, Office 101

☞ **San Juan 360° Services Center - Representative's Center**  
Intendente Ramírez Building  
10 Paseo Covadonga, Office 101

☞ **Arecibo 360° Services Center**  
Santiago Cabán Building  
158 Mariano Vidal Street, 1st Floor

☞ **Caguas 360° Services Center**  
Governmental Center, Basement  
Goyco Street, Acosta Corner

☞ **Cidra 360° Services Center**  
City Hall Annex Building  
33 Muñoz Barrios Street

☞ **Mayagüez 360° Services Center**  
Governmental Center  
50 Nenadich Street, Office 108

To ensure the health and safety of our taxpayers, the Department has established a controlled system to attend the taxpayers through technological platforms, telephone, e-mail and a system of appointments and changes through the application of "Turnos PR" on our page on the Internet [www.hacienda.pr.gov](http://www.hacienda.pr.gov) or at [hacienda.turnospr.com](http://hacienda.turnospr.com). On the other hand, to realize transactions and obtain services online, you can access our SURI digital platform at [suri.hacienda.pr.gov](http://suri.hacienda.pr.gov). In addition, those taxpayers who do not have an account in SURI and require assistance, you can write us safely through your SURI account or call (787) 622-0123.

### TECHNICAL ASSISTANCE

For additional information on the technical contents of this booklet or to clarify any doubts, please call (787) 622-0123, **option number 8 in the directory.**

### HACIENDA MAKING CONNECTION

Access the Department of the Treasury's website: [www.hacienda.pr.gov](http://www.hacienda.pr.gov). Here you can find information about the following services, among others:

- ☞ Electronic transfer of the Corporation Income Tax Return through SURI or using programs or applications certified by the Department
- ☞ Electronic transfer of the Individual Income Tax Return through SURI or using programs or applications certified by the Department
- ☞ Preparation of 2022 Withholding Statements and Informative Returns through SURI
- ☞ Preparation and Filing of the Employer's Quarterly Return of Income Tax Withheld through SURI
- ☞ Virtual Internal Revenue Collections Office / Payments Online
- ☞ Puerto Rico Internal Revenue Code of 1994, as amended (Spanish only)
- ☞ Puerto Rico Internal Revenue Code of 2011, as amended (Spanish only)
- ☞ Forms, Returns and Informative Booklets, such as:
  - Income Tax Return of Taxable Corporations
  - 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 (Aplica a causantes fallecidos a partir del 1 de enero de 2011 hasta el 31 de diciembre de 2017) (Informativo) (Spanish only)*
  - *Modelo SC 2800 C - Planilla Informativa de Caudal Relicto (Aplica a causantes fallecidos a partir del 1 de enero de 2018) (Informativo) (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 hasta el 31 de diciembre de 2017) (Informativo) (Spanish only)*
  - *Modelo SC 2788 B - Planilla Informativa de Donaciones (Aplica a donaciones efectuadas a partir del 1 de enero de 2018) (Spanish only)*
  - *Informative Booklet to Provide Guidance on the Income Tax Responsibilities of Federal, Military and Other Employees*
  - *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)*
  - *Folleto Informativo – Responsabilidad personal por violaciones al Código de Rentas Internas de 2011, según enmendado (Spanish only)*
- ↪ Informative Bulletin, Circular Letters and Administrative Determinations

## WHO MUST FILE THIS RETURN?

Every corporation engaged in a trade or business in Puerto Rico which derives fully or partially exempt income under any of the following acts:

- ☞ Puerto Rico Industrial Incentives Act of 1963, as amended (*Act No. 57 of 1963*)
- ☞ Hospitals Tax Exemption Act of 1968, as amended (*Act No. 168 of 1968*)
- ☞ Tourism Incentives Act of 1983, as amended (*Act No. 52 of 1983*)
- ☞ Puerto Rico Tax Incentives Act of 1987, as amended (*Act No. 8 of 1987*)
- ☞ Puerto Rico Tourism Development Act of 1993, as amended (*Act 78-1993*)
- ☞ Puerto Rico Agricultural Tax Incentives Act, as amended (*Act 225-1995*)
- ☞ Tax Incentives Act of 1998, as amended (*Act 135-1997*)
- ☞ Economic Incentives for the Development of Puerto Rico Act, as amended (*Act 73-2008*)
- ☞ Puerto Rico Tourism Development Act of 2010, as amended (*Act 74-2010*)
- ☞ Puerto Rico Green Energy Incentives Act, as amended (*Act 83-2010*)
- ☞ Municipal Economic and Tourism Development Incentives Act (*Act 118-2010*)
- ☞ Act to Promote the Exportation of Services (*Act 20-2012*)
- ☞ Puerto Rico Incentives Code, including businesses eligible under opportunity zones (*Act 60-2019*).

Furthermore, this return must be filed by a corporation which has derived income from the sale of admission tickets for artistic and cultural shows that are performed according to the provisions of one of the following acts:

- ☞ Special Act for the Rehabilitation of Santurce, as amended (*Act No. 148 of 1988*)
- ☞ Special Act for the Creation of the Theatrical District of Santurce, as amended (*Act 178-2000*)
- ☞ Special Act for the Rehabilitation of Río Piedras, as amended (*Act 75-1995*)
- ☞ Special Act for the Development of Castañer, as amended (*Act 14-1996*)

Also, this return must be filed by every corporation which has derived income from a Film Entity engaged in a Film Project or

an Infrastructure Project under the following acts:

- ☞ Film Industry Development Act (*Act 362-1999*)
- ☞ Puerto Rico Film Industry Economic Incentives Act (*Act 27-2011*)

In case of corporations operating under a tax exemption decree effective during any part of the taxable year, they will use this return to report all income received during the taxable year. The fully taxable income must be reported on Schedule P Incentives.

This form will be used only in cases of exempted business with decrees in force under the Puerto Rico incentives acts enacted prior to the Puerto Rico Incentives Code, as amended (*Act 60-2019*). Exempt businesses with decrees under *Act 60-2019* must use the Income Tax Return for Exempt Businesses under the Puerto Rico Incentives Code, as amended (*Act 60-2019*)-Form 480.3(II).

## WHEN AND WHERE IT MUST BE FILED?

This return must be filed no later than the 15th day of the sixth 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 also be filed no later than the 15th day of the sixth month following the close of the taxable year.

The return can be mailed to the following address:

DEPARTMENT OF THE TREASURY  
PO BOX 9024140  
SAN JUAN PR 00902-2501

The return can also be delivered to the Department of the Treasury, 10 Paseo Covadonga, Intendente Alejandro Ramírez Building in Old San Juan, the Internal Revenue Collections Office of your municipality or the Orientation and Return Preparation Centers.

In the case of those taxpayers who belong to the category of Large Taxpayers, as defined in the Section 1010.01(a)(35) of the Code, the return must be filed in person at the Office of the Director of the Bureau of Processing of Returns, Large Taxpayers of the Treasury Department, Intendente Alejandro Ramírez Building, 10 Paseo Covadonga in Old San Juan.

You can also send it by certified mail with acknowledgment of receipt, to the Department of the Treasury, Office of the Director of Large Returns Processing Bureau Taxpayers, PO BOX 9024140, San Juan PR 00902-4140.

## AUTOMATIC EXTENSION OF TIME TO FILE THE RETURN

A 6 month 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, the special surtax and the tollgate tax under Act No. 8 of 1987, if applicable.

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

### SPECIFIC INSTRUCTIONS - FORMS 480.30(II)

Every corporation that during the taxable year derives fully or partially exempt income under one or more industrial, tax, tourism incentives or tourism development incentives acts and other special acts, must file the corresponding Form 480.30(II), in addition to a separate schedule for each one of the acts under which it earned said partially exempt income.

In those cases where the corporation or partnership is tax exempt under two or more tax exemption decrees issued under the same industrial, tax, tourism incentives or tourism development act, only one schedule under the applicable act must be filed. Such schedule should include all the operations covered by the applicable act.

If the corporation, in addition to income from industrial incentives, tax incentives, tourism incentives or tourism development, or partially exempt under other special acts, also derives income from fully taxable operations, it must file Schedule P Incentives along with Schedules L, N, N1, V, V1, W, X, X1, Y, Y1, Z, AA and BB Incentives, as applicable.

The returns and schedules with their instructions are available in our website: [www.hacienda.pr.gov](http://www.hacienda.pr.gov).

### HEADING OF THE RETURN

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

### NAME, EMPLOYER IDENTIFICATION NUMBER AND ADDRESS

Enter in the corresponding box the name of the corporation. Enter the registration number assigned by the Department of State.

Enter the date and identify the place of incorporation of the corporation, whether in Puerto Rico or foreign country. If it is a foreign country, indicate the same.

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 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 of the Treasury, 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) and the corresponding NAICS code. 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 48, in order to facilitate the description of the commercial activity and enter the corresponding code.**

Select the corresponding box if the corporation is a Large Taxpayer according to Section 1010.01(a)(35) of the Code.

Check the box if the corporation has 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 same. 3. Also can change your address at any time of the year through your SURI account by following the steps indicated below: (i) Enter your SURI account; (ii) On the menu Names and Addresses, select the address you are interested in change and click the Change this address link; (iii) Enter the new address and press the Validate address link; (iv) Once the address is validated, press the Next option to continue to the next screen; (v) On screen Review and submit, be sure to click the Submit link. The system will provide you with a confirmation number for of the change of address request. We urge you to keep said number in your files. If you do not have a SURI account, and still do not have to file the return, you must notify any change in your address using Form SC 2898 (Change of Address). You can obtain it by accessing our Web page: [www.hacienda.pr.gov](http://www.hacienda.pr.gov).

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

Indicate the type of entity in the provided space. Also indicate if the entity is a member of a group of related entities and the group number assigned by the Department of the Treasury. This number is assigned when registering the group through SURI in accordance with the procedure established in Internal Revenue Circular Letter No. 20-18 (CC RI 20-18). As part of this registration process, each group must designate a main member, with knowledge of the operations of the group and of the entities that make up the same, to be the person responsible of managing and updating the group's account in SURI.

For additional information refer to the instructions of the Form AS 2652.1 and CC RI 20-18.

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

### PART I - TAX LIABILITY

#### Line 1 – Tax liability

Enter in the corresponding subsections of line 1, of the return format applicable to the corporation, the total tax determined in each one of the corresponding schedules. In those cases in which the entity is required to complete more than one Schedule P Incentives (including the one completed for the "base period

income" of operations under a tax exemption grant), you must include in the corresponding subsection of line 1, of the return format applicable to the corporation, the total tax determined in all Schedules P Incentives included with the return.

## Line 2 - Payments

Enter on lines 2(a) through 2(g) the tax paid for the specified concepts to be credited against the tax liability for the year.

## Line 3 - Balance of tax due

If the amount on lines 2(h) is more than the total of line 1 of Form 480.30(II)(LE), line 1(c) of Form 480.30(II)(C), line 1(c) of Form 480.30(II)(EV), line 1(d) of Form 480.30(II)(DT) or line 1(g) of Form 480.30(II)(DI), as it corresponds, there is an excess of tax withheld or paid. The excess must be credited against the addition to the tax for failure to pay estimated tax. Any surplus may be credited against next year's estimated tax, contributed to the San Juan Bay Estuary Special Fund or to the Special Fund for the University of Puerto Rico or refunded, as indicated on lines 7, 8, 9 and 10. If you filed the return after the due date established by the Code to file it or requested an extension of time and did not pay the total amount due, you must calculate the interests and surcharges that apply from the due date to file the return to the date on which the return was filed. Refer to the **Interests, Surcharges and Penalties** section later on.

## Line 4 - 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 Incentives. See instructions to complete the Schedules.

## Line 5 - Excess of tax withheld or paid

Enter on this line the difference between the total of line 1 of Form 480.30(II)(LE), line 1(c) of Form 480.30(II)(C), line 1(c) of Form 480.30(II)(EV), line 1(d) of Form 480.30(II)(DT) or line 1(g) of Form 480.30(II)(DI), as it corresponds, and line 2(h) only in those cases where line 2(h) is more than the total of line 1 of Form 480.30(II)(LE), line 1(c) of Form 480.30(II)(C), line 1(c) of Form 480.30(II)(EV), line 1(d) of Form 480.30(II)(DT) or line 1(g) of Form 480.30(II)(DI), as it corresponds.

If line 4 is zero, transfer the amount indicated on this line to line 7, 8, 9 or 10, whichever applies. Otherwise, add lines 3(d) and 4 and enter the difference between the total of such lines and line 5 on line 7, 8, 9 or 10, as applicable.

## Line 6 - Amount paid with this return

Make the check or money order payable to the Secretary of the Treasury. **Indicate the employer identification number, Form 480.30(II) and the reference to the format of the return that you are filing, including the taxable year.**

If you decide to pay in cash, debit card or credit card (Visa or Mastercard), you can do it at any of our Internal Revenue Collections Offices. Make sure to keep the official payment receipt provided by the Collector.

In addition, you can made the payments electronically through SURI.

The payments method available to make any transaction in SURI are the following: 1) credit card, Visa or Master Card, 2) ACH Debit (Direct debit) and 3) ACH Credit. For additional information regarding payments method for transactions on SURI, refer to Internal Revenue Bulletin No. 20-03: Payment Methods Accepted in Transactions through the Internal Revenue Integrated System.

## INTERESTS, SURCHARGES AND PENALTIES

### Interests

The Code provides for the assessment of interests at a 10% annual rate over any tax balance that is not paid by its due date.

### Surcharges

In case that imposition of interests is applicable, a 5% surcharge of the amount due will be assessed, if the delay in payment exceeds 30 days, but not more than 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 form must be signed by the president, vice president, treasurer, assistant treasurer, or other principal or finance officer of the corporation. A single signature will be required.

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 Agent Authorized by the Board of Directors of the Corporation. You must keep for your record the copy of the Corporate Board Resolution authorizing the Agent to sign the return, in case that it be required later by the Department.

## PARTS II AND III - COMPARATIVE BALANCE SHEET AND RECONCILIATION OF NET INCOME (OR LOSS) PER BOOKS WITH NET TAXABLE INCOME (OR LOSS) PER RETURN

The financial statements and reconciliation must be completed in all of its parts in order for the return to be considered filed. Therefore, do not submit this information in loose sheets to substitute the statements or the reconciliation. **Any return that does not comply with these requirements will be returned.**

### PART V – QUESTIONNAIRE

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

Indicate in question 7 if you include the required reports in case that the business volumen of the entity or the aggregated volumen of business of the group of related entities, if the entity is a member of said group, is \$10 million or more.

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

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

Indicate in question 7(c) if you include audited financial statements or agreed-upon procedures signed by a CPA license in Puerto Rico, as established in Section 1061.15(a)(5)(A)(ii) of the Code in case that the entity is a member of a related group of entities and the volume of business is less than 3 million. You must include the number of the CPA Society stamp.

Indicate in question 7(d) if you include audited financial statements or agreed upon procedures report signed by a CPA licensed in Puerto Rico, as established in Section 1061.15(a)(5)(A)(i) of the Code in case that the entity is a member of a related group of entities and the volume of business is equal or more than \$3 million. You must include the number of the CPA Society stamp.

Indicate in question 8 if you include the required reports in case that the volume of business of the entity is equal to or greater than \$3 million, but less than \$10 million.

Indicate in question 8(a) if you include included audited financial statements or agreed-upon procedures signed by a CPA licensed in Puerto Rico, as established in Section 1061.15(a)(3) of the Code. You must include the number of the CPA Society stamp.

Indicate in question 22 of Forms 480.30(II)C and 480.30(II)LE, question 23 of Form 480.30(II)DT and question 24 of Forms 480.30(II)DI and 480.30(II)EV if the corporation claimed expenses related to services provided by nonresidents of Puerto Rico. If the answer is "Yes", you must indicate the total (100%) of such expenses on the line provided for this purpose in this question.

Indicate in question 26 of Forms 480.30(II)C and 480.30(II)LE, question 27 of Form 480.30(II)DT and question 28 of Forms 480.30(II)DI and 480.30(II)EV if you include Form SC 6045, *Partnership, Limited Liability Company or Corporation Classification Notification or Election*, with the return.

If you checked that you are a Private Equity Fund under Act 185-2014, as amended, or Act 60-2019, as amended, in the heading of page 1 of the return, you must indicate the information related to such election in question 27 of Forms 480.30(II)C and 480.30(II)LE, question 28 of Form 480.30(II)DT and question 29 of Forms 480.30(II)DI and 480.30(II)EV.

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

### PART VI AND VII - COMPENSATION TO DIRECTORS AND OFFICERS

Enter the total compensation paid or accrued to directors and officers of the entity for salaries, allowances or other type of compensation. Also, you must include the name, social security number and the percentage of stocks or shares owned, if any. The total amount reflected in this part as compensation must be equal to the amount claimed on Schedules L, N, P, V, W, X, Y, Z, AA and BB Incentives. If the entity files more than one of these schedules, the amount entered in this part must be equal to the sum of the amounts reflected on each schedule for this concept.

### 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, and Analysis of Unappropriated Retained Earnings per Books must be detailed. **Returns that do not comply with this requirement will be considered as not filed.**

## INSTRUCTIONS TO COMPLETE THE SCHEDULES

### SCHEDULE B INCENTIVES - RECAPTURE OF CREDIT CLAIMED IN EXCESS AND TAX CREDITS

Use this schedule to determine the recapture of credit claimed in excess, the tax credits to entities under certain acts, and the detail of the purchase of tax credits.

#### 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 credit for investment or donation of a conservation easement or eligible land claimed in excess belongs, and indicate 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 that 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 the Investment in Solid Waste Reduction, Disposal and/or Treatment Facilities (Act 159-2011, as amended), Capital Investment Fund Act (Act No. 3 of October 6, 1987, as amended), Special Act for the Creation of the Theatrical District of Santurce (Act 178-2000, as amended), 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), Puerto Rico Conservation Easement Act (Act 183-2001, as amended), Economic Incentives for the Development of Puerto Rico Act (Act 73-2008, as amended) and Puerto Rico Green Energy Incentives Act (Act 83-2010, 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 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 act 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 the act or as follows, as applicable:

$$\begin{array}{rcl} \text{Income Tax} & & \text{Total investment} \\ \text{Owed} = & & \text{credit claimed} \\ & & \text{per unit or business} \end{array} \times \begin{array}{r} \text{Balance of the} \\ \text{10 year period} \\ \hline 10 \end{array}$$

In case of owners of a levied property by a conservation easement or the donors, 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 the resulting amount to Schedule L Incentives, Part II, line 9; to Schedule N Incentives, Part II, line 7; to Schedule P Incentives, Part II, line 13; to Schedule V Incentives, Part III, line 3; to Schedule W Incentives, Part II, line 6; to Schedule X Incentives, Part IV, line 3; or to Schedule Y Incentives, Part II, line 3, as applicable. If part of the excess was paid in the previous year, enter the balance owed.

**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

**Act 52 of June 30, 2022 ("Act 52-2022") added Section 1051.16 to the Code to authorize the Secretary of the Treasury ("Secretary") to create the Tax Credits Manager ("TCM") as part of the electronic system of the Department. Pursuant to Administrative Determination No. 22-11 ("AD 22-11"), issued by the Department on December 22, 2022, the TCM implementation date for purposes of the determination of Post TCM and Pre TCM Credits, is January 1, 2023.**



*Column A - Pre Tax Credits Manager* will be used to include any tax credit granted under the Code, the Puerto Rico Incentives Code, previous incentive acts or any other special act, prior to the date of implementation of the TCM and *Column B - Post Tax Credits Manager* to include any tax credits granted from the date of the implementation of the TCM.

The amount of credit to be included on the corresponding line of *Column B - Post Tax Credits Manager* must be the amount you are claiming against the return tax instead of the total amount of credit available. This is because the amount you enter on this line is the amount for which the credit available in the TCM will be reduced.

As an example, the taxpayer has a Post TCM credit of \$10,000 and the tax determined in the return is \$8,000. Assuming that the taxpayer has no other tax credit, you must enter \$8,000 on the corresponding line of *Column B - Post Tax Credits Manager*. Once you claim this amount in the return, the total credit available in the TCM of \$10,000 will be reduced to \$2,000 (that is, \$10,000 less \$8,000 of credit claimed on the return).

The credits provided below may be claimed subject to the rules of use established in the special act under which they were granted and the applicable provisions of the Internal Revenue Code. However, Pre TCM credits may be claimed during a period of three (3) taxable years after the date of implementation of the TCM. Any available balance not used from Pre TCM credits at the end of the three (3) taxable years period, may not be claimed or carried over to subsequent taxable years.

In the case of Post TCM credits, it will be an essential requirement to have the right to claim any credit that the same is registered with the TCM. Post TCM credits that are not registered in the TCM cannot be claimed against the tax liability.

**For additional information about the TCM, refer to AD 22-11, Internal Revenue Circular Letter No. 23-02 ("IR CL 23-02") and to the next publications to be issued by the Department.**

It is important to note that credits under Section 1051.12(a)(4), (5) and (7) of the Code will be subject to the limitation of use provided in Section 1051.13 of the Code.

Credits acquired through purchase may only be claimed on lines 16 and 23 of this Part II, as applicable. Lines 1 through 5, 8, 12 through 22 and 25 of this Part II should only be used to claim credits generated during the current taxable year.

The credits claimed but not used in previous years must be reported on line 7 and 24 of this Part II. Lines 1 through 6, 8, 12 through 23 and 25 of this Part II must **only** be used to claim credits generated during the current year.

**A. Credits Subject to the Limitation Provided by Section 1051.13 of the Code:**

**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 for 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 through 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.

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 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.

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

**Line 3** - Enter the amount of credit for investment in the acquisition, construction or rehabilitation of rental housing projects for elderly people.

Act 140-2001, in its Chapter 2, establishes that every owner of an affordable housing project for rent to elderly people will qualify for a tax credit. The petitioner must file an application with the Housing Financing Authority.

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

**Line 4** - Enter the amount of credit for construction investment in urban centers. Every person that carries out a construction or improvement project in a urban center, as provided by law, may 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, along with the information required in such determination.

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, as well as the amount of the credit and the amounts claimed in previous years.

For additional details, refer to Act 212-2002, as amended, and Regulation No. 7777 of November 30, 2009.

**Line 5** - Enter the amount of credit for the establishment and donation of an eligible conservation easement, equal to 50% of the value of the eligible conservation easement.

In order to claim this credit you must include the certification issued by the Secretary.

For additional details, refer to Act 183-2001, as amended, and Regulation No. 8871 of December 8, 2016.

**Line 6** - Enter here the tax credit acquired during the year, if any, 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 with the income tax return, a sworn statement notifying the transfer to the Secretary, in the year in which the same takes place and in every year in which a credit is claimed. Complete Part IV of Schedule B Incentives.

**Line 7 -** Enter on this line only the total amount of the credits claimed but not used in prior years, which are 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 was originated, the amount of credit generated per taxable year, the amount of credit carried over 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 all the evidence of the credit that is being claiming, including but not limited to the Administrative Determination issued by the Department and sworn declarations, if applicable.

**Line 8 -** Enter the total of credits subject to moratorium that has not been included on the previous lines.

**If this line includes credits for different concepts, must submit a schedule showing a breakdown of them. In addition, you must submit documents or evidence of such credits.**

**B. Credits Not Subject to the Limitation Provided by Section 1051.13 of the Code:**

**Line 12 -** 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 13 -** If the subsidiary of a parent company of an entity doing business in Puerto Rico, which operations are partially exempt under Act No. 8 of 1987, is under bankruptcy proceedings, a credit against the Puerto Rico income tax payment can be claimed, subject to compliance with certain requirements.

To benefit from this credit, the parent company must:

- ☞ be incorporated under the laws of any state of the United States,
- ☞ be under bankruptcy proceedings, and
- ☞ reflect a loss on the consolidated federal income tax return after including the income of the exempt entity.

This benefit will be granted as a credit, which is determined as follows:

Tax for the particular year of the loss	<b>x</b>	Average employment during the taxable year <hr/> Employment required in the tax exemption decree
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Nevertheless, said credit is limited to the total tax for the particular year in which the loss was incurred.

This credit shall be requested to the Secretary through a sworn statement and it will be subject to recapture at the time the parent company recovers said loss.

**Line 14 -** A credit equivalent to 100% of the amount contributed during the taxable year to former governors foundations is granted for its 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 for the construction, operation and all necessary expenses for the true fulfillment of the purposes of Act 290-2000 and Section 1051.10 of the Code. The tax credits to be granted cannot exceed \$500,000 in the aggregate for any taxable 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; that the foundation is operationally active upon receipt of the contribution; that have the Certificate of Validity of Tax Exemption issued by the Department of the Treasury; and that it complies with the annual report that is submitted to the Commission of Legislative Funds for Community Impact (as provisions of Section 1051.10(b) of the Code). 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.

For additional details, refer to the Administrative Determination No. 19-09 of December 28, 2019.

**Line 15 -** Act 52-2022 amended the provisions of Section 1051.06 of the Code to establish that the credit for contributions to the Santa Catalina's Palace Patronage or to the Patronage of the State Capitol of the Legislative Assembly will not be available beginning with the 2022 taxable year.

**Line 16 -** Act No. 168 of June 30, 1968, as amended (Hospitals Tax Exemption Act), grants a tax credit of up to 15% of the total expenses incurred for the payment of payroll to personnel who works rendering medical-hospital services. For purposes of the credit, subcontracted payroll expenses will not be considered as part of the payroll. This credit can be used to reduce up to 50% of the income tax determined attributable to the net income from medical-hospital services rendered in a hospital unit.

It is important to clarify that every person with a decree in force as of January 1, 2005 under Act No. 168 of June 30, 1968, as amended, may benefit from the credit for a period of 10 years, once the current exemption expires. The 10 year period will be in effect beginning from the date in which the application regarding this matter is presented to the Secretary of the Treasury.

On the other hand, those persons whose benefits expired before January 1, 2005, may benefit from the credit if an application was presented to the Secretary of the Treasury no



later than December 31, 2006. In these cases, the 10 year period will be in effect for taxable years beginning after December 31, 2004.

**Lines 17 through 21** – Refer to the instructions of Schedule X1 Incentives.

**Line 22** - Enter the amount of credit to be claimed for your eligible investment in opportunity zones. The credit will be equal to the eligible percentage of your eligible investment and may be taken as indicated below:

- **If the eligible investment is made in the year in which the exempt business completed the total construction of the Priority Project or when the exempt business begins operations (if the priority project does not require construction):**

The credit will be taken in four (4) installments: 25% in the year in which the exempt business completed construction or when the exempt business began operations, whichever is later, and 25% of the balance of said credit in the next three (3) subsequent years.

- **If the eligible investment is made after the construction of the Priority Project is completed or the exempt business has started operations:**

The credit will be taken in four (4) installments: 25% in the year in which a significant expansion has been made in the real property constructed or in the exempt business, as the case may be, and according to the Secretary of Economic Development define said term by regulation, administrative determination, circular letter or informative bulletin, for these purposes, and 25% of the balance of said credit in the next three (3) subsequent years.

Every eligible investment made during the investor's taxable year will qualify for this tax credit, in that taxable year, as long as it meets all the requirements.

This credit may be applied against any determined tax liability of the investor, according to Subtitle A of the Code, including the alternative minimum tax applicable to corporation.

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

The taxpayer must include with his return copy of the Administrative Determination issued by the Department of Economic Development and Commerce granting said credit.

The taxpayer must also include with the return of each year in which the credit is claimed, a schedule detailing the year in which the credit is available to be used, taxable years during which it has been claimed, the expiration date of the credit, the total amount of the credit and the amounts claimed in previous years.

For more details, refer to Act 60-2019.

**Line 23** - 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 are not included in 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 and in every year that the credit is claimed. Complete Part III of Schedule B Incentives.

**Line 24** - Enter on this line only the total amount of the credits claimed but not used in prior years that 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 was originated, the amount of credit generated per taxable year, the amount of credit carried over 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 all the evidence of the credit that is being claimed, including but not limited to the Administrative Determination issued by the Department and sworn statement if applicable.

**Line 25** - Enter the total of other tax credits not subject to moratorium that has not been included in the previous lines, such as, but not limited to, **credit for investment industrial in an exempt business that is in the process of close operations in Puerto Rico, and special credits granted as a result of an adjustment made by the Federal Internal Revenue Service or by Final Agreement (subject to the limitations established by decree waiver, Final Agreement or any pronouncement made by the Secretary).**

Also, enter on this line the credit granted as a result of an adjustment made by the Federal Internal Revenue Service or by Final Agreement. In the case of loans from entities foreign companies whose operations were covered by Section 936 of the Federal Internal Revenue Code of 1986, as amended, these are limited to 50% of the tax determined for each year. Also include in this line credits granted by Final Agreement as a result of a mutual agreement procedure between the competent entities of the corresponding jurisdictions. In the case of credits granted by Final Agreement, these may only be claimed up to the limit established in the Final Agreement.

**If this line includes credits from different concepts, you must submit a schedule showing a breakdown of such credits. Also, you must submit documents or evidence to support such credits.**

Do not include on this line Tax Credits for the Acquisition of New Construction Housing or Existing Housing. For additional details, refer to Internal Revenue Circular Letter No. 09-02 of March 16, 2009.

### **PART III – 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 credits that are subject to moratorium will be made on the total credits subject to moratorium included on line 9, Part II of this Schedule, and not on 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 E – DEPRECIATION

This Schedule will be used by those taxpayers that are engaged in trade or business 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.

Enter in the space provided in the header (Schedule E No. \_\_\_\_), the number that corresponds to the schedule from the total number of Schedules E submitted with the return.

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. In order to be entitled to this deduction, the taxpayer is required to make an election with the return to use the accelerated depreciation method. 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 to determine who qualifies for the deduction of flexible and accelerated depreciation and the requirements to be met in order to enjoy this deduction.**

### Line (d) – Amortization

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

In case of intangible property, that not be goodwill, acquired by purchase or developed in taxable years after December 31, 2009, a deduction for amortization will be granted, using the straightline method and a useful life of fifteen (15) years or the useful life of such intangible property, whichever is less.

### 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 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 vehicles under operating leases up to the limits indicated above. Do not include them as a deduction for rent, interests, motor vehicles expenses or any other item other than depreciation.

### Line (f) - Vehicles under financial leases

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 for the lease of the automobile during the taxable year up to \$6,000 annually per car, up to a maximum of \$30,000 for the lifetime of the automobile. See Section 1033.07(a)(3)(D) of the Code 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 automobile during the taxable year for an amount not exceeding \$10,000 annually per automobile, up to a maximum of \$30,000 for the automobile's useful life.

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

**Do not include on this line regular lease payments for leased automobiles (“operating leases”). These are reported on line (e).**

**Include this Schedule with your return.**

## SCHEDULE E1 - DEPRECIATION FOR BUSINESSES WITH VOLUME OF \$3,000,000 OR LESS

Use this Schedule to itemize the information related to depreciation expense in the case of corporation that during the taxable year have generated a business volume of \$3,000,000 or less.

The information of each of the properties for which the depreciation is claimed shall be provided. These are: computer systems; ground transportation (except automobiles); and machinery and equipment, furniture and fixtures, and any other fixed assets to be used in the industry or business. Also, you must fill in the oval provided in each section, as applicable, to make the election for this depreciation.

Enter in the space provided in the header (Schedule E1 No. \_\_\_\_), the number that corresponds to the schedule from the total number of Schedules E1 submitted with the return.

On this schedule you must provide the following information:

- type of property;
- acquisition date;
- allowable cost or basis;
- depreciation claimed in previous years; and
- depreciation claimed in the current year.

#### **Line (a) - Computer systems (Section 1033.07(a)(1)(G))**

You may elect to deduct the total cost of the computer systems equipment and its installation in the year of acquisition or installation thereof. Equipment previously depreciated or acquired from a related person, do not qualify to accelerate the allowance of depreciation.

#### **Line (b) - Ground transportation equipment, except automobiles (Section 1033.07(a)(1)(H))**

You can determine the deduction for depreciation using a useful life of two (2) years for ground transportation equipment, except automobiles (as defined in Section 1033.07(a)(3)(B) of the Code), and environmental conservation equipment.

#### **Line (c) - Machinery and equipment, furniture and fixtures, and any other fixed asset to be used in the industry or business (Section 1033.07(a)(1)(K))**

For taxable years beginning after December 31, 2018, you can determine the deduction for depreciation using a useful life of two (2) years for machinery and equipment, furniture and fixtures and any other fixed assets to be used in the industry or business, except real estate, automobiles and property subject to the terms of lines (a) and (b) of this schedule.

Complete this Schedule only if you will elect to accelerate the depreciation of the assets described previously in this Schedule. This option is irrevocable and you must consider that once you make the option, the total of the depreciation determined in the books over these assets will not be deductible to determine the net income subject to income tax in the returns of subsequent years.

**Submit this Schedule with the return.**

### **SCHEDULE G INCENTIVES - 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 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 years, 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 PURPOSES**

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 carried over 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 2, Part I, of the Schedule P Incentives 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 ninety (90) percent of the net operating income determined on line 1, Part I, of the Schedule P Incentives.

#### **PART II - DETAIL OF NET OPERATING LOSSES FOR ALTERNATIVE MINIMUM TAX PURPOSES**

In this part, detail the net operating losses available to be claimed as deduction against the alternative minimum income computed on line 20, 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 net loss may be carried forward as established in the Code.

Net losses can be used against subsequent year's income as follows:

- Taxable years beginning before January 1, 2005 - the net operating losses can be carried over 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.

**In the case of net losses incurred during the 2020 taxable year and directly caused by the COVID-19 emergency, refer to the instructions on line 2, Part I of Schedule P Incentives.**



**GENERAL INSTRUCTIONS FOR SCHEDULES L, N, P, V, W, X, Y, Z, AA AND BB INCENTIVES**

If an entity made an election under Section 3(f) of Act No. 8 of 1987 or Section 6(f) of Act 135-1997, it must submit with the return a copy of the sworn statement through which such election was made.

**PART III - SCHEDULES L, P, W, Y, Z AND BB INCENTIVES; PART IV - SCHEDULES V AND AA INCENTIVES; PART V - SCHEDULE X INCENTIVES; AND PART VI - SCHEDULE N INCENTIVES - GROSS PROFIT ON SALES OR PRODUCTION AND OTHER INCOME**

In this part you will determine your gross profit on sales, production or other income. Check the applicable box to indicate the appraisal method for the inventory at the beginning and end of the year.

Detail the Other Direct Costs claimed on line 5 of Part III in Part V of Schedules L and Y Incentives. If you are completing Schedules P and BB Incentives, detail the Other Direct Costs in Part VI and claim the same on Part V, line 4. If you are completing Schedules V Incentives, detail the Other Direct Costs in Part VI and claim the same in Part IV, line 5. If you are completing Schedule X and AA Incentives, detail them in Part VII and claim the same in Part V, line 5 and in Part VI, line 4, respectively. If you are completing Schedule N Incentives, detail such costs in Part VIII and claim the same in Part VI, line 5.

The assets used in any activity that generates partially exempt income under Act No. 52 of 1983, Act No. 57 of 1963, Act No. 168 of 1968, Act No. 8 of 1987, Act 135-1997, Act 73-2008, Act 78-1993, Act 362-1999, Act 178-2000, Act 225-1995, Act 83-2010, Act 118-2010 or Act 20-2012 **cannot be depreciated under the flexible or accelerated depreciation method.**

**PART IV - SCHEDULES L, P, W, Y, Z AND BB INCENTIVES; PART V - SCHEDULES V AND AA INCENTIVES; PART VI - SCHEDULE X INCENTIVES AND PART VII - SCHEDULE N INCENTIVES - DEDUCTIONS AND NET OPERATING INCOME**

In this part of Schedules L, N, P, V, W, X, Y, Z, AA and BB Incentives enter the deductions related to your operations.

Below we provide information about some of these items.

**A. Deductions that must be reported on informative return**

**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 VI, page 3 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 VII, page 3 of the return.

**Line 3 - Salaries, commissions and bonuses to employees**

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

No deduction will be granted 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 has not been remitted to the Department of the Treasury.

On Schedule P Incentives, enter in the alternative minimum tax column the 125% of the deduction from salaries paid and reported in the withholding statement, as established in Section 1062.01(n)(2) of the Code, corresponding to the taxable year for which this income tax return is filed.

**Line 4 - Salaries paid to young university students**

A private business employer can take a deduction of 150% for each young university student who employs for at least 20 hours per week for 9 months of the taxable year or a minimum of 800 hours during the taxable year, as long as the hourly salary paid to such young university student is more than ten (10) dollars per hour and that salary is duly reported in a withholding statement. In the case of students coming from the "internship program of Department of the Treasury", the deduction will be 200% if the requirement in the previous sentence is met.

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

If you qualify to claim this deduction, enter in the parenthesis provided in this line the total amount of salaries paid and reported on the withholding statement.

**Line 5 - Payments for services rendered in Puerto Rico**

Enter in this line the total of professional services paid to service providers engaged in trade or business in Puerto Rico.

To claim this deduction, the taxpayer must file before the Department of the Treasury the Informative Returns - Services Rendered (Form 480.6SP) related to the services paid during the taxable year.

**Line 6 - Payments for services rendered outside of Puerto Rico**

Enter in this line the total of professional services paid to service providers that were rendered outside of Puerto Rico.

To claim this deduction, the taxpayer must file before the Department of the Treasury the Informative Return - Payments to Nonresidents or for Services from Sources Outside of Puerto Rico (Form 480.6C).

**Line 7 - Services subcontracted**

Enter in this line the amount paid to any person subcontracted in the exercise of an activity of services rendered as part of the industry or business operation. In order to claim the deduction,



you must have submitted the corresponding Form 480.6SP and have indicated in them that the reported payments correspond to subcontracted services.

#### Line 8 - Lease, rent and royalties paid

Enter on this line the amount paid for lease, rent and royalties that have been duly reported on Forms 480.6A of the taxable year for which the income tax return is filed. Segregate in the spaces provided on this line the portion that corresponds to personal property and real property. These are payments made as a condition of continued use or possession, directly for the purposes of the trade or business of the corporation, property on which it has not acquired or is acquiring title or in which it has no interest.

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

Enter amounts paid during the taxable year for property, contingency and public liability insurance (malpractice) directly related to the operation of the corporation's industry or business as long as the amounts paid duly reported in the Optional Informative Return - Advertising, Insurance Premiums, Telecommunication, Internet Access and Cable or Satellite Television Services (Form 480.7E) or receive from insurer the Annual Return of Payments Received for Advertising, Insurance Premiums, Telecommunication, Internet Access and Cable or Satellite Television Services (Form 480.7F).

#### Line 10 - Telecommunication services

Enter in this line the payments for telecommunication services, as defined in Section 4010.01(kk) of the Code, directly related with your industry or business operation. They must be duly reported in a Form 480.7E or receive from the provider a Form 480.7F.

#### Line 11 - Internet and cable or satellite television services

Enter in this line the payments for services of access to internet and cable or satellite television services directly related with your industry or business operation. They must be duly reported in a Form 480.7E or receive from the provider a Form 480.7F.

#### Line 12 - Bundles

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

#### Line 13 - Advertising

Enter in this line the amount paid for advertising, promotion, publicity and marketing directly related to the operation of your industry or business, as reported in a Form 480.7E or receive from the provider a Form 480.7F.

#### Line 14 - Royalties

Enter in this line the amount paid in exchange for the use or privilege of using an intangible, as example, patents, copyrights, goodwill, franchises, licenses or other similar property. They must be duly reported in a Form 480.6A.

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

Enter in this line the total of payments for license and subscriptions for the use of programs, platforms, applications and systems of information, among others, including the amount paid for subscriptions that allow access to sales establishment at the wholesale (membership clubs) and to electronic or printed publications, which are directly related to the operation of the industry or business and are duly reported in Form 480.6A.

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

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

#### Line 17 - Homeowners association fees

Enter on this line the amount paid to resident associations or condominium owners for maintenance fees with regarding the facilities used in the industry or business duly reported in Form 480.6A.

#### Line 18 - Payments for judicial or extrajudicial indemnification

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

#### Line 19 - Certain other expenses

The total of those expense items for which there are no specific spaces provided in this part and that they have been duly reported in an Informative Return will be admitted as deduction. It is important that you keep for your records a schedule detailing such expenses.

#### B. Deductions not reported on informative returns

##### Line 21 - Interests on businesses debt

Include in the corresponding space the amount paid for mortgage interest, interest paid in automobile financing lease and other interest.

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

**Automobile's leasing:** Enter on this line the total of the amounts paid for automobiles finance leases (that are essentially purchase). If the corporation has a fiscal year, enter the total paid or incurred during the taxable year.

**Others:** The interest expense on debt incurred for the acquisition of inventory or other personal or real property used in the industry or business shall be considered a deduction.

##### Line 22(b) - Other taxes

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

**Line 22(d) - 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 on 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) reverse charge 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 22(e) - Special contribution for professional advisory services under Act 48-2013, as amended**

All corporation who has signed a contract of professional, advisory, advertising, training or orientation services with an agency, dependency or Puerto Rico Governmental instrumentality, public corporation, the Legislative Branch, Office of the Comptroller, the Ombudsman Office and the Judicial Branch will be subject to an amount withheld at source as Special Contribution under Act 48-2013, as amended. This amount is equivalent to one point five percent (1.5%) of the total contract amount.

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

For additional information on the scope of this withholding, you may reference to the Administrative Determination No. 13-14 of August 28, 2013 and the Central Accounting Circular Letter issued by the Department regarding this purpose.

**Line 23 - 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 through purchase 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 212-2002), 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 who have not benefited from the credit provided in Article 4.03E or 4.03F of Act 212-2002. For additional details, refer to Act 212-2002, 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 does not apply to those automobiles acquired by corporations engaged in the car leasing, or transportation of passengers or cargo businesses.

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

**Indicate in the space provided the total amount of Schedules E completed where you detailed the depreciation or amortization claimed.**

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

Every corporation which total income for the taxable year does not exceed \$3,000,000 can elect 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. Also, can 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. In addition, for taxable years beginning after December 31, 2018, you can determine the deduction for depreciation using a two-year useful life for machinery and equipment, furniture and fixtures and any other fixed assets to be used in the industry or business without including personal property, automobiles and property subject to the above terms.

**Submit details of this depreciation in Schedule E1. Indicate in the space provided the total amount of**

**Schedules E1 completed where you detailed the depreciation or amortization claimed.**

**Line 25 - Electric power**

Enter in this line the total amount paid to the Electric Power Authority or any other provider for the use or consumption of electric power and other billed charges, directly related with your industry or business operation.

**Line 26 - Water and sewage**

Enter in this line the total amount paid to the Water and Sewage Authority for the use or consumption of water, sewage and other billed charge, directly related with your industry and business.

**Line 27 - Contribution to health or accidents plans**

Enter contributions to your employees' health or accidents plans to cover personal injury or illness, either by insurance, or in any other form that complies with Section 1032.08 of the Code, including contributions to an employee's savings account pursuant to Section 1081.04 of the Code.

**Line 30 - Contributions to qualified pension 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 Internal Revenue Circular Letter No. 22-01 of January 14, 2022.

**Line 31 - Deduction for employers who employ handicapped persons and for breastfeeding period**

Enter \$400 for each severely handicapped person employed for at least 20 hours per week during 9 months of the taxable year. The deduction is allowed for a maximum of 5 severely handicapped persons. The Department of Family current Vocational Rehabilitation Program regulations 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 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.

**Breastfeeding Period Concession:** Every employer may claim annually, as an operating expense of the industry or business, an amount equal to one month of salary for each employee to whom you have granted the right to nurse their babies or extract their breast milk during one hour within each

full time working day which can be distributed in two periods of 30 minutes or three periods of 20 minutes. In the case of companies that are considered small businesses according to the Federal Small Business Administration, the period will be half an hour of each full time working day, which can be distributed in two periods of 15 minutes.

**C. Other deductions**

**Line 33 - 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.

However, those taxpayers who as part of their business operations use five (5) or more automobiles, such as a fleet of automobiles, will not be able to use the alternative of the standard rate per mile to determine the expense incurred or paid by the use and maintenance of an automobile. In these cases, the deduction to be claimed by these taxpayers will be limited to the actual expense incurred in the operation of all the automobiles used. Therefore, taxpayers who claim expenses for automobile fleets will not be able to determine their deduction under the standard mileage rate alternative.

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 23 and detailed on Schedule E. Also, do not include expenses related to the use of tolls or parking, they must be included as miscellaneous expenses.

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

- ✎ those used directly in the business of transporting passengers or property 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 34.

Regulation No. 9311 of September 30, 2021 ("Regulation No. 9311") amended several articles of Regulation No. 8049 of 2011 related to the requirements to be able to claim the deduction for expenses incurred or paid for the use and maintenance of automobiles. For more details, see Regulation No. 9311.

#### Line 34 - 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 35 - Repairs and maintenance

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

#### Line 36 - Travel expenses

It will be admitted as a deduction for the travel expenses and lodging up to 50% of the amount actually paid or incurred, that are directly related to the operation of your industry or business to produce income. You should not consider as part of said expenses the items that do not constitute ordinary and necessary expenses of the industry or business. Indicate in the parenthesis provided the total amount of expenses.

#### Line 37 - Meal and entertainment expenses

You may deduct 25% 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 for 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 44 - Office expenses

Enter on this line the amount paid for office expenses that are directly related with the conduct of your trade or business operations.

#### Line 46 - 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).

Also, the amounts owed to related persons who are foreign or nonresidents not engaged in trade or business in Puerto Rico

will not be deductible as well. Paragraph (c) of Section 1040.04 of the Code - Period for Which the Deductions and Credits must be Claimed, establishes 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 the 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 the 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) of the Code.

#### Line 47 - 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**, subject to the provisions of Section 1081.05 of the Code. Employer's contributions will be considered as ordinary and necessary expenses of your 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 trust's constitutive 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 48 - Expenses incurred or paid to stockholders, persons or related entities outside of Puerto Rico

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

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 amount (51%) will be reported in Part III, line 5(d) of the return. This amount together with the deduction must be the same as the amount included in the space for Total provided on this line. In addition, you must indicate (100%) of



these expenses on the line provided for this purpose in question 22 of Forms 480.30(II)C and 480.30(II)LE, question 23 of Form 480.30(II)DT and question 24 of Form 480.30(II)DI and 480.30(II)EV of the Questionnaire, Part V of the return.

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

For taxable years beginning after December 31, 2018, the limitation (49%) in deductible expenses will not apply if the entity submits to the Secretary together with the income tax return, the Certification of Compliance - Transfer Pricing Study Availability (Form AS 6175).

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

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

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

In case that the Department has granted a waiver to exclude you from the limitation, you must include with the return copy of the administrative determination which granted you the waiver.

**Line 50 - 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 52 - Expenses in property 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 construction or 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 expense 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 expense 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 Government of Puerto Rico. Neither will this deduction apply if the investment has generated other special deductions or tax credits.

**Line 53 - Other deductions**

Those expenses items for which no specific space is provided in Part IV (Schedules L, P, W, Y, Z and BB Incentives), Part V (Schedule V and AA Incentives) Part VI (Schedule X Incentives) and Part VII (Schedule N Incentives) will be totaled and they will be recorded as other Deductions. Among these include:

**Special Deduction in Activities of Research and Development**

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 three 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.

**Additional Deduction for New Job Creation - Act 212**

Every industry or business that meets the requirements established in Act 212-2002, 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 212-2002, 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 212-2002 and its regulatory provisions.

**Submit with the return a schedule itemizing those deductions.**

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

**Line 55 - 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 Government 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 will 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.

Likewise, any contribution made to the Puerto Rico Public Broadcasting Corporation, as provided by Article 4 of Act 216-1996, as amended, will not be subject to the limitations provided by the Code.

**Line 56 - Allowable deduction for investment in a Private Equity Fund**

In case of taxpayers that, pursuant to Act 185-2014, as amended, or Act 60-2019, are considered as accredited investors, will be able to claim a deduction for their initial investment in a private equity fund (PEF) or in a private equity fund Puerto Rico (PEF-PR). For these purposes, the entity will be considered as an accredited investor if at the time of making the initial investment in a PEF or PEF-PR is:

- 1) A bank, insurance company, registered investment company, development company business, small business investment company, international banking entity ("IBE") or international financial entity ("IFE"). It shall be understood that the IBE or IFE will be Accredited Investors independently 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); or
- 3) A business in which all the capital owners are accredited investors.

The amount allowed as a deduction will be the following:

- If the initial investment was made in a PEF, 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 made in a PEF-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.

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

For additional details, refer to Act 185-2014 and Act 60-2019.

In case of corporations that qualify to claim this deduction, they must complete the following worksheet to determine the maximum amount allowed as a deduction for initial investment in a PEF or PEF-PR.

Also, you must submit with the return the following documents:

- (1) An official certification issued by the PEF or PEF-PR, printed with the fund's letterhead and signed by a managing partner or principal officer of the same, indicating the following:
  - Name and employer identification number of the PEF or PEF-PR;
  - If the fund is a PEF or PEF-PR;
  - Name and employer identification number of the resident investor to whom the certification is issued; and
  - The amount of capital committed as initial investment that



was contributed during the taxable year by the resident investor for which the certification is issued, including any amount that has been contributed after the end of the taxable year but before the resident investor files the income tax return for such taxable year. This amount will be included on line 1 of the worksheet to be completed.

- (2) A schedule that includes the completed worksheet showing how this deduction was determined.
- (3) Copy of the Sworn Statement filed under which the Fund made the election under Act 185-2014, Act 60-2019 or through SURI, as the provisions of Internal Revenue Circular Letter No, 19-03 of February 5, 2019.
- (4) In those cases in which the taxpayer is claiming a deduction from previous years, a detail indicating the taxable year in which the deduction was generated, the amount of deduction generated by the investor, the amount of such deduction that was claimed in previous years, the amount of deduction available for the taxable year and the expiration date of any available unclaimed balance to be used in subsequent years.

**Determination of the deduction:**

1. Amount of capital committed as initial investment that qualifies as contributed during the taxable year (From the certification issued by the PEF or PEF-PR) ..... \$ \_\_\_\_\_
2. Applicable percentage:
  - If the investment was in a PEF, enter 30%
  - If the investment was in PEF-PR, enter 60% ..... %
3. Amount of deduction for initial investment contributed during the year (Multiply line 1 by the applicable percentage of line 2) ..... \$ \_\_\_\_\_
4. Amount of deduction not claimed in previous years ..... \$ \_\_\_\_\_
5. Total deduction for investment in a PEF or PEF-PR (Add lines 3 and 4) ..... \$ \_\_\_\_\_

**Deduction Limitation:**

	Net Income per Return	Share of Income
6. Net income (Add the net income resulting from each one of the following Schedules of the return, without considering the deduction for investment in a PEF or PEF-PR):		
Schedule L Incentives - Subtract line 56, Part IV from line 5, Part I .....	\$ _____	_____ %
Schedule N Incentives - Subtract line 56, Part VII from line 12, Part I .....	_____	_____
Schedule P Incentives - Subtract line 56, Part IV from line 7, Part I .....	_____	_____
Schedule V Incentives - Subtract line 56, Part V from line 12, Part II .....	_____	_____
Schedule W Incentives - Subtract line 56, Part IV from line 3, Part I .....	_____	_____
Schedule X Incentives - Subtract line 56, Part VI from line 9, Part II or line 9, Part III, as applicable .....	_____	_____
Schedule Y Incentives - Subtract line 56, Part IV from line 5, Part I .....	_____	_____
Schedule Z Incentives - Subtract line 56, Part IV from line 3, Part I .....	_____	_____
Schedule AA Incentives - Subtract line 56, Part V from line 5, Part II .....	_____	_____
Schedule BB Incentives - Subtract line 56, Part IV from line 3, Part I .....	_____	_____
<b>Total net income without considering the deduction for initial investment in a PEF or PEF-PR .....</b>	<b>\$ _____</b>	<b>100 %</b>

7. Applicable percentage:
    - If the investment was in a PEF, enter 15%
    - If the investment was in a PEF-PR, enter 30% ..... %
  8. Maximum amount allowable as deduction (Multiply the total net income of line 6 by the applicable percentage of line 7) ..... \$ \_\_\_\_\_
  9. Allowable deduction on this return (Enter the smaller between lines 5 and 8) ..... \$ \_\_\_\_\_
  10. Distribute the deduction among the corresponding Schedules (Multiply the amount determined on line 9 by the percentage that represents the net income, without considering this deduction, of each Schedule as determined on line 6). Transfer the amount determined to the line 56 of the applicable Schedule:
 

Schedule L Incentives .....	\$ _____
Schedule N Incentives .....	_____
Schedule P Incentives .....	_____
Schedule V Incentives .....	_____
Schedule W Incentives .....	_____
Schedule X Incentives .....	_____
Schedule Y Incentives .....	_____
Schedule Z Incentives .....	_____
Schedule AA Incentives .....	_____
Schedule BB Incentives .....	_____
- Total allowable deduction on this return** (This amount must be equal to the amount determined on line 9) ..... \$ \_\_\_\_\_



**SCHEDULE L INCENTIVES - PARTIALLY EXEMPT INCOME UNDER ACT 52 OF 1983, ACT 78-1993 OR ACT 74-2010**

This schedule must be used by those entities that operate under Act No. 52 of 1983, Act 78-1993 or under Act 74-2010. Check the applicable box for the act under which the entity operates and indicate the effective period for income, and the current and required number of jobs directly related to tourism development.

In case of a corporation or partnership that operates under Act No. 52 of 1983, Act 78-1993 or Act 74-2010, and has made the election under Section 5(b) or 3(a)(1)(D), as applicable, must submit with the return a copy of the notification addressed to the Secretary of the Treasury making such election.

Any exempt business under Act 78-1993 or Act 74-2010, must include with the return a copy of the order issued by the Director of the Tourism Company indicating the date in which the exemption began.

**PART I - NET INCOME SUBJECT TO TAX**

**Line 2 -** Enter the carryover balance of net operating loss reflected at the end of the preceding year. The net operating losses under tourism incentives or tourism development acts can be deducted only against income derived from touristic activities. The net operating losses not covered under any of the previously mentioned incentives acts, may be deducted only against the totally taxable income. **You must submit with the return a schedule supporting the deduction claimed.**

The excess losses related to income from touristic activities from preceding years can only be carried over and claimed against income from touristic activities. Said loss will be deductible up to an amount equal to the percentage in which the income from touristic activities would have been taxable. The losses will be carried over in the order in which they were incurred.

Any net loss incurred during the year in which the entity made the election under Section 3(a)(1)(D) of Act 78-1993 or Act 74-2010, can be carried over and taken as a deduction only against the tourism development income derived by the exempt business in which the election was made under said Section. In case of an entity that has renegotiated its decree under Act 78-1993 or Act 74-2010, it may take as a deduction the net operating losses incurred from operations under previous decrees (Industrial or Tourism Incentives Act).

Losses incurred on a year in which the election was made under Section 5(b) of Act No. 52 of 1983 or under Section 3(a)(1)(D) of Act 78-1993 or Act 74-2010, may be claimed as a deduction against income from touristic or touristic development activities for which the election was made.

**Line 4 -** Enter in the space provided the exemption percentage to which you are entitled in accordance to the Concession under the Tourism Incentives Act or Tourism Development Act.

Multiply the net operating income from eligible activities subject to the computation, by the applicable exemption percentage. Enter the amount on this line.

**PART II – COMPUTATION OF TAX**

**Line 2 –** Enter \$25,000. If you have more than one operation covered under an exemption decree or partially exempt under a special act, or totally taxable income, you may claim only up to \$25,000 in the aggregate.

Also, if the entity is a member of a group of controlled entities, as defined in Section 1010.04 of the Code, the credit will only apply to the controlled group. If an entity is a component member of a controlled group as of December 31, the credit allowed to said entity for the taxable year which includes such December 31, will be equal to \$25,000 divided among the number of entities that are component members of the controlled group.

Nevertheless, the controlled group may elect, through an agreement, a different apportionment plan, as long as the total amounts distributed among the members of the group does not exceed \$25,000.

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

For additional information refer to Internal Revenue Informative Bulletin No. 12-01 of February 24, 2012.

**Line 5 –** Multiply line 3 by the applicable tax rate and enter the result on this line.

If the income is derived from operations covered under Act No. 52 of 1983 or Act No. 8 of 1987, the surtax is:

If the net income subject to surtax is:	The tax shall be:
\$0 - \$75,000	9%
\$75,001 - \$125,000	\$6,750 plus 19% of the excess over \$75,000
\$125,001 - \$175,000	\$16,250 plus 20% of the excess over \$125,000
\$175,001 - \$225,000	\$26,250 plus 21% of the excess over \$175,000
\$225,001 - \$275,000	\$36,750 plus 22% of the excess over \$225,000
\$275,001 - or more	\$47,750 plus 23% of the excess over \$275,000

If the income is derived from operations covered under Act 78-1993, the surtax rate will be computed as follows:

If the net income subject to surtax is:	The tax shall be:
\$0 - \$75,000	6%





\$75,001	-	\$125,000	\$4,500 plus 16% of the excess over \$75,000	\$175,001	-	\$225,000	\$19,250 plus 17% of the excess over \$175,000
\$125,001	-	\$175,000	\$12,500 plus 17% of the excess over \$125,000	\$225,001	-	\$275,000	\$27,750 plus 18% of the excess over \$225,000
\$175,001	-	\$225,000	\$21,000 plus 18% of the excess over \$175,000	\$275,001	-	or more	\$36,750 plus 19% of the excess over \$275,000
\$225,001	-	\$275,000	\$30,000 plus 19% of the excess over \$225,000				
\$275,001	-	or more	\$39,500 plus 20% of the excess over \$275,000				

If the income is derived from operations covered under Act 74-2010, the surtax will be computed as follows:

If the net income subject to surtax is:		The tax shall be:	
\$0	-	\$75,000	5%
\$75,001	-	\$125,000	\$3,750 plus 15% of the excess over \$75,000
\$125,001	-	\$175,000	\$11,250 plus 16% of the excess over \$125,000
\$175,001	-	\$225,000	\$19,250 plus 17% of the excess over \$175,000
\$225,001	-	\$275,000	\$27,750 plus 18% of the excess over \$225,000
\$275,001	-	or more	\$36,750 plus 19% of the excess over \$275,000

If the income is derived from partially exempt activities under Act No. 168 of 1968, Act No. 148 of 1988, Act 75-1995, Act 225-1995, Act 14-1996 or Act 178-2000, or from fully taxable activities, the surtax will be:

If the net income subject to surtax is:		The tax shall be:	
\$0	-	\$75,000	5%
\$75,001	-	\$125,000	\$3,750 plus 15% of the excess over \$75,000
\$125,001	-	\$175,000	\$11,250 plus 16% of the excess over \$125,000

**Line 7** – Enter the amount determined on line 9 of Schedule D1 Corporation – Tax on Income Subject to Preferential Rates.

If during the taxable year the corporation's net long-term capital gains exceeded the net short-term capital losses, the corporation may elect to pay the alternative tax.

The alternative tax is determined on the net income at the normal tax rates, without including the long-term capital gain, plus the special rate on such gain, as applicable.

#### SCHEDULE N INCENTIVES - PARTIALLY EXEMPT INCOME UNDER ACT 8 OF 1987

This schedule must be used by those entities that derive partially exempt income under Act No. 8 of 1987. Indicate in the corresponding box the effective period for income, and the current and required number of jobs directly related to manufacture or designated service.

#### PART I - NET INCOME SUBJECT TO TAX

**Line 2** - Enter the income derived from qualified investments under Section 2(j) of Act No. 8 of 1987.

**Line 4** - Enter the carried over balance of net operating loss reflected at the end of the preceding year. The net operating losses covered under the Tax Incentives Act may only be deducted against the industrial development income (IDI). The loss excess of IDI from previous years can only be carried over and claimed as a deduction against the IDI. Said loss will be deductible up to an amount equal to the IDI percentage that would have been taxable.

Any loss incurred in the year in which the entity made the election under Section 3(f) of Act No. 8 of 1987, can be carried over and claimed totally as a deduction against the IDI derived by the exempt business under the decree in which the election was made under Section 3(f) or against the IDI percentage that would have been taxable in case that the entity has not made the election.

**Line 8** – Enter the amount of the deduction for the purchase of products manufactured in Puerto Rico equal to 15% of the purchases of such products, reduced by the average of the purchases of such products made during the year 2000. This deduction is granted only for the purchases of products that had been manufactured by businesses not related to the exempt business. For purposes of the previous calculation, such purchases to non related businesses will be excluded from the total purchases of products manufactured in Puerto Rico made by the exempt business.

This deduction will be used only in the taxable year in which you earn the industrial development income against which the deduction is claimed and it can not be carried forward to subsequent taxable years.

**Line 11(a)** - Enter in the space provided the exemption percentage you are entitled to claim according to your decree under Act No. 8 of 1987.

**Line 11(b)** - In case you have renegotiated the exemption decree under Act 135-1997 or Act 73-2008, use this space and enter the exemption percent you are entitled according to the renegotiated decree.

## PART II – COMPUTATION OF TAX

**Line 2** – Refer to the instructions of Schedule L Incentives, Part II, line 2.

**Line 4** – As a general rule, a business with an exemption decree in force under Act No. 8 of 1987, as general rule, determines the tax on the amount of taxable income, using the tax rate enacted under the Code. Therefore, the normal tax is 18.5%. In case of businesses which exemption decree under Act No. 8 of 1987 provides that the tax rate is the enacted rate at the signing or effective date of the decree, must determine the normal tax at the 22% rate. Therefore, the taxpayer must check in the corresponding box the applicable tax rate.

**Line 5** – A business with an exemption decree in force under Act No. 8 of 1987, as a general rule determines the tax on the amount of taxable income, using the enacted tax rate under the Code. In this case the surtax will be the following:

If the net income subject to surtax is:	The tax shall be:
\$0 - \$75,000	5%
\$75,001 - \$125,000	\$3,750 plus 15% of the excess over \$75,000
\$125,001 - \$175,000	\$11,250 plus 16% of the excess over \$125,000
\$175,001 - \$225,000	\$19,250 plus 17% of the excess over \$175,000
\$225,001 - \$275,000	\$27,750 plus 18% of the excess over \$225,000
\$275,001 - or more	\$36,750 plus 19% of the excess over \$275,000

If the exemption decree establishes that the tax rate is the one enacted at the signing or effective date of the decree under Act No. 8 of 1987, the surtax is:

If the net income subject to surtax is:	The tax shall be:
\$0 - \$75,000	9%
\$75,001 - \$125,000	\$6,750 plus 19% of the excess over \$75,000
\$125,001 - \$175,000	\$16,250 plus 20% of the excess over \$125,000
\$175,001 - \$225,000	\$26,250 plus 21% of the excess over \$175,000
\$225,001 - \$275,000	\$36,750 plus 22% of the excess over \$225,000
\$275,001 - or more	\$47,750 plus 23% of the excess over \$275,000

## PART III - SPECIAL SURTAX SECTION 3(a) OF ACT 8 OF 1987

This special surtax applies to every entity that has derived a total gross income from industrial development of more than \$1,000,000 during the taxable year. For purposes of this computation, the **term gross income from industrial development includes** the following:

- 1) Income derived from certain eligible investment activities under Section 2(j).
- 2) Net income derived from the sale of patents, royalties or any other entitlement to receive income, related to activities or intangible property resulting from exempt operations under Act No. 8 of 1987.
- 3) Income derived from insurance policies for business interruption, as long as there is no reduction on the job employment level in the exempt business as a result of the action that motivated the collection of such income.

The tax will be .00075 of the sales volume of the exempt business, but never more than half of one percent (.005) of the net industrial development income.

### Line 8 - Balance of tax due

If you filed the return after the due date established by the Code to file it or you requested an extension of time, but you did not pay the total amount due, you must compute the applicable interests and surcharges from the due date to file the return to the date on which the payment was made. Refer to the **Interests, Surcharges and Penalties** section later on.

### Line 9 - Amount paid with this return

The payment must be made by check or money order payable to the Secretary of the Treasury. Indicate the employer identification number, Form 480.30(II)DI and the taxable year to which the payment corresponds.

If you decide to pay in cash, debit card or credit card (Visa or Mastercard), you can do it at any of our Internal Revenue Collections Offices. Make sure to keep the official payment receipt provided by the Collector.



**The Special Surtax must be paid to the Secretary of the Treasury in a separate check attached to the Income Tax Return.**

You can also make payments electronically through SURI.

The payment methods available to make any transaction in SURI are the following: 1) credit card Visa or Mastercard, 2) ACH Debit (Direct Debit) and 3) ACH Credit. For more information on payment methods for transactions in SURI refer to the Informative Bulletin of Internal Revenue No. 20-03: Payment methods accepted in transactions through the Internal Revenue Unified System.

#### **PART IV - CONDITIONS THAT EXONERATE FROM THE PAYMENT OF TOLLGATE TAX**

Complete this questionnaire if the entity derives income from partially exempt activities under Act No. 8 of 1987. As a general rule, every entity operating under this act, must prepay a 5% tollgate tax on the industrial development income (IDI).

If the entity is not subject to the tollgate tax prepayment, please check the applicable box. In case that the tax exemption decree provides and establishes special rules for the distribution and taxation of the IDI, you must attach to the return a schedule indicating such rules.

#### **PART V - COMPUTATION OF PREPAYMENT OF TOLLGATE TAX**

##### **Line 2 - Adjustments**

Enter on line 2(a) the interest income from eligible investments (Section 2(j)) derived from obligations issued by the Government of Puerto Rico, its instrumentalities or political subdivisions.

Enter on line 2(b) any adjustments required to determine the amount of IDI that constitutes income and profits available for dividend distribution. **You must submit a detailed schedule.** For example:

- 1) Expenses incurred but not deductible (i.e. meal and entertainment, charitable contributions, etc.)
- 2) Income earned but not taxed on the return (i.e. proceeds from life insurance when the beneficiary of the policy is the corporation, etc.)
- 3) Special deductions granted by Law which do not represent a cash disbursement (i.e. deduction of \$400 for each severely handicapped employee, etc.)

##### **Line 4(c) - Other taxes**

Enter on line 4(c) any tax paid to the United States, its states, possessions and foreign countries attributable to the IDI. **You must submit with the return evidence of the tax paid claimed as a credit, such as a copy of the federal income tax return.**

##### **Line 6 - Determination of prepayment of tollgate tax**

Enter in the corresponding box the 5% tax rate, unless the entity's decree provides for special distribution rules and it has

been convened through a Closing Agreement with the Secretary to pay 50% of the applicable rate. Multiply line 5 by the applicable tax rate and enter the amount on this line.

##### **Line 7 - Dividends declared from current earnings**

Enter the amount of dividends declared and paid related to earnings accrued during the current year.

##### **Line 8 - Prepayment of tollgate tax attributable to current earnings**

Enter 5% of line 7. If the entity is subject to a tollgate tax rate lower than 10% because its decree provides special distribution rules, and it has been convened through a Closing Agreement with the Secretary to prepay 50% of the aforementioned tollgate tax, you must enter 50% of your tax rate in the space indicated and determine the applicable tollgate tax prepayment.

##### **Line 10(b) - Other credits**

Any business exempt under Act No. 8 of 1987, including those covered under previous laws, that invests in Puerto Rico part of its IDI for a particular taxable year in plant expansion, purchases of products manufactured in Puerto Rico, research and development of new products or industrial processes and in eligible activities under Section 2(j), is entitled to a credit against the tax, but subject to certain terms and conditions. For additional details, refer to Section 4(b) and (d) of said act.

Also, if the parent company of an exempt business is under Federal Bankruptcy proceedings, the exempt business is entitled to claim a credit against the payment of income tax and tollgate tax, subject to the compliance with certain conditions. For additional information, refer to Section 3(a)(3) of Act No. 8 of 1987.

##### **Line 11 - Total prepayment of tollgate tax**

This tax shall be paid to the Secretary of the Treasury in a **separate check** attached to the Income Tax Return.

**Every entity that requests an extension of time to file the income tax return, must include the payment of the Prepayment of Tollgate Tax with said request, in a separate check.**

Any payment made after the due date, is subject to interests and surcharges. If you filed the return after the due date established by the Code to file it or you requested an extension of time, but you did not pay the total amount due, you must compute the applicable interests and surcharges from the due date to file the return to the date on which the payment was made. Refer to the **Interests, Surcharges and Penalties** section later on.

##### **Line 12 - Tollgate tax applied against the tax withheld attributable to current year distribution**

Enter the prepaid amount during the year on which you elected to apply the total prepaid tax, if the tax determined over the distributed industrial development income (IDI) is equal to or more than the prepaid amount.

**Line 15 - Balance of tax due**

If you filed the return after the due date established by the Code to file it or you requested an extension of time, but you did not pay the total amount due, you must compute the applicable interests and surcharges from the due date to file the return to the date on which the payment was made. Refer to the **Interests, Surcharges and Penalties** section later on.

**Line 16 - Amount paid with this return**

Enter the amount paid with the return.

**Line 17 - Amount overpaid to be credited to estimated prepayment of tollgate tax for next year**

Any overpayment of this tax will be credited only against the estimated prepayment of tollgate tax of the following year.

**INTERESTS, SURCHARGES AND PENALTIES**

**Interests**

The Code provides for the assessment of interest at a 10% annual rate over any tax 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 when the return is filed after the due date established by the Code 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.**

**SCHEDULE P INCENTIVES - INCOME FROM FULLY TAXABLE OPERATIONS OR PARTIALLY EXEMPT INCOME OR SUBJECT TO TAX CREDIT**

This schedule must be used by those entities that in addition to enjoy exemption under a decree, derive income from fully taxable activities or those that according to a decree, are subject to a base period income taxable at the rates provided by the Code. Those entities that derived partially exempt income under Act No. 168 of 1968, Act 148 of 1988, Act 75-1995, Act 225-1995, Act 14-1996 or Act 178-2000, must also use this schedule.

Check the corresponding box if your activities are fully taxable, if they are partially exempt under one of the acts described or if they are operations under a decree subject to a base period.

If you have fully taxable operations and you also have partially exempt operations under one of the special acts indicated above or you have operations under a tax exemption grant subject to base period income taxable at the rates provided by the Code, you must complete one schedule for each activity and check the corresponding box. If there are no specific instructions for a particular line in this section, refer to General Instructions – Schedules L through BB Incentives.

Act No. 168 of 1968 excludes from the payment of income tax the 50% of income from medical/hospital services rendered in a "hospital unit".

For these purposes, the term "Hospital unit" means:

- (1) General hospitals, of tuberculosis, of mental illnesses or any other kind of hospital engaged in the treatment of human illnesses, as well as the installations related to their normal operation.
- (2) Extensions or expansions in the existent institution that are constructed within the hospital grounds. In order to qualify an extension or expansion, it is necessary that it constitutes a substantial investment to improve the medical-hospital services and it must be notified to the Secretary of the Treasury and the concerning agencies. Under no circumstance a "hospital unit" will be considered as such if it is operating without a license issued by the Department of Health.
- (3) Nursing, and resident and intern physicians homes, when this units are located within the grounds of the hospital to which they belong.
- (4) Clinics and convalescent homes for sick persons.

"Net income derived from medical-hospital services rendered in a hospital unit" means:

- (1) The gross income derived from, or related to the medical-hospital services provided to the general public in the different installations which constitute such "hospital unit", reduced by those expenses, losses and any other deductions that cannot be specifically assigned to an item or any kind of gross income. The proportional part will be based on the proportion between the gross income derived from the previously indicated source and the total gross income.
- (2) In case of extensions or expansions which constitute a "hospital unit", the net income derived from medical-hospital services rendered in a "hospital unit", for purposes of their tax exemption under this Act, will be the proportion between the services offered in the extension and the total of services offered in such hospital installations, including the referred extension, with respect to the extensions' total net income of the hospital installations subject to the extension or expansion.

**It is important to clarify that only persons with a Concession in effect as of January 1, 2015 under Act No. 168 of 1968, may benefit from this exemption.**





**The hospital unit income not derived from medical-hospital services rendered, as defined, is fully taxable and is reported on Schedule P Incentives, as income from fully taxable operations.**

**Those industries or businesses established in a special planning zone or in a theatrical district that do not derive exempt income under Act No. 148 of 1988, Act 75-1995, Act 14-1996 or Act 178-2000, must use Form 480.20.**

## **PART I - NET INCOME SUBJECT TO TAX**

**Line 2** - Enter the carried forward balance from the net operating loss reflected on previous years' returns, determined in Schedule G Incentives. Include such schedule with the return. Such net operating losses will be computed according to the provisions of Section 1033.14 of the Code.

Net losses can be used against the income of subsequent years as follows:

- Years beginning before January 1, 2005 – the net operating losses can be carried over to each one of the following seven (7) taxable years.
- 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 to be carried forward to each one of said taxable years 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 and limitations established in Section 1033.14(d) of the Code, for each one of the taxable years beginning before January 1, 2013,
- (2) ninety (90) percent of the net operating income.

Article 5(b) of Act No. 57 of 2020, known as the "Complementary Act to Address the Effects of the COVID-19 Emergency on the Puerto Rican Economy" ("Act 57-2020"), establishes the Program to Carry Back Net Losses in Operations to Previous Years (carry back). The purpose of this program is to allow the Department to grant a special deduction for net operating losses incurred during taxable year 2020 and caused directly by the COVID-19 emergency ("Special Deduction"), to be carried back to the two (2) previous taxable years, beginning with the oldest year. The carryover loss limitation established in Section 1033.14(b)(1)(D) of the Code does not apply to this special loss carryover deduction.

Therefore, the loss incurred and reflected on Schedule P Incentives for taxable year 2020 will be available to be used as a Special Deduction on Schedule P Incentives for taxable years 2018 and 2019, in that order, if said Schedules reflect determined income tax. Said special deduction will also apply to compute the alternative minimum tax. Any amount of losses generated on Schedule P Incentives for taxable year 2020 that are not claimed as a Special Deduction on Schedule P Incentives for taxable years 2018 and 2019, may be carried over to taxable years subsequent to 2020.

In addition, Article 5(c)(1) of Act 57-2020 establishes that the carryover of the net operating loss incurred in taxable year 2020, directly caused by the COVID-19 emergency, to subsequent taxable years, will not be subject to the 90% net income limitation established in Section 1033.14(b)(1)(D) of the Code.

In accordance with the provisions of said Article, the order of application of the net operating losses will be as follows:

1. The taxpayer will claim losses incurred in taxable years prior to the 2020 taxable year (subject to the 90% limitation established in Section 1033.14(b)(1)(D) of the Code).
2. After applying losses from taxable years prior to the 2020 taxable year, if any, losses incurred in the 2020 taxable year will be claimed, without considering the limitations established in Section 1033.14(b)(1)(D) of the Code.
3. If after applying the losses from taxable years prior to the 2020 taxable year and those incurred in the 2020 taxable year, Schedule P Incentives reflects net income, you may take a deduction for the loss carried forward in the taxable years after 2020.

If in this Return the taxpayer claims a deduction for net operating losses for the 2020 taxable year, the taxpayer must complete a Worksheet to determine the amount of the deduction for Net Operating Losses from previous taxable years that is entitled. This worksheet can be obtained by accessing our website through the link: <https://hacienda.pr.gov/documentos/2022-planilla-de-contribucion-soobre-ingresos-de-corporaciones>.

For more information related to the Net Operating Loss Carryback Program under Act 57-2020, refer to Administrative Determination No. 21-09 of November 17, 2021 and Act 57-2020.

Notwithstanding the above, the net operating losses under the hospital units act can be claimed only against the allowed income from medical-hospital services.

**Line 4** - This line must be completed only by those entities that derived exempt income under one or more of the following acts:

- Act No. 168 of 1968, as amended
- Act No. 148 of 1988, as amended
- Act No. 75-1995, as amended
- Act No. 225-1995, as amended
- Act No. 14-1996, as amended
- Act No. 178-2000, as amended

If the operations are partially covered by Act No. 148 of 1988, Act No. 75-1995 or Act 178-2000, enter the 50% exemption of the net income derived from the sale of admission tickets to artistic and cultural shows performed in new structures, substantially rehabilitated or subject to improvements for a 5 years period, beginning on the date in which the construction, substantial rehabilitation or improvement is completed. In order to be entitled to these benefits, said construction, rehabilitation or improvement must be performed within the 5 years period beginning on the date of the designation of the zone in which the business will be located.

**If the operations are covered under Act 14-1996, enter the 90% exemption of income derived from the sale of admission tickets to artisan, agricultural, artistic and**

**cultural fairs, and sport events, if you meet the following requirements:**

- (1) The activity or event must be celebrated within one of the special designated zones established by the Puerto Rico Planning Board in accordance to said Act;
- (2) At least 50% of the persons employed in the activity or event by the person claiming the exemption, must be bona fide residents of Castañer.

For additional details, see Regulation No. 5553 of February 14, 1997.

**If the operations are partially exempt under Act 225-1995, enter the 90% exemption, if you meet the following requirements:**

- (1) you have a certification issued by the Secretary of Agriculture of Puerto Rico, certifying that you are a bona fide farmer dedicated to an agricultural business;
- (2) you have derived at least 50% of your income from agricultural activities; and
- (3) you have not elected the provisions of Section 1033.12 of the Code.

This exemption of income tax payment applies to taxable years beginning from January 1, 1996. This exemption is not extensive to income from interests, dividends, royalties or gains derived from the sale of assets, including those assets used in the agricultural business, or any other income derived by bona fide agricultural businesses and that do not come directly from the agricultural activity.

To claim such exemption, you must include with the return a copy of the certification issued by the Secretary of Agriculture of Puerto Rico and a schedule showing the income percentage derived from agricultural activities over the total income of the entity.

For purposes of calculating the 50% or more of the gross income, you must consider the income from all sources, realized and recognized, adjusted or reduced by the following items:

- (i) The cost of raw material used, if any;
- (ii) In case of sale of real property, the return on capital which is considered the adjusted basis of such real properties, and excluding:
  - (a) the total amount of exclusions from gross income under Section 1031.01(b) of the Code;
  - (b) the total amounts received for which credits are allowed under Section 1033.19 of the Code; and those amounts that by law do not constitute income.

Those hospital units that, in lieu of the exemption, are entitled to claim the credit for eligible payroll, must claim the same on Schedule B Incentives, Part II, line 16. **You must submit with your return a schedule supporting the credit claimed.**

**Line 6** - Enter 85% of the amount received as dividends 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 (IDI) derived from operations covered by the provisions of Act No. 57 of 1963, the credit will be 77.5% of the amount received, but limited to 77.5% of the net taxable income.

This credit does not apply to dividend distributions from income derived from operations covered under Act 78-1993 or Act No. 8 of 1987.

However, the Code provides the following exceptions:

- (1) In case of a small business investment company operating in Puerto Rico under the Small Business Investment Act of 1958 (enacted by the US Congress), there shall be allowed as a credit an amount equal to 100% of the total amount received as dividends from a domestic corporation taxable under the Code.
- (2) Subject to certain requirements imposed by the Code, a credit is allowed against the net income, equal to 100% of the total amount received as dividends from corporations organized under the laws of any state of the United States or the Government of Puerto Rico, which principal is derived from IDI accrued during taxable years beginning prior to January 1, 1993 and invested in obligations of the Government 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 Government of Puerto Rico.
- (3) A 100% credit will be granted 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 Government of Puerto Rico, which principal is derived from IDI accrued during taxable years beginning prior to January 1, 1993 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 of the total amount received as dividends from a domestic controlled corporation.

## PART II – COMPUTATION OF TAX

**Line 2** – Refer to the instructions of Schedule L Incentives, Part II, line 2.

**Line 4** – Indicate the corresponding tax rate and multiply it by the amount on line 1.

A 18.5% tax will be assessed, collected and paid on the net income subject to normal tax of every corporation.

Nevertheless, a corporation that has granted a Special Agreement for the Creation and Retention of Employment and constitutes an Eligible New Small and Medium Business under the provisions of Act 120-2014, will be subject to a 5% normal tax during the first operating year. For the second taxable year

following the year in which the Agreement is signed, the tax rate will be 10% and for the third taxable year it will be 15%.

In case that a rate lower than 18.5% is applicable, you must submit with the return copy of the Agreement under Act 120-2014 or any other official document showing the applicable tax rate.

**Line 5**—Refer to the instructions of Schedule L Incentives, Part II, line 5.

**Line 7** - Refer to the instructions of Schedule L Incentives, Part II, line 7.

**Line 9** - Enter the amount determined on Schedule C Corporation (Credit for Taxes Paid to Foreign Countries, the United States, its Territories and Possessions).

If the tax was paid in a foreign currency, such tax must be converted to U.S. dollars at the date of payment. You must submit with the return a schedule indicating the conversion to U.S. dollars, copy of the United States or foreign countries tax return and cancelled checks as evidence of the tax paid or accrued in said country.

**Line 11** – This tax will apply only to income derived from fully taxable operations. Said tax will be 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.

The Alternative Minimum Tax is an additional tax that 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 18.5% of said net income, but not less than \$500.

Corporations subject to the provisions of Section 1061.15(a)(3) will be subject to a 23% rate.

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

Enter the amount determined on Schedule A Corporation, Part V, line 34.

**Line 14** – In those cases in which the entity has paid an alternative minimum tax on the income derived from fully taxable operations on previous years, such tax may be claimed as credit against the regular tax from taxable operations, as long as it complies with certain requirements. To be eligible for this credit, the regular tax of the year must exceed the alternative minimum tax for said year and you must have paid alternative minimum tax on previous years. Enter on this line the amount of credit determined on line 4, Part VI of Schedule A Corporation.

**Line 17** – In addition to any other taxes 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 trade or business in Puerto Rico derive at least 80% of their gross income, during the 3 taxable years period ended at the closing of said taxable year, from sources within Puerto Rico or from income effectively

connected or treated as effectively connected with the conduct of a trade or business in Puerto Rico.

**Corporations subject to this tax must file Form AS 2879 (Branch Profits Tax) and include it with their return. For more details, refer to the instructions of the form.**

**Line 18** - For taxable years beginning after December 31, 2013, a 10% tax will be assessed, collected and paid, without taking into consideration any deductions or credits provided by Subtitle A of the Code, on the total deemed dividend considered received by a foreign owner of a corporation, during any taxable year.

**Corporations subject to this tax must complete Form AS 2877 (Deemed Dividend Tax) and submit it with the return. For more details, refer to the instructions of the form.**

### **PART III - DETERMINATION OF THE OPERATING GROSS INCOME**

Enter on line 1 **only** the net sales of goods or products and from construction work. Do not include on this line the income received in the year from manufacture and sale of services. They must be included on lines 4 and 7 of this Part III, respectively. Enter manufacturing and sales costs on lines 2 and 5, as corresponding. Determine this on Part V of this schedule. Also, enter the gross profit on sale of goods or products and manufacturing on lines 3 and 6, as applicable. To determine the gross profit margin percentage corresponding for the year 2022, in case of sale of goods income, divide line 3 by line 1. In case of manufacturing income, divide line 6 by line 4. To determine the corresponding amount for the year 2021, use the data from the 2021 return.

Enter on line 7 the gross profit from sale of services, including those received from commissions. Breakdown the income into those provided directly by the corporation and those earned through partnership and special partnerships, as reported in a Form 480.6EC.

**Line 10** – If the income comes from rent under the rental housing projects for elderly persons with low income according with the provisions of Act 165-1996, as amended, this is a 90% exempt. Therefore, indicate the total amount of income received in line of "Total" and include in this line the taxable amount (10%).

The concession of the exemption under Act 165-1996 will be subject to the taxpayer's request and the approval by the secretary of an administrative determination. You must include with the return copy of the Administrative Determination issued by the Department.

**Line 23** – Enter on this line 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 must have a Special Agreement for the Creation of Young Businesses (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 return.**

This benefit is limited to one new business for every young entrepreneur and cannot benefit from any other economic or



fiscal incentive provided by any act to promote a commercial, industrial, or 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 according to Section 1010.04 of the Code and a group of related entities according to Section 1010.05 of the Code.

#### PART IV - DEDUCTIONS AND NET OPERATING INCOME

If there are no specific instructions for a particular line in this section, refer to the General Instructions section for Schedules L, N, P, V, W, X, Y, Z, AA and BB Incentives.

Following we explain certain special deductions applicable to operations that had qualified for the benefits granted under Act No. 148 of 1988, Act 75-1995, Act 14-1996 and Act 178-2000.

Every industry or business established in a special planning zone in Santurce, Río Piedras or Castañer in the period beginning on the designation date of said zone or in a theatrical district, may claim a special deduction based on the following:

- (1) 10% of the lease paid for a period of 10 years in the Santurce and Río Piedras zone, as well as in the theatrical district, and 15% for a period of 5 years in the Castañer zone.
- (2) 5% of the minimum wage applicable for every new job created. To be entitled to this deduction, it is necessary that the new job does not eliminate or substitute an existing job, be a full-time job of 40 working hours per week (35 hours per week in case of the Castañer zone), and be occupied in a continuous basis by the same person for a period of not less than six months. This deduction is for a 5 years period beginning on the date the business is designated to that zone by the Planning Board.

#### SCHEDULE T INCENTIVES – ADDITION TO THE TAX FOR FAILURE TO PAY ESTIMATED TAX IN CASE OF EXEMPT BUSINESSES UNDER THE PUERTO RICO INCENTIVES PROGRAMS

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 1** – Add lines 8 and 9, Part II of Schedule L Incentives, lines 6 and 7, Part II of Schedule N Incentives, lines 8, 11 and 13, Part II of Schedule P Incentives, lines 2 and 3, Part III of Schedule V Incentives, lines 5 and 6, Part II of Schedule W Incentives, the larger of lines 4 or 8, Part IV of Schedule X Incentives, the larger of lines 4 or 8, Part II of Schedule Y Incentives, line 5, Part II of Schedule Z Incentives, line 5, Part III of Schedule AA Incentives and line 1, Part II of the Schedule BB Incentives.

**Line 2** – Include the total of withholdings and credits provided by the Code or special laws for the taxable year, including the non refunded tax paid in excess corresponding to the previous taxable year. **Add lines 2(a), 2(c), 2(d), 2(f) and 2(g), Part I of the return, line 10, Part II of Schedule L Incentives, lines 9, 14 and 15, Part II of Schedule P Incentives, line 8, Part II of Schedule N Incentives, line 4(m), Part III of**

**Schedule V Incentives, line 7, Part II of Schedule W Incentives, line 5(k) or 9 (as applicable), Part IV of Schedule X Incentives, and line 5(h) or 9 (as applicable), Part II of Schedule Y Incentives, line 6, Part III of Schedule AA Incentives and line 2, Part II of Schedule BB Incentives.**

**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** – Add lines 8 and 9, Part II of Schedule L Incentives, lines 6 and 7, Part II of Schedule N Incentives, lines 8, 11 and 13, Part II of Schedule P Incentives, lines 2 and 3, Part III of Schedule V Incentives, lines 5 and 6, Part II of Schedule W Incentives, the larger of line 4 or 8, Part IV of Schedule X Incentives, the larger of line 4 or 8, Part II of Schedule Y Incentives, line 5, Part II of Schedule Z Incentives, and line 5, Part III of Schedule AA Incentives of the previous taxable year return, or an amount equal to the tax computed at the rates and under the applicable law 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 15<sup>th</sup> day of the fourth month, sixth month, ninth month and twelfth month of the taxable year, respectively.

The amount determined by the taxpayer as an overpayment of the tax for a preceding taxable year, may be credited against the estimated tax for a subsequent taxable year. In these cases, Article 1061.23(b)-1(a)(2) of Regulation 8049 of July 21, 2011, as amended (Regulations), establishes the way that said amount will be credited to the estimated tax for the following year. The taxpayer will have to choose between these two options:

- (i) Apply the overpayment to the total tax determined for the following taxable year together with the other credits that you have the right to claim, or
- (ii) Apply the overpayment to the first installment of the estimated tax.

If the taxpayer chooses the second option, he/she must indicate this election by checking the box provided in this Section A to choose the method provided under Article 1061.23(b)-1(a)(2)(ii) of the Regulations.

This election shall be made in the return of the taxable year for which the overpayment arises and will be irrevocable.

**Line 8** – If the obligation 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 Column 25% of line 7. If the obligation 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 obligation 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 Columns (c) and (d) 50% of line 7. If the obligation 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 to the corresponding change.

**Line 9** – Enter in Column (a) the amount of estimated tax paid no later than April 15 of the taxable year (or the 15<sup>th</sup> 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 (or the 15<sup>th</sup> 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 (or the 15<sup>th</sup> 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 (or the 15<sup>th</sup> 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 (or the 15<sup>th</sup> 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 (or the 15<sup>th</sup> 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 (or the 15<sup>th</sup> 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** – 10% 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.

### SCHEDULE V INCENTIVES - INCOME TAX FOR EXEMPT BUSINESSES UNDER ACT 135-1997

This schedule must be used by those exempt businesses under Act 135-1997. Indicate in the corresponding boxes the effective period for income, and the current and required number of jobs directly related to manufacture or designated service.

## PART II - NET INCOME SUBJECT TO TAX

**Line 2** - Enter the income from qualified investments under Section 2(j) of Act 135-1997.

**Line 4** - Enter here the net operating losses from the preceding year, including the share on losses from pass-through entities that own or operate touristic businesses under Act 78-1993. You must submit a schedule with the case number, amount of the loss and carryover computation.

The amount of net operating loss to be carried forward shall be determined in accordance with the provisions of Section 1033.14 of the Code, except that in addition to the exceptions, additions and limitations provided in this section, the loss shall be adjusted by income from eligible activities under subsection (j) of Section 2 of this act.

**Line 8** – Enter the amount of the deduction for the purchase of products manufactured in Puerto Rico equal to 15% of the purchases of such products, reduced by the average of the purchases of such products made during the year 2022. This deduction is granted only for the purchases of products that had been manufactured by businesses not related to the exempt business. For purposes of the previous calculation, such purchases to non related businesses will be excluded from the total purchases of products manufactured in Puerto Rico made by the exempt business.

This deduction will be used only in the taxable year in which you earn the industrial development income against which the deduction is claimed and it cannot be carried forward to subsequent taxable years. **The business claiming this deduction cannot benefit simultaneously from the credit provided in Part III, line 4(b) of this schedule.**

**Line 11** - Applies only to exempt businesses which renegotiated their decrees under Act 135-1997. Transfer this amount to Schedule N Incentives, Part I, line 10.

**Line 12** - If line 12 is **less** than line 11, enter the net operating income of the year (Part II, line 1 of this schedule) on Schedule N Incentives, Part I, line 1, if the preceding renegotiated decree was issued under Act No. 8 of 1987, and complete the schedule.

If the exempt business had in force an option under Section 3A of Act No. 8 of 1987, when the decree was renegotiated under Act 135-1997, Schedule N Incentives must be completed.

If line 12 is **more** than line 11, enter the basis period income on Schedule N Incentives, Part I, line 10, if the preceding renegotiated decree was issued under Act No. 8 of 1987, and complete the corresponding schedule starting from said line 10.

## PART III - TAX COMPUTATION

### Line 4 - Credits

On March 7, 2017, the Financial Advisory Authority and Fiscal Agency of Puerto Rico (“AAFAF”, for its Spanish acronym) issued Administrative Order No. OA-2017-01 (“OA-2017-01”) by which it created the Disbursements and Tax Concessions Authorization Committee (“CADCC”, for its Spanish acronym) to which it granted certain authorizations regarding the evaluation and granting of tax credits and delegated the responsibility of establishing limitations regarding the use and availability of the tax credits granted. Also, OA-2017-01 ordered the Secretary of Treasury (“Secretary”) to carry out an inventory of the tax credits granted and to require the holders of tax credits to report the amount granted of said credits, in the manner that the Secretary establishes for said purposes. The administrative order also establishes that, any credit holder that does not show evidence issued by the Secretary of compliance with the information requirement, will not be able to claim said tax credits.

For such purposes, on April 20, 2017, the Department of the Treasury issued the Internal Revenue Informative Bulletin No. 17-08 to notify that the requirement to carry out the inventory of tax credits would be met by electronically filing Form 480.71.1

(Informative Return for Tax Credits Holders) and established that the requirement imposed by AAFAF to submit evidence of compliance with the information requirement in order to claim the tax credits, would be met by electronically filing Form 480.71.1. Therefore, in order to claim a tax credit that has been granted and available as of April 19, 2017, it must be included in Form 480.71.1 that the credit holder submitted to the Department.

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

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

**Any Corporation claiming a tax credit, must submit with your return copy of Form 480.71.1 duly filed with the Department.**

If this part includes credits subject to moratorium, you must include with your return a detail that includes the description of the tax credit subject to moratorium, percentage claimed allowed by the moratorium, taxable year in which the credit was generated, total credit generated, amounts claimed in previous years, amount of credit available for the current year, amount of credit net of moratorium available for the current year and amount of credit available for subsequent years. Also, you must report the amount net of the portion that is subject to moratorium of said credit on the corresponding line.

In case of exempt businesses which renegotiated their decrees under Act 135-1997 and are entitled to claim the same credits against the basis period income tax and over the fixed rate under Act 135-1997, said credits can be claimed, at the exempt business option, up to the total amount allowed by law, against the basis period income tax or against the fixed rate; or allocated, up to the amount allowed by law, between the basis period income tax and the fixed tax rate. The sum of the allocated amounts cannot exceed the total amount of the credit.

**Line 4(a)** - Refer to instructions of Schedule B Incentives, Part II, line 25 related to the special credits granted.

**Line 4(b)** - The exempt business can claim a credit against the industrial development income (IDI) fixed tax, for purchases of products manufactured in Puerto Rico including component parts and accessories, equal to a 25% of the purchases of such products during the taxable year on which the credit is claimed (subject to certain limitations).

For additional information, refer to Sections 5(b) of Act 135-1997, as amended. **The business claiming this credit cannot benefit simultaneously from the deduction provided in Part II, line 8 of this schedule.**

**Line 4(c)** - Any exempt business with a decree granted under Act 135-1997, that is a subsidiary of a U.S. parent company, that reflects a loss in the consolidated federal return or is under bankruptcy proceedings under federal regulations, will be allowed to claim a credit against the fixed tax applicable to the IDI earned during the taxable year of the loss. For additional information, refer to Section 5(a) of Act 135-1997.

**Line 4(d)** - Some exempt businesses may request authorization to credit the excess of a hundred million dollars (\$100,000,000) of annual taxes withheld over payments of royalties, rents, and license fees, with respect to certain high technology products, against the tax imposed by Section 3 of Act 135-1997 over such high technology products. In order to identify the exempt businesses which qualify for the credit and the definition of high technology products and additional information, refer to Section 5(c) of Act 135-1997.

**Line 4(e)** - Refer to the instructions of Schedule B Incentives, Part II, line 5.

**Line 4(f)** - Refer to the instructions of Schedule B Incentives, Part II, line 4.

**Lines 4(g) through 4(k)** - Refer to the instructions of Schedule X1 Incentives.

**Line 4(l)** - Include any other credit that you are entitled to claim. Submit a Schedule showing a breakdown of such credits.

An investor who buys an exempt business that is in the process of closing its operations in Puerto Rico may claim, with certain limitations, a credit equal to 50% of the eligible investment, in two installments: half in the year that the eligible investment is made and the balance in subsequent years.

Also, enter on this line the credit claimed for contributions made to the former governors foundations. For details, refer to the instructions of **Schedule B Incentives, Part II, line 8, 14 and 25.**

**GENERAL INSTRUCTIONS FOR SCHEDULES N1 AND V1 INCENTIVES - COMPUTATION OF THE SPECIAL DEDUCTIONS**

**PART I - COMPUTATION OF THE SPECIAL DEDUCTIONS**

Use these schedules to determine the special deductions to which you are entitled: payroll deduction, human resources training and improvement expenses deduction, research and development expenses deduction, and special deduction for investment on buildings, structures, machinery and equipment.

**PAYROLL DEDUCTION**

**Schedule N1 Incentives - Computation of the Special Deductions for Exempt Businesses under Act 8 of 1987**

Enter the larger of the following amounts, as applicable:

**(1)** 5% of the total production payroll up to 50% of the net industrial development income, if the eligible business:

a) enjoyed industrial tax exemption under any of the previously mentioned industrial incentives acts and said tax exemption

was authorized prior to January 1, 1985, and then converted its decree to the provisions of Act No. 8 of 1987 for the remaining part of its exemption period; or

- b) was operating in Puerto Rico under a decree as of January 1, 1985 and subsequently obtained a new decree covering previously exempt operations based on negotiations in view to special conditions, and then requests to convert its new decree under Act 8 of 1987.

(2) 15% of the production payroll up to 50% of your net industrial development income, if in any taxable year you generate a net income from exempt operations of less than \$30,000 per production job and said eligible business:

- a) enjoys tax exemption under a new decree issued under Act No. 8 of 1987; or
- b) has a tax exemption decree issued after December 31, 1984, but has not enjoyed tax exemption prior to that date, and converted said decree under Act No. 8 of 1987 for the remaining part of the exemption period originally granted.

For these purposes, the production payroll shall include the salaries of personnel directly related to the manufacture of the exempt product, excluding executive salaries and any payment for professional services rendered through contract to the exempt business by independent firms.

The net income per production job will be obtained by dividing the net industrial development income derived from the exempt operation, by the number of production jobs reflected on the production payroll.

(3) Enter the first \$100,000 if the net industrial development income is less than \$500,000 and the business has kept an employment average of 15 persons or more during said taxable year.

The exempt business that claims this deduction, will not be able to enjoy the deductions previously indicated in items (1) and (2).

If the exempt business is controlled in more than 50% by stockholders or corporations in common, with the consent of the Secretary, it may decide the manner in which all or part of the \$100,000 deduction shall be assigned among one or more of the controlled exempt businesses.

#### **Schedule V1 Incentives - Computation of the Special Deductions for Exempt Businesses under Act 135-1997**

In addition to other deduction provided by law, every exempt business with a decree granted under this act engaged in the manufacture and that generates a net income from its exempt operations (computed without taking into consideration the benefit of the special deductions provided in Section 4 of the act) of less than \$30,000 per production job, will be allowed to claim a special payroll deduction equivalent to 15% of the production payroll of the exempt business, up to 50% of the IDI, computed without the benefit of the production payroll special deduction.

The exempt business that has a decree granted under this act engaged in manufacture, which IDI computed without the benefit of the special deductions provided in Section 4 on any taxable year is less than \$500,000, and that has kept an average employment of 15 or more persons during said taxable year, is

allowed to deduct the first \$100,000 of said income in order to be totally exempt from the payment of the IDI fixed tax rate provided in Section 3(a) of this act. For additional information, refer to Section 4(a) of Act 135-1997.

#### **HUMAN RESOURCES TRAINING AND IMPROVEMENT EXPENSES DEDUCTION**

A special deduction will be allowed for training expenses incurred to improve the productivity and quality control, to promote total quality management and to improve employees communication skills, incurred in excess of the annual average of said expenses during the 3 taxable years ended prior to January 1, 1998.

#### **RESEARCH AND DEVELOPMENT EXPENSES DEDUCTION**

A special deduction will be allowed equal to the expenses incurred in the research and development of new products or industrial processes, or the improvement of said products and processes, that are deductible in the taxable year under the Code (subject to certain limitations).

#### **SPECIAL DEDUCTION FOR THE INVESTMENT ON BUILDINGS, STRUCTURES, MACHINERY AND EQUIPMENT**

Every exempt business that has a decree granted under Act 135-1997, may elect to deduct, on the taxable year incurred, in lieu of any expense capitalization required by the Code, the total expense incurred, after the effective date of such act, in the purchase, acquisition or construction of buildings, structures, machinery and equipment, as long as said buildings, structures, machinery and equipment have not been previously used or depreciated by any other business or person in Puerto Rico, and are used in the manufacture of products or to render the services for which said benefits were provided under the act.

**Line 9** - In those cases in which the exempt business is allowed to claim more than one of the special deductions mentioned before, and the sum of said deductions, after determining the amount that is allowed before taking into consideration the limitation based on the IDI, results in an excess of the IDI for said year, or that the exempt business cannot claim the total benefit of said deduction for said year, it will determine the limitation of the special deductions following the order indicated in Part II.

#### **SCHEDULE W INCENTIVES - INCOME TAX FOR FILM ENTITY UNDER ACT 362-1999 OR ACT 27-2011**

This schedule must be used by those Film Entities that derive income directly from Film Projects or Infrastructure Projects under Act 362-1999 or Act 27-2011.

#### **PART I - NET INCOME SUBJECT TO TAX**

**Line 2** - Enter the carryover balance of the net operating loss at the end of the previous year. If the Film Entity incurs in a net operating loss from a Film Project or an Infrastructure Project, said loss will be deductible and will be used only against income from the Film Project or Infrastructure Project, whichever applies.

On the other hand, once the exemption period for income tax purposes is expired (10 years), the net losses incurred being carried over at the expiration date of said period, may be deducted from any taxable income in Puerto Rico, subject to the limitations provided by the Code.



## PART II - COMPUTATION OF TAX

**Line 4** - The Film Entity's income derived directly from Film Projects or Infrastructure Projects will be subject to a fixed income tax according to the decree approved under Act 362-1999 or Act 27-2011, in lieu of any other tax, if any, provided by Law.

**The fixed income tax rate will be in force for a 10 year period** starting on the day on which the Film Project or Infrastructure Project begins operations, but never before the filing date of a License request for the benefits of this Act.

**Line 7** - Include the tax credits that the Film Entity is entitled to claim. Submit a schedule showing a breakdown of such credits.

**For detailed information, refer to Act 362-1999 and Act 27-2011.**

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

For such purposes, on April 20, 2017, the Department of the Treasury issued the Internal Revenue Informative Bulletin No. 17-08 to notify that the requirement to carry out the inventory of tax credits would be met by electronically filing Form 480.71.1 (Informative Return for Tax Credits Holders) and established that the requirement imposed by AAFAF to submit evidence of compliance with the information requirement in order to claim the tax credits, would be met by electronically filing Form 480.71.1. Therefore, in order to claim a tax credit that has been granted and available as of April 19, 2017, it must be included in Form 480.71.1 that the credit holder submitted to the Department.

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

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

**Any Corporation claiming a tax credit, must submit with your return copy of Form 480.71.1 duly filed with the Department.**

If this part includes credits subject to moratorium, you must include with your return a detail that includes the description of the tax credit subject to moratorium, percentage claimed allowed by the moratorium, taxable year in which the credit was generated, total credit generated, amounts claimed in previous years, amount of credit available for the current year, amount of credit net of moratorium available for the current year and amount of credit available for subsequent years. Also, you must report the amount net of the portion that is subject to moratorium of said credit on the corresponding line.

### SCHEDULE X INCENTIVES – INCOME TAX FOR EXEMPT BUSINESSES UNDER ACT 73-2008

This schedule must be used by those exempt businesses under Act 73-2008. Indicate in the corresponding boxes the effective period for income, and the current and required number of jobs directly related to manufacture or designated service.

#### PART II – NET INCOME SUBJECT TO TAX (APPLIES ONLY TO RENEGOTIATED DECREES UNDER SECTION 13(b)(1))

**Line 2** – Enter the income from qualified investments under Section 2(j) of Act 73-2008.

**Line 4** – Enter here the net operating losses from the preceding year, including the share on losses from pass-through entities that own or operate touristic businesses under Act No. 78. You must submit a schedule with the case number, amount of the loss and carryover computation.

The amount of net operating loss to be carried forward shall be determined in accordance to the provisions of Section 1033.14 of the Code, except that in addition to the exceptions, additions and limitations provided in this section, the loss shall be adjusted by the income from eligible activities under subsection (j) of Section 2 of this act.

**Line 6** – Every exempt business with a decree granted under Act 73-2008, may elect to deduct, on the taxable year incurred, in lieu of any expense capitalization required by the Code, the total expense incurred after the effective date of such act, in the purchase, acquisition or construction of buildings, structures, machinery and equipment, as long as said buildings, structures, machinery and equipment have not been previously used or depreciated by any other business or person in Puerto Rico, and are used in the manufacture of products or to render the services for which said benefits were provided under the act.

The amount of eligible investment for this deduction in excess of the industrial development net income of the exempt business with a tax exemption decree under this act in the year of the investment, can be claimed as a deduction in subsequent years, until totally used.

In case the exempt business claims this deduction, it will not be able to claim deduction for depreciation of such assets.

**Line 8** – Applies only to exempt businesses which renegotiated their decrees under Section 13(b)(1) of Act 73-2008. Transfer this amount to Schedule N Incentives, Part I, line 10, or Schedule V Incentives, Part II, line 10, as applicable.



**Line 9** – If line 9 is **less** than line 8, enter the net operating income of the year (Part II, line 1 of this schedule) on Schedule N Incentives, Part I, line 1, if the preceding renegotiated decree was issued under Act No. 8 of 1987; or on Schedule V Incentives, Part II, line 1, if the preceding renegotiated decree was issued under Act 135-1997, and complete the corresponding schedule.

If line 9 is **more** than line 8, enter the basis period income on Schedule N Incentives, Part I, line 10, if the preceding renegotiated decree was issued under Act No. 8 of 1987; or on Schedule V Incentives, Part II, line 10, if the preceding renegotiated decree was issued under Act 135-1997, and complete the corresponding schedule starting from said line 10.

### **PART III – NET INCOME SUBJECT TO TAX (EXCEPT RENEGOTIATED DECREES UNDER SECTION 13(b)(1))**

**Line 2** – Enter the income from qualified investments under Section 2(j) of Act 73-2008.

**Line 4** – Refer to the instructions of Part II, line 4 of this Schedule.

**Line 7** – Subtract the industrial development income (IDI) subject to the tax rates applicable under the Code, according to Sections 3(f) and 3(g) of Act 73-2008. Transfer to Schedule P Incentives, Part I, line 1.

During the first four (4) years of the enforcement of this Act, according to the provisions of Section 3(f), the fixed income tax rates provided in the same will be applied gradually to the IDI, as follows:

Year	IDI subject to fixed tax rate under Act 73-2008	IDI subject to tax rates under the Code
1	25%	75%
2	50%	50%
3	75%	25%
4	100%	0%

On the other hand, an eligible business that at the date of its incentives application, is dedicated to the activity for which the benefits of this act are granted, as provided by Section 3(g), will be able to enjoy the fixed tax rate on industrial development income provided by Section 3, only regarding the increase that the net income from such activity generates over the average net income of the last three (3) taxable years previous to the date of submitting the application (basis period income).

The basis period income will be subject to the income tax rates provided by the Code. This income will be adjusted, reducing such amount by 25% annually, until it is reduced to zero for the fourth taxable year of application of the terms provided in the exempt business decree under this act.

**Line 8** – Refer to the instructions of line 6, Part II of this Schedule.

### **PART IV – TAX COMPUTATION**

**Line 1** – Check the corresponding tax rate, as provided in your exemption decree granted under Act 73-2008.

Act 73-2008 provides, among other things, that any exempt business with a decree granted under this act, that is located or

locates its operations in a municipality classified as low industrial development zone or intermediate industrial development zone, as provided by Section 11 of Act 73-2008, may reduce the established fixed income tax rate by an additional .5%. In those cases in which an exempt business with a decree granted under this act maintains operations in more than one industrial zone, such exempt business shall enjoy said reduction regarding the industrial development income attributable to its operations in the low industrial development zone or intermediate industrial development zone, according to the rules of attribution provided by regulation.

**Line 4** – Enter the result of the sum of lines 2 and 3. This is your “tentative tax”, determined by applying the corresponding fixed income tax rate according to Act 73-2008.

### **Line 5 - Credits**

On March 7, 2017, the Financial Advisory Authority and Fiscal Agency of Puerto Rico (“AAFAF”, for its Spanish acronym) issued Administrative Order No. OA-2017-01 (“OA-2017-01”) by which it created the Disbursements and Tax Concessions Authorization Committee (“CADCC”, for its Spanish acronym) to which it granted certain authorizations regarding the evaluation and granting of tax credits and delegated the responsibility of establishing limitations regarding the use and availability of the tax credits granted. Also, OA-2017-01 ordered the Secretary of Treasury (“Secretary”) to carry out an inventory of the tax credits granted and to require the holders of tax credits to report the amount granted of said credits, in the manner that the Secretary establishes for said purposes. The administrative order also establishes that, any credit holder that does not show evidence issued by the Secretary of compliance with the information requirement, will not be able to claim said tax credits.

For such purposes, on April 20, 2017, the Department of the Treasury issued the Internal Revenue Informative Bulletin No. 17-08 to notify that the requirement to carry out the inventory of tax credits would be met by electronically filing Form 480.71.1 (Informative Return for Tax Credits Holders) and established that the requirement imposed by AAFAF to submit evidence of compliance with the information requirement in order to claim the tax credits, would be met by electronically filing Form 480.71.1. Therefore, in order to claim a tax credit that has been granted and available as of April 19, 2017, it must be included in Form 480.71.1 that the credit holder submitted to the Department.

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

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

**Any Corporation claiming a tax credit, must submit with your return copy of Form 480.71.1 duly filed with the Department.**

If this part includes credits subject to moratorium, you must include with your return a detail that includes the description of the tax credit subject to moratorium, percentage claimed allowed by the moratorium, taxable year in which the credit was generated, total credit generated, amounts claimed in previous years, amount of credit available for the current year, amount of credit net of moratorium available for the current year and amount of credit available for subsequent years. Also, you must report the amount net of the portion that is subject to moratorium of said credit on the corresponding line.

In case of exempt businesses which renegotiated their decrees under Act 73-2008 and are entitled to claim the same credits against the basis period income tax and over the fixed tax rate under Act 73-2008, said credits can be claimed, at the exempt business option, up to the total amount allowed by law, against the basis period income tax or against the fixed tax rate; or allocated, up to the amount allowed by law, between the basis period income tax and the fixed tax rate. The sum of the allocated amounts cannot exceed the total amount of the credit.

**Lines 5(a) through 5(g)** – Refer to the instructions of Schedule X1 Incentives.

**Line 5(h)** – Refer to the instructions of Schedule B Incentives, Part II, line 5.

**Line 5(i)** – Refer to the instructions of Schedule B Incentives, Part II, line 4.

**Line 5(j)** – Include any other credit that your are entitle to claim. Submit a schedule showing a breakdown of such credits.

Also, include on this line the credit claimed for contributions made to the former governors foundations. For details, refer to the instructions of **Schedule B Incentives, Part II, line 8, 14 and 25.**

**Line 7** – Every exempt business under Act 73-2008 will be subject to a minimum tax. In the case of a small or medium business, such tax will be 1% of the net industrial development income of the business. For a local investment business, it will be 3% of the net industrial development income. In other cases, it will be the fixed income tax rate provided by law applicable to the business multiplied by the net industrial development income, excluding the income under subsection (j) of Section 2 of Act 73-2008.

**Line 9** – Subtract the tax withheld on royalty payments made during the year.

**Line 10** – The payment required for minimum tax will be equal to the excess of the minimum tax over the net tentative tax. As the net tentative tax exceeds the minimum tax, the exempt business will not have to make a payment for minimum tax.

**SCHEDULE X1 INCENTIVES – COMPUTATION OF TAX CREDITS FOR EXEMPT BUSINESSES UNDER ACT 73-2008**

**PART I – CREDIT FOR PURCHASES OF PRODUCTS MANUFACTURED 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 (include a schedule if you acquire the products from more than one business). 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. The eligible business must keep the necessary records evidencing the value of the purchases for which the credit is claimed. Do not include purchases of products that have been manufactured in Puerto Rico by persons related to the eligible business.

An eligible business, as defined by Act 73-2008, will be entitled to claim a credit against the income tax for the purchases of products manufactured in Puerto Rico, including component parts and accessories, equal to 25% of the purchases of said products during the taxable year in which the credit is claimed, or 35% if the products are made from recycled materials or recycled raw materials. This credit may be claimed up to a maximum of 50% of the income tax liability.

**This credit will not be available and no credit will be granted to those businesses that had claimed any special deduction or credit of similar nature under any other incentives act.**

For additional information, refer to Section 5(a) of Act 73-2008 and the corresponding regulations.

**Line 5** – In order to determine the total tax to be entered on this line, consider the following lines from other schedules.

If the income reported comes from:	The total tax will be:
Schedule L Incentives	Part II, line 8
Schedule N Incentives	Part II, line 6
Schedule P Incentives	Part II, line 8
Schedule V Incentives	Part III, line 2
Schedule W Incentives	Part II, line 5
Schedule X Incentives	Part IV, line 2
Schedule Y Incentives	Part II, line 2
Schedule Z Incentives	Part II, line 5
Schedule AA Incentives	Part III, line 5
Schedule BB Incentives	Part II, line 1

Please refer to Internal Revenue Circular Letter No. 11-01 (IR CL 11-01) for additional instructions regarding the management of the tax credits granted under Act 73-2008.

**PART II – JOB CREATION CREDIT**

Every exempt business beginning operations after July 1, 2008, will be entitled to claim a credit only against the industrial development income tax, for each job created during its first year of operations. The amount of the credit will depend on the industrial development zone where the exempt business operations are located, as follows:

Area	Credit
Vieques and Culebra	\$5,000
Low Industrial Development Zone	\$2,500
Intermediate Industrial Development Zone	\$1,000
High Industrial Development Zone	\$0



**Line 3(b)** – The generated credit not used during the first year of operations may be carried forward for a period that shall not exceed four years beginning in the first taxable year in which the exempt business generates net income. Detail on this line the amount of credit claimed in each one of the previous taxable years beginning on the date in which the same was generated and enter the total in the box.

**Line 5** – Enter the amount of credit to be claimed against the tax liability for the current taxable year. Transfer to Schedule X Incentives, Part IV, line 5(b).

For additional information, refer to Section 5(b) of Act 73-2008 and the corresponding regulations.

Please refer to IR CL 11-01 for additional instructions regarding the management of the tax credits granted under Act 73-2008.

### **PART III – CREDIT FOR INVESTMENT IN MACHINERY AND EQUIPMENT FOR THE GENERATION AND EFFICIENT USE OF ENERGY**

Any exempt business with a tax exemption decree may claim a credit against the income tax of 50% of its eligible investment made after May 28, 2008.

In case of an eligible investment made by an exempt business to generate energy for its own consumption, the credit shall not exceed 25% of the income tax. Nevertheless, in order to qualify as an eligible investment, such business shall request a certification from the Energy Affairs Administration (EAA) regarding the investment made during the corresponding period.

On the other hand, an eligible investment made by an exempt business engaged in the production, whether on a commercial scale or not, of energy for consumption in Puerto Rico, through the use of natural gas or coal, or through the use of renewable sources (businesses under Section 2(d)(1)(H) of Act 73-2008 or a similar provision under previous incentives acts) in order to establish or make a substantial expansion in its energy generating operations, the maximum amount of credit that can be granted will be eight millions dollars (\$8,000,000) per establishment or substantial expansion. In the case of an additional eligible investment made by the same exempt business, such maximum amount will be reduced by the amount of credit claimed by the exempt business in a previous taxable year regarding any previous eligible investment.

Every business under these provisions must request a preliminary certification from the EAA in which there shall be stated that the machinery and equipment that the exempt business intends to acquire meets all the regulations and conditions established and the estimated total of the eligible investment. After the business is established or the substantial expansion is completed, the business shall request a final certification from the EAA.

The credit for businesses under **Section 2(d)(1)(H) of Act 73- 2008 or a similar provision of previous incentives acts**, will be subject to the taxpayer's request and the approval by the Secretary of the Treasury of an administrative determination under Act 73-2008 and its corresponding regulations. You must include with the return copy of the

determination, along with the information required in the determination letter.

For purposes of this credit, **eligible investment** means, in general terms, the amount of cash used for the acquisition of machinery and equipment to generate energy from alternate sources to fuel oil.

After the third year that Act 73-2008 is in effect, only purchases of machinery and equipment to generate energy from renewable sources shall qualify for the credit.

For additional information, refer to Section 5(d) of Act 73-2008 and the corresponding regulations.

**Line 3** - Refer to the instructions of Part I, line 5 of this Schedule.

Please refer to IR CL 11-01 for additional instructions regarding the management of the tax credits granted under Act 73-2008.

### **PART IV – CREDIT TO REDUCE THE COST OF ELECTRIC POWER**

Any exempt business that is an industrial customer of the Electric Power Authority (AEE), with a tax exemption decree and who has generated a credit for cost of energy, will be able to claim the same only against the income tax.

The total credits for energy cost not used in the taxable year in which was originated could be carried forward to subsequent taxable years.

The term of force established for this credit is ten (10) years from July 1, 2008.

The amount of credit generated and not used at the end of the 2017-2018 fiscal year, may be carried only during the following four (4) taxable years.

For additional information, refer to Section 5(e) of Act 73-2008 and the corresponding regulations.

Please refer to IR CL 11-01 for additional instructions regarding the management of the tax credits granted under Act 73-2008.

### **PART V – CREDIT FOR THE TRANSFER OF INTELLECTUAL PROPERTY**

Any exempt business with a tax exemption decree may claim a credit only against the income tax equal to 12% of the payments made to corporations, partnerships or nonresident persons, for the use or right to use in Puerto Rico of intangible property in their exempt operation, provided that the income from such payments is from Puerto Rico sources.

In case of exempt businesses subject to the alternate imposition provided by Section 3(b)(4) of Act 73-2008, the applicable credit will be 2% of the payments made.

The credit generated not used in the taxable year in which it was originated may be carried forward for a period that shall not exceed eight taxable years beginning with the closing of the taxable year in which it was originated.



Please refer to IR CL 11-01 for additional instructions regarding the management of the tax credits granted under Act 73-2008.

## PART VI – INDUSTRIAL INVESTMENT CREDIT

Any investor may claim a credit for industrial investment equal to 50% of its investment in an exempt business with a decree granted under the incentives acts, that is in the process of closing operations in Puerto Rico, to continue operating it, or for investment in an exempt business considered as a small or medium business, among other requirements.

The maximum amount of credit for this concept shall not exceed eight million (\$8,000,000) dollars per exempt business with a decree granted under Act 73-2008.

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 73-2008 and the corresponding regulations. You must include with the return a copy of the administrative determination, along with the information required in such determination.

**Column A - Pre Tax Credits Manager and Column B - Post Tax Credits Manager** - Refer to the instructions of Part II of Schedule B Incentives.

**Line 3** – Enter the amount of credit not used in previous year, if any.

**Line 4** – This is the amount of credit available that the business may choose to claim against the tax determined for the current taxable year. If you have made an eligible investment during the current taxable year, you shall take into consideration 50% of the allowable credit for the year plus the amount of credit provided in previous years that was not claimed.

**Line 6(a)** – Enter the amount that you will claim against the tax determined in the current year and transfer to the corresponding schedule of the return.

**Line 6(b)** – If you chose to release, sell or in any way transfer totally or partially your credit, enter on this line the total amount transferred.

**Line 7** – Such part of the credit not used in the year in which the investment was made may be carried forward to subsequent years until totally used.

For additional information, refer to Section 6 of Act 73-2008 and its corresponding regulations.

Please refer to IR CL 11-01 for additional instructions regarding the management of the tax credits granted under Act 73-2008.

## PART VII – CREDIT FOR INVESTMENT IN RESEARCH AND DEVELOPMENT, CLINICAL TRIALS, TOXICOLOGY TESTS, INFRASTRUCTURE, RENEWABLE ENERGY OR INTANGIBLE PROPERTY

Any exempt business with a tax exemption decree may claim a credit for investment equal to 50% of the special eligible investment made in Puerto Rico after the approval of Act 73-2008. The credit may be applied, at the option of the exempt business, against the income tax of the business and/or against the operating expenses of the business related to electric power, water and sewage.

It is important to point out that the Department of the Treasury issued Tax Policy Informative Bulletin No. 16-12 (IB 16-12) to notify that in order for the exempt business to claim this credit against the operating costs related to the electric power, water and sewage, the Department must have issued a certification establishing that it has the funds to cover such operating costs, according to Act 22-2016.

The credit may be claimed in two or more installments: up to 50% of said credit may be claimed in the year the eligible investment is made and the balance in subsequent years until totally used, provided that such limitation shall not apply to operating expenses of said exempt business related to electric power, water and sewage.

Every exempt business that claims a credit under these provisions must request a certificate issued annually by the Puerto Rico Industrial Development Company which certifies the activities of a research and development project conducted in Puerto Rico that are eligible to request the tax credit provided in Section 5(c) of Act 73-2008. Said certification must be included with the return as a requirement to grant the credit claimed.

**Line 1** – The term **eligible special investment** means the amount of cash used by the exempt business with a decree issued under any Puerto Rico incentives act, or any entity affiliated to said exempt business in research and development activities, including operating expenses, clinical trials, toxicology tests, infrastructure, renewable energy or intellectual property.

Among the operating expenses the following will be included: payroll, including fringe benefits and professional services; insurance; tax, municipal license and licenses payments; rent; repair and maintenance expenses; net expense of electric power, water and telephone; and materials.

You must indicate on this line the total credit according to the supporting Certificate.

**Line 2** – Enter 50% of the total credit generated for investment made in the current year. You may claim a maximum of 50% of the credit against the tax liability in the year the investment was made.

**Line 3** – Enter the amount of credit not used in the previous year, if any.

**Line 4** – This is the amount of credit available that the business may choose to claim against the tax liability for the current year. If you have made an eligible investment during the current year, you shall take into consideration 50% of the allowable credit for this year plus the amount of credit generated not claimed in previous years.

**Line 5(a)** – Enter the amount that you will claim against the tax liability in the current year and transfer to the corresponding schedule of the return.

**Line 5(c)** – If you choose to claim part of your credit against the operating expenses of the current year related to electric power, water and sewage (AEE and AAA), enter on this line the amount claimed against such expenses. Please refer to IB 16-12 for additional details regarding the requirements to make this option of claiming the credit against the operating expenses of electric power, water and sewage.



**Line 5(d)** – If you chose to release, sell or in any way transfer totally or partially your credit, enter on this line the total amount transferred.

**Line 6** – That part of the credit not used in the year in which the investment was made can be carried forward to subsequent years until totally used.

For additional information, refer to Section 5(c) of Act 73-2008 and the corresponding regulations.

Please refer to IR CL 11-01 for additional instructions regarding the management of the tax credits granted under Act 73-2008.

## SCHEDULE Y INCENTIVES – INCOME TAX FOR EXEMPT BUSINESSES UNDER ACT 83-2010

This schedule must be used by those exempt businesses under Act 83-2010. Indicate in the corresponding boxes the effective period for income, and the current and required number of jobs directly related to manufacture or designated service.

### PART I – NET INCOME SUBJECT TO TAX

**Line 2** – Enter here the net operating losses from the preceding year, related to the activities covered by a decree issued under Act 83-2010, including the share on losses from pass-through entities that own or operate touristic businesses under Act 78-1993. You must submit a schedule with the case number, amount of the loss and carryover computation.

The amount of net operating loss to be carried forward shall be determined in accordance with the provisions of Section 1033.14 of the Code.

**Line 4** – Every exempt business with a decree granted under Act 83-2010, may elect to deduct, on the taxable year incurred in lieu of any expense capitalization required by the Code, the total expense incurred after the effective date of such act, in the purchase, acquisition or construction of buildings, structures, machinery and equipment, as long as said buildings, structures, machinery and equipment have not been previously used or depreciated by any other business or person in Puerto Rico, and are used in the manufacture of products or to render the services for which said benefits were provided under the act.

### PART II – TAX COMPUTATION

**Line 4** – Enter the result of the sum of lines 2 and 3. This is your “tentative tax”, determined by applying the corresponding fixed income tax rate according to the act.

#### Line 5 – Credits

On March 7, 2017, the Financial Advisory Authority and Fiscal Agency of Puerto Rico (“AAFAF”, for its Spanish acronym) issued Administrative Order No. OA-2017-01 (“OA-2017-01”) by which it created the Disbursements and Tax Concessions Authorization Committee (“CADCC”, for its Spanish acronym) to which it granted certain authorizations regarding the evaluation and granting of tax credits and delegated the responsibility of establishing limitations regarding the use and availability of the tax credits granted. Also, OA-2017-01 ordered the Secretary of Treasury (“Secretary”) to carry out an inventory of the tax credits granted and to require the holders of tax credits to report the amount granted of said credits, in the manner that the Secretary establishes for said purposes. The administrative order also establishes that, any

credit holder that does not show evidence issued by the Secretary of compliance with the information requirement, will not be able to claim said tax credits.

For such purposes, on April 20, 2017, the Department of the Treasury issued the Internal Revenue Informative Bulletin No. 17-08 to notify that the requirement to carry out the inventory of tax credits would be met by electronically filing Form 480.71.1 (Informative Return for Tax Credits Holders) and established that the requirement imposed by AAFAF to submit evidence of compliance with the information requirement in order to claim the tax credits, would be met by electronically filing Form 480.71.1. Therefore, in order to claim a tax credit that has been granted and available as of April 19, 2017, it must be included in Form 480.71.1 that the credit holder submitted to the Department.

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

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

#### **Any Corporation claiming a tax credit, must submit with your return copy of Form 480.71.1 duly filed with the Department.**

If this part includes credits subject to moratorium, you must include with your return a detail that includes the description of the tax credit subject to moratorium, percentage claimed allowed by the moratorium, taxable year in which the credit was generated, total credit generated, amounts claimed in previous years, amount of credit available for the current year, amount of credit net of moratorium available for the current year and amount of credit available for subsequent years. Also, you must report the amount net of the portion that is subject to moratorium of said credit on the corresponding line.

**Lines 5(a) through 5(d)** – Refer to the instructions of Schedule Y1 Incentives .

**Line 5(e)** – Refer to the instructions of Schedule B Incentives, Part II, line 5.

**Line 5(f)** – Refer to the instructions of Schedule B Incentives, Part II, line 4.

**Line 5(g)** – Include any other credit that you are entitled to claim. Submit a schedule showing a breakdown of such credits.

Also, enter on this line the credit claimed for contributions made to the former governors foundations. For details, refer to the instructions of **Schedule B Incentives, Part II, lines 8, 14 and 25.**

**Line 7** – Every exempt business under Act 83-2010 will be subject to a minimum tax. In the case of an exempt business that belongs directly in at least 50% to individuals residents of Puerto Rico, it will be 3% of the green energy income of the exempt business.

**Line 9** – Subtract the tax withheld on royalty payments made during the year.

**Line 10** – The payment required for minimum tax will be equal to the excess of the minimum tax over the net tentative tax. As long as the net tentative tax exceeds the minimum tax, the exempt business will not have to make a payment for minimum tax.

**SCHEDULE Y1 INCENTIVES – COMPUTATION OF TAX CREDITS FOR EXEMPT BUSINESSES UNDER ACT 83-2010**

**PART I – CREDIT FOR PURCHASES OF PRODUCTS MANUFACTURED 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 (include a schedule if you acquire the products from more than one business). 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. The eligible business must keep the necessary records evidencing the value of the purchases for which the credit is claimed. Do not include purchases of products that have been manufactured in Puerto Rico by persons related to the eligible business.

A business engaged in an eligible activity, as defined by Act 83-2010, will be entitled to claim a credit against the income tax for purchases of products manufactured in Puerto Rico, including component parts and accessories, equal to 25% of the purchases of said products during the taxable year in which the credit is claimed, or 35% if the products are made from recycled materials or recycled raw materials. This credit may be claimed up to a maximum of 50% of the income tax liability.

**This credit will not be available and no credit will be granted to those businesses that had claimed any special deduction or credit of similar nature under any other incentives act.**

For additional information, refer to Article 2.11(a) of Act 83-2010 and the corresponding regulations.

**Line 5** – Enter the sum of lines 2 and 3 or line 8, Part II of Schedule Y Incentives, whichever is greater.

**PART II – CREDIT FOR JOB CREATION**

Every exempt business beginning operations after July 19, 2010, will be entitled to claim a credit only against the green energy income tax, for each job created during its first year of operations.

The amount of the credit will depend on the industrial development zone where the exempt business operations are located, as follows:

Area	Credit
Vieques and Culebra	\$5,000
Low Industrial Development Zone	\$2,500
Intermediate Industrial Development Zone	\$1,000
High Industrial Development Zone	\$0

**Line 1** – The credit generated not used during the first year of operations may be carried forward for a period that shall not exceed four years beginning in the first taxable year in which the exempt business generates net income. Submit a detail including the amount of credit claimed in each one of the previous taxable years beginning on the date in which the same was generated.

**Line 2** – Enter the amount of credit to be claimed against the tax liability for the current year. Transfer to Schedule Y Incentives, Part II, line 5(b).

For additional information, refer to Article 2.11(b) of Act 83-2010 and the corresponding regulations.

**PART IV - CREDIT FOR INVESTMENT IN RESEARCH AND DEVELOPMENT OF GREEN ENERGY SOURCES**

Any exempt business with a tax exemption decree granted under Act 83-2010, may claim a credit for investment equal to 50% of the special eligible investment made in Puerto Rico after the approval of said act. The credit may be claimed against the green energy income tax.

The credit may be claimed in two or more installments: up to 50% of said credit may be claimed in the year the eligible investment is made and the balance in subsequent years until totally used.

Every exempt business that claims a credit under these provisions must request a certificate issued annually by the Energy Affairs Administration, which certifies the activities of a research and development project carried out in Puerto Rico that are eligible to apply for the tax credit provided in Article 2.11(c) of Act 83-2010. This certification shall be included with the return as a requirement to grant the tax credit claimed.

**Line 1** – The term **eligible special investment** means the amount of cash used by the exempt business, or any entity affiliated to said exempt business, in research and development activities directly related with the production of green energy, including operating expenses, infrastructure or intellectual property, incurred or used directly in said activities.

Among the operating expenses, the following will be included: payroll, including fringe benefits and professional services; insurance; tax, municipal license and licenses payments; rent; repair and maintenance expenses; net expense of electric power, water and telephone; and materials.

You must indicate on this line the total credit according to the supporting Certificate.

**Line 2** – Enter 50% of the total credit generated for investment made in the current year. You may claim a maximum of 50% of



the credit against the tax liability in the year the investment was made.

**Line 3** – Enter the amount of credit not used in the previous year, if any.

**Line 4** – This is the amount of credit available that the business may choose to claim against the tax liability for the current year. If you have made an eligible investment during the current year, you shall take into consideration 50% of the allowable credit for this year plus the amount of credit generated not claimed in previous years.

**Line 5(a)** – Enter the amount that you will claim against the tax liability in the current year and transfer to Schedule Y Incentives, Part II, line 5(c).

**Line 5(b)** – If you chose to release, sell or in any way transfer, totally or partially your credit, enter on this line the total amount transferred.

**Line 6** – That portion of the credit not used in the year in which the investment was made can be carried forward to subsequent years until totally used.

For additional information, refer to Article 2.11(c) of Act 83-2010 and the corresponding regulations.

### **PART III – CREDIT FOR THE TRANSFER OF INTELLECTUAL PROPERTY**

Any exempt business with a tax exemption decree granted under Act 83-2010, may claim a credit only against the green energy income tax equal to 12% of the payments made to corporations, partnerships or nonresident persons, for the use or right to use in Puerto Rico of intangible property in their exempt operation, provided that the income from such payments is from Puerto Rico sources.

The credit generated not used in the taxable year in which it was originated may be carried forward for a period that shall not exceed eight taxable years beginning with the closing of the taxable year in which it was originated.

### **SCHEDULE Z INCENTIVES - INCOME TAX FOR EXEMPT BUSINESSES UNDER ACT 118-2010**

This schedule must be used by businesses that derive income from gaming operations in their touristic installations under Act 118-2010, as amended, best known as the “Municipal Economic and Tourism Development Incentives Act”.

#### **PART I - NET INCOME SUBJECT TO TAX**

**Line 2** - Enter the carryover balance of the net operating loss at the end of the previous year.

#### **PART II - COMPUTATION OF TAX**

**Line 4** – Check the corresponding tax rate, as established in your exemption decree granted under Act 118-2010.

#### **PART III - GROSS PROFIT ON SALES AND OTHER INCOME**

**Line 1** – The net income from gaming will be equal to the gross income from gaming less the winnings paid.

For additional information, refer to Act 118-2010.

### **SCHEDULE AA INCENTIVES – INCOME TAX FOR EXEMPT BUSINESSES UNDER ACT 20-2012**

This schedule must be used by exempt businesses under Act 20-2012, known as Act to Promote the Exportation of Services. Indicate in the corresponding boxes the effective period for income and the current and required number of jobs directly related to the designated service.

#### **PART II – NET INCOME SUBJECT TO TAX**

**Line 2** – Enter here the net operating losses from the preceding year.

**Line 4** - Applies only to exempt businesses which negotiated their decrees under Article 4(c) of Act 20-2012.

#### **PART III – TAX COMPUTATION**

**Line 1** – Check the tax rate corresponding to the Export Services Income (SEI), as provided in your exemption decree granted under Act 20-2012.

The amount of loss to be carried forward shall be computed under the provisions of Section 1033.14 of the Code.

**Line 2** – Check the tax rate corresponding to the Base Period Income, as provided in your exemption decree granted under the Act 20-2012.

The income attributable to the Base Period Income will be subject to the income tax rates provided by the Code except in case of entities with exemption decrees under Act 73-2008 and Act 135-1997, in which case the fixed tax rate provided in the decree will apply. The Code provides a normal tax rate of 20% plus the surtax. To determine the surtax, refer to the instructions of the Schedule L Incentives, Part II, line 5, last table.

### **SCHEDULE BB INCENTIVES - INCOME TAX FOR ELIGIBLE BUSINESSES IN THE OPPORTUNITY ZONES UNDER ACT 60-2019**

This schedule must be used by those eligible businesses in the opportunity zones under Act 60-2019, known as the Puerto Rico Incentives Code, which have a tax exemption decree issued under the chapter of Opportunity Zones of said Code. Indicate in the corresponding boxes the period of effectiveness for income and current and required number of Jobs directly related to the designated service.

#### **PART I - NET INCOME SUBJECT TO TAX**

**Line 2** - Enter here the net operating losses of the previous year. Any net loss on the reported exempt operation under the opportunity zones, may be deducted against the net income from opportunity zones that incurred the loss. The excess of loss over income may be carried forward against the net income of opportunity zones of subsequent years.

#### **PART II - TAX COMPUTATION**

**Line 1** - An exempt business will be subject to a fixed rate of income tax on your net income from opportunity zones of eighteen point five (18.5) percent instead of any other tax imposed by the Code.

## DUTY TO PAY ESTIMATED TAX

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

### ESTIMATED TAX COMPUTATION

The estimated tax computation 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 15<sup>th</sup> day of the fourth month
- 2nd installment: the 15<sup>th</sup> day of the sixth month
- 3rd installment: the 15<sup>th</sup> day of the ninth month
- 4th installment: the 15<sup>th</sup> day of the twelfth month

If the obligation 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 15<sup>th</sup> day of the sixth month
- 2nd installment: the 15<sup>th</sup> day of the ninth month
- 3rd installment: the 15<sup>th</sup> day of the twelfth month

If the obligation 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 15<sup>th</sup> day of the ninth month
- 2nd installment: the 15<sup>th</sup> day of the twelfth month

If the obligation 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 15<sup>th</sup> day of the twelfth month of the taxable year.

Estimated tax installments will be paid electronically through SURI.

### CHANGES IN THE ESTIMATED TAX COMPUTATION

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

## PENALTIES

Section 6041.10 of the Code establishes 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:
  - the total tax determined as it results from the preceding year's income tax return, or
  - an amount equal to the tax computed at the rates and under the law applicable to the taxable year using the data included in the 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 no tax was determined, without taking into consideration any credit to which it had been entitled, including credits for taxes withheld or paid. On the other hand, you consider any credit for taxes paid or accumulated during the taxable year to the United States, its states, territories and possessions, or any foreign country to which you are entitled.



## INDUSTRIAL CODES

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

- 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



GOVERNMENT OF PUERTO RICO  
DEPARTMENT OF THE TREASURY  
PO BOX 9024140  
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.