



# INSTRUCTIONS BOOKLET

INCOME TAX RETURN  
FOR EXEMPT BUSINESSES  
UNDER THE PUERTO RICO  
INCENTIVES CODE (ACT 60-2019)  
**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*".

**PUERTO RICO INCENTIVES CODE**

Act No. 60 of July 1, 2019, better known as the "Puerto Rico Incentives Code" (hereinafter "Incentives Code") was designed with the purpose of promoting the environment, opportunities and adequate tools to foster the sustainable economic development of Puerto Rico, as well as to improve the economic competitiveness of Puerto Rico.

The Incentives Code is divided into sections based on particular characteristics to serve the various sectors of the economy. In addition, it modifies the eligibility and benefits obtained prospectively for various economic activities.

We invite you to review the educational material and instructions available on our website: [www.hacienda.pr.gov](http://www.hacienda.pr.gov), which offers more detailed information on the changes incorporated in the Incentives Code.

**GENERAL DEFINITIONS - INCENTIVES CODE**

Some general definitions are included, as defined in the Incentives Code, which may serve as reference in the preparation of the Schedules of this return.

**Decree** - Means the concession, by means of a contract, issued by the Secretary of the DDEC, allowing an Eligible Business to enjoy the incentives and/or tax credits corresponding to said Eligible Business, subject to compliance with the requirements and applicable regulations, either under the Incentives Code or prior incentive laws.

**Entity** - Means any corporation, limited liability company, partnership or any other juridical person. Likewise, the tax treatment that these entities receive in accordance with the Puerto Rico Internal Revenue Code is recognized, including any election made by such entities under said Code.

**Eligible Income or Exempt Income** - Means the income earned by Exempt Businesses under the Incentives Code from eligible activities, as provided in Subtitle B of said Code.

**Eligible Investment** - Means the amount of cash used by an Exempt Business in accordance with the Incentives Code, or any Entity Affiliated to such Exempt Business, and that qualifies under one of these categories:

- (i) Eligible Tourism Investment
- (ii) Special Eligible Investment
- (iii) Creative Eligible Investment
- (iv) Eligible Green or Highly Efficient Energy Investment
- (v) Eligible Manufacturing Investment
- (vi) Eligible Agroindustrial or Agricultural Operations Investment
- (vii) Strategic Projects

**Special Eligible Investment** - Means the amount of cash used by the Exempt Business that has a Decree granted pursuant to the Incentives Code or under any of the previous incentive acts, or any Exempt Business Affiliate in research and development activities carried out in Puerto Rico during a taxable year, as defined in the Incentive Regulations. The term Special Eligible Investment includes an Exempt Business investment that is made with the cash from the programs, a loan that is guaranteed by the Exempt Business itself or by its assets, or any Entity Affiliated to the Exempt Business or by its assets. This term will also include an Exempt Business investment, made

with the cash from a scholarship, agreement or in any other way financed by a government entity of the United States, but not of Puerto Rico. The Secretary of the DDEC, in consultation with the Secretary of the Treasury and/or the Secretary of Agriculture, as the case may be, will establish the criteria to identify the costs that will qualify as a Special Eligible Investment in the Incentive Regulations.

**Eligible Business** - Means those individuals or business activities that qualify to obtain a Decree under the Incentives Code, including the following:

- (i) Investor Resident Individuals who relocate to Puerto Rico and Hard-to-Recruit Professionals who qualify for the tax benefits pursuant to the provisions of Chapter 2 of Subtitle B of the Incentives Code.
- (ii) Medical Professionals in accordance with the provisions of Chapter 2 of Subtitle B of the Incentives Code.
- (iii) Eligible Scientific Research, in accordance with the provisions of Chapter 2 of Subtitle B of the Incentives Code.
- (iv) Export of Services, Export Trade or Promoter Services, in accordance with the provisions of Chapter 3 of Subtitle B of the Incentives Code.
- (v) International Financial Entities, International Insurers, Segregated Asset Plans and International Insurer Holding Companies in accordance with the provisions of Chapter 4 of Subtitle B of the Incentives Code.
- (vi) Private Capital Funds, in accordance with the provisions of Chapter 4 of Subtitle B of the Incentives Code.
- (vii) Visitor's economy activities, including tourism activities such as hotels, condo hotels and medical tourism and nautical tourism activities, in accordance with the provisions of Chapter 5 of Subtitle B of the Incentives Code.
- (viii) Manufacturing activities, in accordance with the provisions of Chapter 6 of Subtitle B of the Incentives Code.
- (ix) Other businesses designated as Eligible Businesses, in accordance with the provisions of Chapter 6 of Subtitle B of the Incentives Code, including:
  - a. Basis services to business clusters;
  - b. Property devoted to industrial development;
  - c. Certain recycling activities; and
  - d. Certain science, technology and research activities.
- x) Activities dedicated to infrastructure and green or highly efficient energy in accordance with the provisions of Chapter 7 of Subtitle B of the Incentives Code.
- (xi) Agricultural and agro-industrial activities, in accordance with the provisions of Chapter 8 of Subtitle B of the Incentives Code.
- (xii) Creative Industries Activities, including Film Projects in accordance with the provisions of Chapter 9 of Subtitle B of the Incentives Code.
- (xiii) Entrepreneurial activities, in accordance with the provisions of Chapter 10 of Subtitle B of the Incentives Code.
- (xiv) Air and maritime transport service activities, in accordance with the provisions of Chapter 11 of Subtitle B of the Incentives Code.

**Exempt Business** - Means any Eligible Business that has been granted a Decree.

**New PYME** - Means an Exempt Business that complies with the definition of the term PYMES of the Incentives Code that has not started operations as of the effective date of said Code. The Incentive Regulation may provide additional factors to be analyzed to determine if it is a New PYME.



**Person** - Means any natural or legal person, pass-through entity, estate or trust.

You may refer to Sections 1020.01 through 1020.10 of the Incentives Code for additional general definitions and definitions applicable to each industry.

**Small and Medium Enterprises (PYMES)** - Means Exempt Businesses, as defined in the Incentives Code, that generate an average volume of business of three million dollars (\$3,000,000) or less during the three (3) taxable years preceding the current taxable year. For these purposes, and in accordance with Section 1061.15 of the Puerto Rico Internal Revenue Code of 2011, as amended (Code), the volume of business will be the total generated from the sales of goods, products and services without considering the cost of the goods or products sold by the Eligible Business, and will include the volume of business of the controlled group, as said term is defined in Section 1010.04 of the Code, or group of related entities, as said term is defined in Section 1010.05 of the Code. For purposes of the Incentives Code, the term PYMES does not include Resident Individual Investors, Hard-to-Recruit Professionals, nor the terms Professional Medical Services and Eligible Scientific Research.

**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 for the production of income in Puerto Rico, will be required to submit financial statements with their 2022 income tax return, as indicated below:

If the volume of business during the taxable year is \$10 million or more, the entity will be required to submit with the return,

financial statements audited by a Certified Public Accountant ("CPA") licensed in Puerto Rico, that reflect the results of its operations for the taxable year.

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

- Agreed-Upon Procedures Report ("AUP") under Internal Revenue Circular Letter No. 19-14 ("IR CL 19-14") related to the alternative minimum tax, prepared by a CPA licensed in Puerto Rico; or
- Audited financial statements, under Section 1061.15 of the Code, together with an Audit Report issued by a CPA licensed in Puerto Rico ("Audited Financial Statement").

If the volume of business during the taxable year is equal to or greater than \$1 million, but less than \$3 million, the business will not be required to submit Audited Financial Statements with the return. However, those taxpayers that, together with the filing of their return, voluntarily submit any of the following documents, the deduction limitations established in Section 1022.04 of the Code will not apply:

- AUP under IR CL 19-14 prepared by a CPA licensed in Puerto Rico;
- AUP under Internal Revenue Circular Letter No. 20-39 ("IR CL 20-39") prepared by a CPA licensed in Puerto Rico; or
- Audited Financial Statements.

In addition, every business that is up to date with its tax responsibility and under these conditions, choose to include the Audited Financial Statements or the AUP under IR CL 20-39, shall be entitled to a total or partial withholding waiver on payments for services rendered.

If the volume of business for the taxable year is equal to or greater than \$3 million, but less than \$10 million, the entity may choose to submit Audited Financial Statements or the AUP under IR CL 20-39 prepared by a CPA with license in Puerto Rico. If the business submits one of these reports, the deduction limitations established in Section 1022.04 of the Code will not apply.

Financial Statements and Supplementary Information

The Audited Financial Statements required by Section 1061.15 of the Code will include a balance sheet, an income statement showing the results of operations, a cash flow statement, and a statement of changes in equity. They must be submitted with an Auditor's Report issued by a CPA licensed to practice in Puerto Rico. The Auditor's Report should indicate that the financial statements have been submitted under the United States Generally Accepted Auditing Standards ("US GAAS"), without the need for the CPA to issue an unqualified opinion. Qualified opinions, as defined by US GAAS, will be accepted 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 that is due to restrictions in the scope of the audit imposed by the business will not be accepted neither will reports with adverse opinion.





Section 1061.15(b) of the Code establishes the requirement to include additional information to the financial statements that are submitted with the return. Every corporation that submits Audited Financial Statements along with the return, even if it is voluntarily, will have the obligation to submit supplementary information as described in Section 1061.15(b) of the Code ("Supplementary Information"). For additional information on the Guidelines for the Preparation of the Schedules Required as Supplementary Information, 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, a corporation with a tax exemption grant under the Incentives Code with a calendar year must file the return on June 15, therefore, the due date to submit the Supplementary Information will be no later than January 31 of the next year, even when the entity has not requested an extension of time to file the return.

#### Group of Related Entities

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

For purposes 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's volume of business. Therefore, it will be necessary to add the volume of business of each member of the group of related entities.

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

- Every entity member of the group that has generated a volume of business equal to or more than \$1 million, will have to submit consolidated or combined financial statements, according to the provisions of 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 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 volume of business of 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 IR CL 20-39 prepared by a CPA licensed in Puerto Rico or Audited Financial Statements.

Every entity member of a group of related entities 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, refer to Section 1061.15 of the Code.**

**For additional information about the AUP, refer to IR CL 19-14 related to the alternative minimum tax and to IR CL 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.

#### PRIVATE EQUITY FUND

Indicate if the taxpayer is a Private Equity Fund ("PEF") enjoying the benefits of Act 60-2019. Any partnership or limited liability company, organized under the laws of the Government of Puerto Rico, any state of the United States or any other foreign jurisdiction, that works with investments on promissory notes, bonds, notes (including secured and unsecured loans and including the collateral), shares or any other securities of a similar nature issued by entities that, at the time of acquisition, are not listed or traded at public securities markets in the United States or in any foreign country, will qualify to be treated as a Fund, under the provisions of Chapter 4 of Subtitle B of the

Incentives Code, during each fiscal year that meets the following requirements:

- i. office located in Puerto Rico, whether it is the office of its managing partner, the office of its registered investment advisor or its own office;
- ii. a minimum of eighty percent (80%) of the paid-in capital contributed to the Fund by its Accredited Investors, (excluding from said capital the money that the Fund maintains in bank accounts and other investments that are considered equivalent to cash) is invested in non-public promissory notes, bonds, notes, shares or any other securities of a similar nature that, at the time of acquisition, are not offered at public stock exchange markets in the United States or foreign countries;
- iii. The remaining balance of the capital that has not been invested in accordance with the provisions of subsection (ii) of this paragraph will not exceed twenty percent (20%) and must be maintained in one of the following investments:
  - (A) obligations from, or guaranteed by, the United States or the Government of Puerto Rico, if principal and interest are due within a fifteen (15) month period from the investment date;
  - (B) reselling agreements with institutions insured by the FDIC, SIPC, PRCUSIC, IBE or IFE if due within ninety (90) days or less. The securities underlying the reselling agreements must be direct obligations of, or guaranteed as to principal and interest by the Federal Government of the United States or those of Puerto Rico with a minimum investment rating of investment grade. The securities must be held in a custodial account at an institution insured by the FDIC or SIPC;
  - (C) certificates of deposit with a maturity of one (1) year or less, issued by institutions insured by the FDIC, or the PRCUSIC;
  - (D) a deposit account in an institution insured by the FDIC, or PRCUSIC, subject to a withdrawal restriction of one year or less;
  - (E) a checking account in an institution insured by the FDIC or PRCUSIC;
  - (F) account with a reasonable cash balance for miscellaneous expenses; or
  - (G) investment certificates in IBE or IFE.

**TAXPAYER'S 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 Ramirez Building  
10 Paseo Covadonga, Office 101

☞ **San Juan 360° Services Center - Representative's Center**  
Intendente Ramirez 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 guarantee the health and safety of our taxpayers, the Department has established a controlled system to serve taxpayers through technological platforms, telephone, email and an appointment and shift system through the Turnos PR application on our page at Internet [www.hacienda.pr.gov](http://www.hacienda.pr.gov) or at [hacienda.turnospr.com](http://hacienda.turnospr.com). On the other hand, to carry out transactions and obtain services online, you can access our digital platform of the Internal Revenue Integrated System ("SURI", for its Spanish acronym) at [suri.hacienda.pr.gov](http://suri.hacienda.pr.gov). In addition, any taxpayer who does not have a SURI account and requires assistance, can write to us securely through the "Assistance in SURI" link, available on the SURI home page.

**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:

- ☞ Preparation and electronic filing of the Corporation Income Tax Return using programs or applications certified by the Department
- ☞ Preparation and electronic filing of the Individual Income Tax Return using programs or applications certified by the Department
- ☞ Preparation of the 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 (Informative)
- 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, such as:

- *Boletín Informativo de Rentas Internas Núm. 17-11 de 7 de junio de 2017 - Retención sobre Pagos Efectuados por Servicios Prestados* (Spanish only)

- *Boletín Informativo de Rentas Internas Núm. 18-24 de 31 de diciembre de 2018 - Cambios a la Retención en el Origen sobre Pagos por Servicios Prestados y a los Certificados de Relevos de Retención* (Spanish only)

- *Boletín Informativo de Rentas Internas Núm. 19-14 de 15 de noviembre de 2019 - Radicación de las Planillas de Contribución sobre Ingresos y otros documentos de los grandes contribuyentes* (Spanish only)

- *Carta Circular de Rentas Internas Núm. 11-01 de 3 de enero de 2011 - Procedimiento para Reclamar Créditos Contra la Contribución sobre Ingresos, Notificar la Venta de Créditos o Solicitar Cupones de Pago para Cubrir Gastos de Energía Eléctrica, Agua y Alcantarillado* (Spanish only)

- *Carta Circular de Rentas Internas Núm. 17-02 de 16 de febrero de 2017- Retención sobre Pagos Efectuados por Servicios Prestados* (Spanish only)

- *Carta Circular de Rentas Internas Núm. 19-16 de 9 de diciembre de 2019 - Relevos Parciales para la Retención en el origen de 6% a contribuyentes que opten por acogerse a la contribución opcional de las secciones 1021.06 ó 1022.07 del Código de Rentas Internas de Puerto Rico de 2011, según enmendado* (Spanish Only)

- *Carta Circular de Rentas Internas Núm. 19-14 de 9 de diciembre de 2019 - Requisito de someter un informe de procedimientos previamente acordados para tener derecho a la deducción de ciertos gastos para propósitos de la Contribución Básica Alterna y la Contribución Alternativa Mínima* (Spanish Only)

- *Carta Circular de Rentas Internas Núm. 22-08 de 17 de marzo de 2021 - Radicación de la Planilla de Contribución sobre Ingresos de Corporaciones Correspondiente al Año Contributivo 2021* (Spanish Only)

- *Determinación Administrativa Núm. 07-01 de 12 de enero de 2007 - Tratamiento Contributivo de Indemnización Recibida por Concepto de Daños y Perjuicios, por Razón de Incapacidad Ocupacional y No Ocupacional; y Pagos por Terminación de Empleo* (Spanish only)

- *Determinación Administrativa Núm. 07-03 de 4 de abril de 2007 - Aportaciones y Transferencias de Cuentas de Aportación Educativa* (Spanish only)

- *Determinación Administrativa Núm. 08-04 de 22 de mayo de 2008 - Enmienda a la Determinación Administrativa Núm. 07-01 Relativa al Tratamiento Contributivo de Indemnización Recibida por Concepto de Daños y Perjuicios, por Razón de Angustias Mentales Incidentales a Daños Físicos* (Spanish only)

- *Determinación Administrativa Núm. 11-10 de 30 de junio de 2011 - Disposiciones bajo el Código de Rentas Internas para un Nuevo Puerto Rico (Ley de Incentivos de Energía Verde de Puerto Rico)* (Spanish only)



- *Determinación Administrativa Núm. 12-04 de 14 de febrero de 2012 - Disposiciones Relacionadas a la Elección o Conversión a Sociedad bajo el Capítulo 7 del Subtítulo A del Código de Rentas Internas del 2011 (Spanish only)*
- *Determinación Administrativa Núm. 12-09 de 29 de mayo de 2012 – Disposiciones Relacionadas a la Elección y Notificación de Tratamiento como Sociedad bajo el Capítulo 7 del Subtítulo A del Código de Rentas Internas de 2011 (Spanish only)*
- *Administrative Determination No. 12-12 of August 8, 2012 Income Tax Return Requirement (Nonresident Foreign Corporations Subject to the Income Source Rule under Section 1035.05 of the Puerto Rico Internal Revenue Code of 2011)*
- *Determinación Administrativa Núm. 12-13 de 14 de septiembre de 2012 - Límite en Deducción por Aportaciones a Fideicomisos para Empleados bajo la Sección 1033.09(a)(1)(A) del Código de Rentas Internas de Puerto Rico de 2011 (Spanish only)*
- *Determinación Administrativa Núm. 14-06 de 6 de marzo de 2014 - Guías para la Preparación de los Anejos Requeridos como Información Suplementaria (Spanish only)*
- *Determinación Administrativa Núm. 14-07 de 12 de marzo de 2014 - Requisito de Someter Estados Financieros Auditados con la Planilla de Contribución sobre Ingresos, Determinación de la Contribución Adicional sobre Ingreso Bruto y Cambios Importantes en el Formulario Modelo SC 2652 (Spanish only)*
- *Determinación Administrativa Núm. 15-24 de 17 de diciembre de 2015 - Modificación a las guías para la Preparación de los Anejos Requeridos como Información Suplementaria (Spanish only)*
- *Determinación Administrativa Núm. 16-11 de 30 de septiembre de 2016– Contribución Alternativa Mínima para Años Contributivos 2015 y 2016 (Spanish only)*
- *Determinación Administrativa Núm. 19-01 de 3 de mayo de 2019 - Vigencia de las enmiendas introducidas al Código de Rentas Internas de Puerto Rico de 2011, según enmendado, por la Ley Núm. 257 de 10 de diciembre de 2018*
- *Determinación Administrativa Núm. 21-09 de 17 de noviembre de 2021 - Programa para retrotraer pérdidas bajo la Ley Núm. 57-2020 (Spanish Only)*

**WHO MUST FILE THIS RETURN?**

Every corporation engaged in trade or business in Puerto Rico that has an Exemption Decree under the Incentives Code under any of the following eligible activities:

- ↔ Export of Goods and Services
- ↔ Finance, Investments and Insurance
- ↔ Visitor Economy
- ↔ Manufacturing
- ↔ Agroindustries
- ↔ Creative Industries
- ↔ Entrepreneurship
- ↔ Opportunity Zones
- ↔ Other Industries

In those cases where a corporation operates under a tax exemption decree under the Incentives Code that is effective during any part of the taxable year, it will use this return to report all income received during the taxable year. Income from fully taxable operations must be reported on Schedule 11 Incentives.

**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 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 00902-4140

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 taxpayers under the "Large Taxpayer" category pursuant to Section 1010.01(a)(35) of the Code, the return must be personally filed at the Office of the Director of the Return Processing Bureau, Large Taxpayers, Department of the Treasury, Intendente Alejandro Ramírez Building, 10 Paseo Covadonga, Old San Juan.

You may also send it by certified mail, with acknowledgment of receipt, to the Department of the Treasury, Office of the Director of the Returns Processing Bureau, Large 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. The request must be made by electronically filing Form AS 2644 through SURI.

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

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

**HEADING OF THE RETURN**

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

**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 manufacturer's number (in the applicable cases), 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 as stated in your Merchant's Registry Certificate. 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 43, 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 pursuant to Section 1010.01(a)(35) of the Internal Revenue Code. For purposes of determining the business volume required in subsection (G) of said section, the aggregate business volume of all members of the group of related entities, as said term is defined in Section 1010.05 of said Code, shall be determined.

Also indicate the eligible activity that is reported on the return and in the corresponding box, check if you choose that the benefits of the decree be used for taxable year 2022.

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. You can also change your address at any time of the year through your SURI account by following the steps indicated below: (i) login to your SURI account; (ii) in the *More options* menu, find the *Taxpayer's Information* section and click *Manage Names and Addresses* link; (iii) in the *Addresses* menu, select the address you want to change and click *Change this address* link; (iv) enter the new address and click the *Verify address* link; (v) once the address is verified, click the *Next* option to continue to the next screen; (vi) on the *Review and Submit* screen, make sure to click on the *Submit* link. The system will provide you with a confirmation number for the change of address request. We encourage you to keep this number for your records. If you do not have an account in SURI, and you still do not have to file the return, you must report it using Form SC 2898 (Change of Address), available through our website: [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 2644.1) was filed.

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

For additional information refer to the instructions of Form AS 2652.1 and IR CL 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 the total tax determined in each one of the corresponding schedules.

### 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 1K, 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 Internal Revenue 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 and the tax due was paid. 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(k) and line 2(h) only in those cases where line 2(h) is more than the total of line 1(k) of this Form 480.30(II).

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 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.

You can also make payments electronically through SURI.

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

If you filed the return after the date established for the filing of the same or requested an extension and did not pay the entire debt, you must compute the interests and surcharges applicable from the date established for the filing of the return until the date the payment was made.

## INTERESTS, SURCHARGES AND PENALTIES

### Interests

The Internal Revenue 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 Internal Revenue 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 Internal Revenue 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 Internal Revenue 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 Internal Revenue Code or regulations) with the intention to avoid or defeat any tax imposed by the Internal Revenue Code, in addition to other penalties, shall be guilty of a third degree felony.**

#### SIGNATURE AND OATH OF THE RETURN

The return must be signed by the president, vice president, treasurer, 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.

#### PARTS II, III AND IV - COMPARATIVE 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

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.

**Line 7** - Indicate if the volume of business of the entity or the aggregate volume of business of the group of related entities, if the entity is a member of said group, is equal to or more than \$10 million. If so, indicate whether you are including the required reports with this return.

**Line 7(a)** - Indicate if you are including audited financial statements, as provided in Section 1061.15 of the Internal Revenue Code. You must include the stamp number of the CPA Society.

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

**Line 7(c)** - Indicate whether audited financial statements or an agreed-upon procedure report signed by a CPA licensed in Puerto Rico is included, as provided in Section 1061.15(a)(5)(A) of the Internal Revenue Code, when the entity is a member of a group of related entities and the business volume of the entity does not exceed \$3 million. You must include the stamp number of the CPA Society.

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

**Line 8** - If the entity is not a member of a group of related entities, indicate if the volume of business of the entity is equal to or more than \$3,000,000 but less than \$10,000,000. If so, indicate whether you are including the required reports with this return.

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

**Line 22** - Indicate if you claimed expenses related to services provided by nonresidents of Puerto Rico. If the answer is "Yes", you must indicate the total (100%) of said expenses on the line provided for this in this question.

**Line 25** - If the entity is filing a return for a period of less than twelve months as a result of a change in the accounting period, indicate whether the entity requested to change the accounting period. You must include the date of request and the date of approval. Also, you must submit as evidence a copy of the Administrative Determination issued by the Department approving the change in the accounting period.

**Line 27** - If on page 1 you indicated that the entity is a Private Equity Fund, you must complete questions (a) and (b) with the requested information. Likewise, you must answer question (c), as applicable.

**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 all 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 1 through 11 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.

#### RETURN OF THE INCOME TAX RETURN FOR NOT BEING COMPLETED IN ALL ITS PARTS

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

## GENERAL INSTRUCTIONS FOR SCHEDULES 1 THROUGH 11 INCENTIVES

### PART I - SCHEDULES 2, 3, 7, 8, 9, 10 AND 11 INCENTIVES; AND PART II - SCHEDULES 1, 4, 5 AND 6 INCENTIVES - DETERMINATION OF GROSS INCOME FROM OPERATIONS

In this part you will determine your gross profit on sales of goods or products, services or other income, as applicable in each Schedule.

Detail in Part VI of Schedules 1, 4, 5 and 6 Incentives the cost of goods sold or direct costs of production claimed on line 2 of Part II. If you are completing Schedules 3, 8, 9 and 11 Incentives, detail cost of goods sold or direct costs of production in Part V and claim them in Part I, line 2 of Schedules 3 and 9 Incentives or in Part I, line 2 or 5 of Schedules 8 and 11 Incentives, as applicable. In the case of Schedule 10 Incentives, detail these in Part IV and claim them in Part I, line 2 or 5, as applicable. Check the appropriate box to indicate the appraisal method for your inventory at the beginning and end of the year.

To determine the gross profit margin percentage corresponding to the year 2022 in the case of income from the sale of goods or products, divide line 3 by line 1 or line 6 by line 4, as applicable. To determine the corresponding amount for the year 2021, use the data from the 2021 return.

### PART II - SCHEDULES 2, 3, 7, 8, 9, 10 AND 11 INCENTIVES; AND PART III - SCHEDULES 1, 4, 5 AND 6 INCENTIVES - DEDUCTIONS

In this part of Schedules 1 to 11 Incentives you will enter the deductions related to your operations.

Here is some information about some of these items:

#### A. Deductions that must be reported on informative returns

##### Line 1 - Compensation to directors

Enter on this line the total compensation paid to the corporation's directors during the year, including the total, if any, that have been 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, including the total, if any, that have been 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 Schedules 6,8, and 11 Incentives, enter in the alternative minimum tax column the 125% of the deduction from salaries paid and reported in the withholding statements, as established in Section 1062.01(n)(2) of the Internal Revenue 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 employed 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 said salary is duly reported in a withholding statement. In the case of students coming from the internship program of the Department of the Treasury ("Programa de Pasantías del Departamento de Hacienda"), 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 statements.

##### 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 at 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 at 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 fees paid

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

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

Enter the amounts paid during the taxable year for property, contingency and public liability insurance (malpractice) directly related to the operation of the corporation's industry or business as long as the amounts paid for operations not covered by a decree and subject to alternative minimum tax these deductions are reported in the Optional Informative Return - Advertising, Insurance Premiums, Telecommunication, Internet Access and Cable or Satellite Television Services (Form 480.7E) or receive from the 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 on this line the payments for telecommunication services, as defined in Section 4010.01(kk) of the Internal Revenue Code, directly related with your industry or business operation. For operations not covered by a decree and subject to alternative minimum tax these deductions are reported in a Form 480.7E, or in a Form 480.7F received from the provider.

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

Enter on this line the payments for access to internet and cable or satellite television services directly related with your industry or business operation. For operations not covered by a decree and subject to alternative minimum tax these deductions are reported in a Form 480.7E, or in a Form 480.7F received from the provider.

#### Line 12 - Bundles

Enter on this line the payments made for a set or combination of services whose value cannot be segregated or assigned to each type of service received. For operations not covered by a decree and subject to alternative minimum tax these deductions are reported in a Form 480.7E, or in a Form 480.7 received from the provider of those services.

#### Line 13 - Advertising

Enter on this line the amount paid for advertising, promotion, publicity and marketing directly related to the operation of your industry or business. For operations not covered by a decree and subject to alternative minimum tax these deductions are reported in a Form 480.7E, or in a Form 480.7F received from the provider.

#### Line 14 - Royalties

Enter on this line the amount paid in exchange for the use or privilege of using an intangible, for 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 on this line the total payments for license and subscriptions for the use of programs, platforms, applications and information systems, among others, including the amount paid for subscriptions that allow access to wholesale establishments (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 and membership fees for the benefit of the employees as they are 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 regarding the facilities used in the industry or business as they are 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 provided in Section 1062.02 of the Internal Revenue Code, as applicable, was made, remitted, and 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 have been duly reported in an Informative Return will be admitted as a 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 interests, interests paid in automobile financing lease and other interests, and include the total in the column.

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

**Automobile's leasing:** Enter on this line the total amount 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 made 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 a credit on the sales and use tax monthly returns filed by the corporation. The tax to be claimed takes into consideration such amount paid on: (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 a credit for this tax paid.

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

All corporation who has signed a professional, advisory, advertising, training or orientation services contract 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, refer to Administrative Determination No. 13-14 of August 28, 2013 and the Central Accounting Circular Letters 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 totally or partially used 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 the land transportation equipment, except automobiles, and environmental conservation equipment, can be depreciated under the straight-line method, based on a useful life of 2 years. In addition, for taxable years beginning after December 31, 2018, you can determine the depreciation deduction 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 except for personal property, automobiles and property subject to the above terms.

**Submit details of this depreciation in Schedule E-1. Indicate in the space provided the total amount of Schedules E-1 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 the contributions made 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.

**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. 19-17 of December 28, 2019.

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

**Handicapped persons:** 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. In force regulations of the Vocational Rehabilitation Program of the Department of the Family will be used to determine the severely handicapped condition.

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

- (1) evidence that proves the handicapped person has been employed at least 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 divided in two periods of 30 minutes or three periods of 20 minutes. In the case of companies considered as small businesses by the Federal Small Business

Administration, the period will be half an hour of each full time working day, which can be divided in two periods of 15 minutes.

**C. Other deductions****Line 33 - Automobile expenses**

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

- (1) the expense determined based on a standard mileage rate of sixty cents (\$0.60) for each mile that the taxpayer uses it 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 to produce 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 real 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 expenses related to the use and maintenance of automobiles include 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, as these 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 amended several articles of Regulation No. 8049 of 2011 related to the requirements to be able to take 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

There shall be allowed as a deduction for travel expenses and lodging up to 50% of the actual amount 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 parentheses 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 to produce 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 Internal Revenue 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 Internal Revenue 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 Internal Revenue 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 Internal Revenue 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%) of 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 Internal Revenue 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 Internal Revenue 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 "Total" space provided on this line. In addition, you must indicate the total (100%) of these expenses on the line provided for this purpose in question 22 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) of the Internal Revenue Code, 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 a transfer pricing study together with the income tax return that includes an analysis of the operations carried out in Puerto Rico (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) before mentioned, by any provision of law or because the taxpayer requested 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 a 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 previously used or depreciated .

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 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 expense items for which a specific space is not provided will be totaled and reported as Other Deductions. The following deductions are among the expenses that may be claimed on this line:

**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 on 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, aircraft or residential property outside of Puerto Rico are not deductible pursuant to Section 1033.17 of the Internal Revenue 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 Internal Revenue 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 Internal Revenue 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 Internal Revenue Code.

## **SCHEDULE 1 INCENTIVES - INCOME TAX FOR EXEMPT BUSINESSES ENGAGED IN EXPORT OF GOODS AND SERVICES**

This schedule must be used by an exempt business that requests a decree under Chapter 3 of Subtitle B of the Incentives Code for activities of export of goods, export services or promoter services.

To be considered an eligible business in the case of exporting goods and products, no less than eighty percent (80%) of the gross income of any person with a bona fide office or establishment located in Puerto Rico must be derived from: the sale of products manufactured or harvested upon request, the sale to foreign persons for use, consumption or disposal outside of Puerto Rico; storage, transportation and distribution of products and items belonging to third parties; commercial and mercantile distribution of products that are manufactured or harvested in Puerto Rico to jurisdictions outside of Puerto Rico; and operations of assembly, bottling and packaging of products for export, among others.

In the case of exporting services, an eligible business is considered to be any person with a bona fide office or establishment located in Puerto Rico that carries out or may carry out service activities, inside or outside of Puerto Rico, which, in turn, are considered export services or promoter services.

Some services considered eligible activities for purposes of Chapter 3 include:

- economic, environmental, technological, scientific, managerial, marketing, human resources, computer and audit consulting services;
- consultancy on matters related to any trade or business;
- professional services, such as legal, tax and accounting services;
- educational and training services; and
- investment banking and other financial services.

For additional details regarding eligibility, benefits and other requirements for decree applications under Chapter 3, refer to the Incentives Code.

### **GENERAL INFORMATION**

Include the case number in the corresponding box. Also, indicate the effective period for income, the sales volume for the previous three (3) taxable years and the current and required number of jobs directly related to the exempt activity.

If you are filing the return as a New PYME, select the corresponding oval. Also indicate if you provide promoter services.

### **PART I - BASE PERIOD AVERAGE INCOME**

Include the average income for the base period, as determined in your decree.

An eligible business that, on the date of its application for incentives, was engaged in providing export services or promoter services or engaged in export trade activity for which Chapter 3 benefits are granted, or has been engaged in such activity at any time during the period of three (3) taxable years



prior to the date of submitting the application, considered the base period, may enjoy the fixed income tax rate provided in subsection (a) of Section 2032.01 of the Incentives Code (Section 2032.02 in the case of export trade activity), only in terms of the increase in the net income of said activity generated over the average net income of the base period, which is called base period income.

The base period income will be subject to the income tax rates provided by the Internal Revenue Code and will be adjusted, reducing said amount by 25% annually, until it is reduced to zero for the fourth taxable year of application of the terms of the exempt business decree.

#### **PART IV - DETERMINATION OF NET INCOME (OR LOSS) SUBJECT TO TAX**

**Line 4** - Enter the net operating loss carryover balance reflected at the end of the previous taxable year, as determined in Part VIII of this Schedule. The net operating losses declared exempt under the Incentives Code can be deducted only against income derived from the operation that incurred the loss. The net operating losses not covered by an exemption decree under the Incentives Code may be deducted only against income not covered by an exemption decree, in accordance with the provisions of the Internal Revenue Code.

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

**Line 5** - Enter the base period income, as indicated in Part I of this Schedule.

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

**Line 1** - Multiply the eligible activity net income subject to tax by the applicable tax rate, as determined in your decree. Enter the result on this line.

An exempt business that is a New PYME in accordance with the provisions of the Incentives Code, will be subject to a fixed income tax rate of two percent (2%) for a period of five (5) years. For the remaining period of the decree, the fixed rate will be four percent (4%).

**Line 2** - Multiply the base period average income, from Part I, by the applicable tax rate and enter the result on this line.

**Line 4** - Enter the amount corresponding to applicable credits. You must submit a detail of the credits included on this line.

Act 52 of June 30, 2022 ("Act 52-2022") added Section 1051.16 to the Internal Revenue Code to authorize the Secretary of the Treasury 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.

Enter on line 2(a) Pre TCM \$\_\_\_\_\_, any tax credit granted under the Internal Revenue Code, the Puerto Rico Incentives Code, previous incentive acts or any other special act, prior to the date of implementation of the TCM.

Enter on line 2(b) Post TCM \$\_\_\_\_\_, any tax credit granted from the date of implementation of the TCM. The amount of credit to be included on the line corresponding to Post TCM credits must be the amount you are claiming against the tax determined on this Schedule 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 this line. Once you claim this amount on this Schedule, 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 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 Internal Revenue Code will be subject to the limitation of use provided in Section 1051.13 of the Internal Revenue Code.

An exempt business that is considered a New PYME may request a tax credit for purchases of products manufactured in Puerto Rico equal to thirty percent (30%) of the purchases of said products, subject to the provisions of Sections 3000.01 and 3000.02 of the Incentive Code.

#### **SCHEDULE 2 INCENTIVES - INCOME TAX FOR EXEMPT BUSINESSES ENGAGED IN FINANCIAL ACTIVITIES, INVESTMENTS AND INSURANCE**

This schedule must be used by an exempt business that requests a decree under Chapter 4 of Subtitle B of the Incentives Code for activities of finance, investments and insurance.

International Financial Entities, International Insurers, Segregated Asset Plans, Holding Companies of International Insurers and Private Capital Funds may be considered eligible businesses.

For additional details regarding eligibility, benefits, and other requirements for decree applications under Chapter 4, refer to the Incentives Code.

#### **GENERAL INFORMATION**

Include the case number in the corresponding box. Also, indicate the effective period for income, the sales volume for the three (3) previous taxable years and the current and required number of jobs directly related to the exempt activity.



If you are filing the return as a New PYME, select the corresponding oval. Also indicate the type of taxpayer, and in applicable cases, the number of segregated asset plans included with the return.

### PART III - DETERMINATION OF THE NET INCOME (OR LOSS) SUBJECT TO TAX

**Line 4** - Enter in the space provided the amount associated with the corresponding exemption according to the eligible activity carried out by the exempt business.

Enter the amount of one million two hundred thousand dollars (\$1,200,000) if the exempt business is an International Insurer or Segregated Assets Plan of an International Insurer.

**Line 5** - Enter the net operating loss carryover balance reflected at the end of the previous year, as determined in Part V of this Schedule. Net operating losses declared exempt under the Incentives Code can only be deducted against the income from the operation that incurred the loss. Net operating losses that are not covered by an exemption decree under the Incentives Code can only be deducted against income not covered by an exemption decree, in accordance with the provisions of the Internal Revenue Code.

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

### PART IV - COMPUTATION OF TAX

**Line 1** - Multiply the net income from the eligible activity subject to tax by the applicable rate, as determined in your decree. Enter the result on this line.

**Line 2** - Include on this line the amount corresponding to applicable credits. You must submit a detail of the credits included on this line.

Act 52 of June 30, 2022 ("Act 52-2022") added Section 1051.16 to the Internal Revenue Code to authorize the Secretary of the Treasury 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.

Enter on line 2(a) Pre TCM \$\_\_\_\_\_, any tax credit granted under the Internal Revenue Code, the Puerto Rico Incentives Code, previous incentive acts or any other special act, prior to the date of implementation of the TCM.

Enter on line 2(b) Post TCM \$\_\_\_\_\_, any tax credit granted from the date of implementation of the TCM. The amount of credit to be included on the line corresponding to Post TCM credits must be the amount you are claiming against the tax determined on this Schedule 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 this line. Once you claim this amount on this Schedule, 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 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, 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 Internal Revenue Code will be subject to the limitation of use provided in Section 1051.13 of the Internal Revenue Code.

Every International Insurer that receives a decree pursuant to Chapter 4, will be subject to a four percent (4%) tax on the amount of its net income in excess of one million two hundred thousand dollars (\$1,200,000.00) not including the income from the Segregated Assets Plans established by the International Insurer.

In addition, all Segregated Assets Plan of an International Insurer other than a Class 5 Authority, as such term is defined in Section 61.020 of the Insurance Code, will be subject to a four percent (4%) tax on the amount of the net income in excess of \$1,200,000, which will be paid exclusively with the funds of such Segregated Assets Plan.

An exempt business that is a New PYME in accordance with the provisions of the Incentives Code, will be subject to a fixed income tax rate of two percent (2%) for a period of five (5) years. For the remaining period of the decree, the fixed rate will be four percent (4%). In addition, an exempt business that is considered a New PYME may request a tax credit for purchases of products manufactured in Puerto Rico of up to thirty percent (30%) of the purchases of such products, subject to the provisions of Sections 3000.01 and 3000.02 of the Incentives Code.

### SCHEDULE 3 INCENTIVES - INCOME TAX FOR EXEMPT BUSINESSES ENGAGED IN VISITOR ECONOMY ACTIVITIES

This schedule must be used by an exempt business that requests a decree under Chapter 5 of Subtitle B of the Incentives Code for visitor economy activities.

Any new or existing business dedicated to tourist activity that is not covered by a resolution or concession of tax exemption granted under the "Tourism Incentives Act", Act No. 52 of June 2, 1983, as amended, the "Puerto Rico Tourism Development Act", Act 78-1993, as amended, the "Puerto Rico Tourism Development Act of 2010", Act 74-2010, as amended, or, that being covered, waives said resolution or grant of exemption in favor of a grant under Chapter 5, will be considered an eligible business.

Tourist Activity means the ownership or administration of:

- Hotels, including the operation of Casinos, Condo hotels, Puerto Rican Inns (Paradores), Agrolodges, Guest Houses, Timeshare and Vacation Clubs, the inns that belong to the "Posadas de Puerto Rico" program, "Bed and Breakfast" (B&B) and any other that from time to time are part of programs promoted by the Tourism Office.
- Theme parks, golf courses, Tourist Marinas, docking facilities for tourists, Agrotourism, Nautical Tourism, Medical Tourism and other facilities or activities that, due to the special attractive features derived from their use as a source of active, passive or recreational entertainment, are a stimulus for internal or external tourism, and any other tourism sector, as long as the Secretary of the DDEC determines that such an operation is necessary and convenient for the development of tourism in Puerto Rico.
- Sustainable tourism and ecotourism businesses (caverns, forests and nature reserves, lakes and canyons, among others).
- eSports activities and Fantasy Leagues activities.
- Operation of a business engaged in leasing to an Exempt Business of property devoted to an Eligible Activity.

For additional details regarding eligibility, benefits, and other requirements for decree applications under Chapter 5, refer to the Incentives Code.

### GENERAL INFORMATION

Include the case number in the corresponding box. Also, indicate the effective period for income, the sales volume for the previous three (3) taxable years, type of business and the current and required number of jobs directly related to the exempt activity.

If you are filing the return as a New PYME, select the corresponding oval.

### PART III - DETERMINATION OF NET INCOME (OR LOSS) SUBJECT TO TAX

**Line 4** - Enter the net operating loss carryover balance reflected at the end of the previous year, as determined in Part VII of this Schedule. Net operating losses declared exempt under the Incentives Code can only be deducted against the income from the operation that incurred the loss. Net losses from operations that are not covered by an exemption decree under the Incentives Code can only be deducted against income not covered by an exemption decree, in accordance with the provisions of the Internal Revenue Code.

### PART IV - COMPUTATION OF TAX

**Line 1** - Multiply the net income from the eligible activity subject to tax by the applicable rate, as determined in your decree. Enter the result on this line.

An exempt business that is a New PYME in accordance with the provisions of the Incentives Code, will be subject to a fixed income tax rate of two percent (2%) for a period of five (5) years. For the remaining period of the decree, the fixed rate will be four percent (4%).

**Line 2** - Include on this line the amount corresponding to applicable credits. You must submit detail of the credits included on this line.

Act 52 of June 30, 2022 ("Act 52-2022") added Section 1051.16 to the Internal Revenue Code to authorize the Secretary of the Treasury 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.

Enter on line 2(a) Pre TCM \$\_\_\_\_\_, any tax credit granted under the Internal Revenue Code, the Puerto Rico Incentives Code, previous incentive acts or any other special act, prior to the date of implementation of the TCM.

Enter on line 2(b) Post TCM \$\_\_\_\_\_, any tax credit granted from the date of implementation of the TCM. The amount of credit to be included on the line corresponding to Post TCM credits must be the amount you are claiming against the tax determined on this Schedule 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 this line. Once you claim this amount on this Schedule, 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 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, 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 Internal Revenue Code will be subject to the limitation of use provided in Section 1051.13 of the Internal Revenue Code.

An exempt business that is considered a New PYME, can claim a tax credit for purchases of products manufactured in Puerto Rico of up to thirty percent (30%) of the purchases of such products, subject to the provisions of Sections 3000.01 and 3000.02 of the Incentives Code.

In case of the visitor economy activities, the exempt business can claim a tax credit for eligible tourism investment that will be equal to:

- 1) 30% of the eligible tourism investment, claiming up to 10% in the year in which the exempt business obtained the necessary financing for the total construction of the tourism project, and the balance in three installments: one third of the balance in the year in which the exempt business receives its first guest who pays for their stay and the remaining balance in the following 2 years in equal parts.

- 2) 40% of the eligible tourism investment claimed in three installments: the first third part in the second year after the exempt business began its operations and the remaining balance in the two (2) subsequent years in equal parts.

For more details on the tax credit for tourism investment, refer to Section 3010.01 of the Incentives Code.

## **SCHEDULE 4 INCENTIVES - INCOME TAX FOR EXEMPT BUSINESSES ENGAGED IN MANUFACTURE**

This schedule must be used by an exempt business that requests a decree under Chapter 6 of Subtitle B of the Incentives Code for manufacture activities.

Section 2061.01 of the Incentives Code includes a list of eligible activities for purposes of obtaining a decree under Chapter 6.

For additional details regarding eligibility, benefits, and other requirements for decree applications under Chapter 6, refer to the Incentives Code.

### **GENERAL INFORMATION**

Include the case number in the corresponding box. Also, indicate the effective period for income, the sales volume for the previous three (3) taxable years, type of business and the current and required number of jobs directly related to the exempt activity.

If you are filing the return as a New PYME, select the corresponding oval.

### **PART I - BASE PERIOD AVERAGE INCOME**

Include the average income for the base period, as determined in your decree.

An eligible business that, on the date of its application for incentives, was dedicated to the activity for which the benefits of Chapter 6 are granted, may enjoy the fixed tax rate on industrial development income provided in Section 2062.01 of the Incentives Code, only in terms of the increase in net income from said activity generated over the average net income of the last three (3) taxable years prior to the date of submitting the application, which is called base period income.

The base period income will be subject to the income tax rates provided by the Internal Revenue Code and will be adjusted, reducing said amount by 25% annually, until it is reduced to zero for the fourth taxable year of application of the terms of the exempt business decree.

### **PART IV - DETERMINATION OF NET INCOME (OR LOSS) SUBJECT TO TAX**

**Line 4** - Enter the net operating loss carryover balance reflected at the end of the previous year, as determined in Part VIII of this Schedule. Net operating losses declared exempt under the Incentives Code, computed without the benefit of the special deduction provided on line 6, can be deducted only against the income from the operation that incurred the loss. Net operating losses that are not covered by an exemption decree under the Incentives Code can only be deducted against income not covered by an exemption decree, in accordance with the provisions of the Internal Revenue Code.

The amount of net operating loss to be carried forward must be computed in accordance with the provisions of Section 1033.14 of the Internal Revenue Code. In case of exempt businesses that have a decree for manufacturing activities, the loss will be adjusted by the eligible investment income of said exempt business.

**Line 6** - Enter the amount corresponding to the special deduction for investment in buildings, structures, machinery and equipment for green or highly efficient energy.

### Special Deduction for Investment in Buildings, Structures, Machinery and Equipment

Every exempt business that has a decree granted under Chapter 6 will have the option to deduct in the taxable year in which they are incurred, instead of any capitalization of expenses required by the Internal Revenue Code, the total expenses incurred after the effective date of Act 60-2019, in the purchase, acquisition or construction of buildings, structures, machinery and equipment, provided that 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 to manufacture the products or render the services for which the benefits provided under Chapter 6 were granted.

**Line 8** - Enter the base period income, as indicated in Part I of this Schedule.

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

**Line 1** - Multiply the net income of the eligible activity subject to tax by the applicable rate, as determined in your decree. Enter the result on this line.

Those exempt businesses that have opted for the payments received or implicitly received by foreign persons not engaged in trade or business in Puerto Rico, for the use or privilege of use in Puerto Rico of intangible property related to the exempt operation, be subject to a two percent (2%) rate, instead of the twelve percent (12%) provided in paragraph (1) of subsection (b) of Section 2062.01 of the Incentives Code, will be subject to a fixed tax rate on industrial development income of eight percent (8%).

An exempt business that is a New PYME in accordance with the provisions of the Incentives Code, will be subject to a fixed income tax rate of two percent (2%) for a period of five (5) years. For the remaining period of the decree, the fixed rate will be four percent (4%).

**Lines 2(a) to 2(c)** - Enter on these lines the amount corresponding to applicable credits, previously computed on Schedule 4.1 Incentives.

An exempt business that is considered a New PYME, may request a tax credit for purchases of products manufactured in Puerto Rico of up to thirty percent (30%) of the purchases of such products, subject to the provisions of Sections 3000.01 and 3000.02 of the Incentives Code.

**Line 4** - Every exempt business engaged in manufacturing will be subject to a minimum tax. In the case of an exempt business that generates an average gross income, including the gross income of members of its controlled group or of the group of related entities, of less than ten million (10,000,000) dollars during the three (3) previous taxable years, the minimum tax will be 1% of the net income from industrial development of the business. For a local investment business, it will be 3% of the



net industrial development income. In all other cases, it will be the fixed income tax rate provided by law applicable to the business, multiplied by the industrial development net income not including income from eligible investments.

**Line 5** - Subtract the tax withheld on royalty payments made during the year.

**Line 6** - The payment required for the minimum tax is equal to the excess of the minimum tax over the tentative net tax. To the extent that the tentative tax exceeds the minimum tax, the exempt business will not have to make a minimum tax payment.

**Line 8** - Multiply the base period average income from Part I, by the applicable rate and enter the result on this line.

**Line 9** - Include on this line the amount corresponding to applicable credits. You must submit a detail of the credits included on this line.

Act 52-2022 added Section 1051.16 to the Code to authorize the Secretary to create the Tax Credits Manager ("TCM") as part of the electronic system of the Department. Pursuant to AD 22-11, the TCM implementation date for purposes of the determination of Post TCM and Pre TCM Credits, is January 1, 2023.

Enter on this line any tax credit granted from the date of the implementation of the TCM. The amount of credit to be included on this line must be the amount you are claiming against the tax determined on this Schedule 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 this line. Once you claim this amount on this Schedule, 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).

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, 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 Internal Revenue Code will be subject to the limitation of use provided in Section 1051.13 of the Internal Revenue Code.

#### **SCHEDULE 4.1 INCENTIVES - COMPUTATION OF TAX CREDITS FOR EXEMPT BUSINESSES ENGAGED IN MANUFACTURE**

Complete this Schedule if you are an exempt business engaged in manufacturing and you are claiming any credit on lines 2(a) through 2(c) of Part V of Schedule 4 Incentives.

#### **PART I - CREDIT FOR PURCHASES OF PRODUCTS MANUFACTURED IN PUERTO RICO**

An exempt business that purchases products manufactured in Puerto Rico, including parts and accessories, or purchases or uses products converted into commercial articles made of

recycled materials, or with raw material from recycled materials or collected or reconditioned by exempt businesses that have been granted a decree for recycling activities under the Incentives Code or analogous provisions of previous incentive acts, can claim a tax credit of up to twenty-five percent (25%) of the purchases of such products made during the taxable year.

An exempt business that is considered a New PYME, can claim a tax credit for purchases of products manufactured in Puerto Rico of up to thirty percent (30%) of the purchases of such products, subject to the provisions of Sections 3000.01 and 3000.02 of the Incentives Code.

This credit will only be granted for purchases of products that have been manufactured by companies not related to said exempt business.

The credit is non-refundable. The amount of the credit not used by the exempt business in a taxable year may be carried forward to subsequent taxable years, until it is fully used.

#### **PART II - CREDIT FOR INVESTMENT IN RESEARCH AND DEVELOPMENT**

The exempt business may claim a credit for investment equal to fifty percent (50%) of the special eligible investment made in Puerto Rico during the taxable year. You must include with the return the accrediting certificate issued annually by the Secretary of the DDEC, which certifies that the research and development activities carried out in Puerto Rico are eligible to request the tax credit.

This tax credit will not generate a refund. The available credit balance, after taking the fifty percent (50%) allowed in the taxable year the special eligible investment is made, can be used in subsequent years until totally used.

Act 52-2022 added Section 1051.16 to the Internal Revenue Code to authorize the Secretary to create the Tax Credits Manager ("TCM") as part of the electronic system of the Department. Pursuant to AD 22-11, 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 Internal Revenue 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.

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, IR CL 23-02 and to the next publications to be issued by the Department.



### PART III - CREDIT FOR TECHNOLOGY TRANSFER INVESTMENTS

The exempt business may, subject to certain limitations, claim a credit against the income tax that is attributed to the net income of its industrial development income with respect to payments made to foreign persons, not engaged in trade or business in Puerto Rico, for the use or privilege of use intangible property in Puerto Rico in its operation declared exempt under Chapter 6 of Subtitle B of the Incentives Code, provided that the income from such payments is totally from Puerto Rico sources.

The applicable credit will be:

- 12% in the case of an exempt business subject to the preferential fixed income tax rate on its eligible activity of 4%, or
- 2% in the case of an exempt business subject to the alternate income tax rate on its eligible activity (excluding income from eligible investments) of 8%.

This tax credit will not be refunded. The available credit balance may be used in subsequent years up to a period that does not exceed eight (8) taxable years from the close of the taxable year in which the credit originated.

#### SCHEDULE 5 INCENTIVES - INCOME TAX FOR EXEMPT BUSINESSES ENGAGED IN INFRASTRUCTURE AND GREEN ENERGY

This schedule must be used by an exempt business that requests a decree under Chapter 7 of Subtitle B of the Incentives Code for infrastructure and green energy activities.

Section 2071.01 of the Incentives Code includes the list of eligible activities for purposes of obtaining a decree under Chapter 7.

For additional details regarding eligibility, benefits, and other requirements for decree applications under Chapter 7, refer to the Incentives Code.

#### GENERAL INFORMATION

Include the case number in the corresponding box. Also, indicate the effective period for income, the sales volume for the previous three (3) taxable years, type of business and the current and required number of jobs directly related to the exempt activity.

If you are filing the return as a New PYME, select the corresponding oval.

#### PART I - BASE PERIOD AVERAGE INCOME

Include the base period average income, as determined in your decree.

#### PART IV - DETERMINATION OF NET INCOME (OR LOSS) SUBJECT TO TAX

**Line 4** - Enter the net operating loss carryover balance reflected at the end of the previous year, as determined in Part VIII of this Schedule. Net operating losses declared exempt under the Incentives Code, computed without the benefit of the special deduction provided on line 6, can only be deducted against the income from the operation that incurred the loss. Net operating losses that are not covered by an exemption decree under the Incentives Code can only be deducted against

income not covered by an exemption decree, in accordance with the provisions of the Internal Revenue Code.

The amount of the net operating loss to be carried forward must be computed in accordance with the provisions of Section 1033.14 of the Internal Revenue Code.

**Line 6** - Enter the amount corresponding to the special deduction for investment in buildings, structures, machinery and equipment for green or highly efficient energy.

#### Special deduction for Investment on Buildings, Structures, Machinery and Equipment for Green or Highly Efficient Energy

Any exempt business that has a decree granted under Chapter 7 will be granted the option to deduct in the taxable year in which they are incurred, instead of any capitalization of expenses required by the Internal Revenue Code, the total expenses incurred after the effective date of the Incentive Code, in the purchase, acquisition or construction of buildings, structures, machinery and equipment, provided that 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 for activities related to green energy for which the benefits provided under the Incentives Code were granted.

**Line 8** - Enter the base period income, if any, as indicated in Part I of this Schedule.

#### PART V - COMPUTATION OF TAX

**Line 1** - Multiply the net income from the eligible activity subject to tax by the applicable rate, as determined in your decree. Enter the result on this line.

An exempt business that is a New PYME in accordance with the provisions of the Incentives Code will be subject to a fixed income tax rate of two percent (2%) for a period of five (5) years. For the remaining period of the decree, the fixed rate will be four percent (4%).

**Lines 2(a) and 2(b)** - Include on these lines the amount corresponding to applicable credits, previously computed on Schedule 5.1 Incentives.

An exempt business that is considered a New PYME, may request a tax credit for purchases of products manufactured in Puerto Rico of up to thirty percent (30%) of the purchases of such products, subject to the provisions of Sections 3000.01 and 3000.02 of the Incentives Code.

**Line 4** - Multiply the base period average income, if any, from Part I, by the applicable rate and enter the result on this line.

**Line 5** - Include on this line the amount corresponding to applicable credits. You must submit a detail of the credits included on this line.

Act 52-2022 added Section 1051.16 to the Internal Revenue Code to authorize the Secretary to create the Tax Credits Manager ("TCM") as part of the electronic system of the Department. Pursuant to AD 22-11, the TCM implementation date for purposes of the determination of Post TCM and Pre TCM Credits, is January 1, 2023.

Enter on this line any tax credit granted from the date of the implementation of the TCM. The amount of credit to be included

on this line must be the amount you are claiming against the tax determined on this Schedule 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 this line. Once you claim this amount on this Schedule, 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).

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, 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 Internal Revenue Code will be subject to the limitation of use provided in Section 1051.13 of the Internal Revenue Code.

**SCHEDULE 5.1 INCENTIVES - COMPUTATION OF TAX CREDITS FOR EXEMPT BUSINESSES ENGAGED IN INFRASTRUCTURE AND GREEN ENERGY**

Complete this Schedule if you are an exempt business with infrastructure and green energy activities and you are claiming any credit on lines 2(a) or 2(b) of Part V of Schedule 5 Incentives.

**PART I - CREDIT FOR PURCHASES OF PRODUCTS MANUFACTURED IN PUERTO RICO**

An exempt business that purchases products manufactured in Puerto Rico, including parts and accessories, or purchases or uses products converted into commercial articles made from recycled materials, or with raw material from recycled materials or collected or reconditioned by exempt businesses that have been granted a decree for recycling activities under the Incentives Code or analogous provisions of previous incentive acts, may claim a tax credit of up to twenty-five percent (25%) of the purchases of such products made during the taxable year.

An exempt business that is considered a New PYME, may request a tax credit for purchases of products manufactured in Puerto Rico of up to thirty percent (30%) of the purchases of such products, subject to the provisions of Sections 3000.01 and 3000.02 of the Incentives Code.

This tax credit will only be granted for purchases of products that have been manufactured by companies not related to said exempt business.

The credit is non-refundable. The amount of the tax credit not used by the exempt business in a taxable year, may be carried forward to subsequent taxable years until it is used in its entirety.

**PART II - CREDIT FOR INVESTMENT IN RESEARCH AND DEVELOPMENT**

The exempt business may claim a credit of up to fifty percent (50%) of the special eligible investment made in Puerto Rico during the taxable year. You must include with the return the accrediting certificate issued annually by the Secretary of the DDEC, which certifies that the research and development activities carried out in Puerto Rico are eligible to request the tax credit.

This tax credit will not generate a refund. The available credit balance, after taking the fifty percent (50%) allowed in the taxable year in which the special eligible investment is made, may be used in subsequent years until fully exhausted.

Act 52-2022 added Section 1051.16 to the Internal Revenue Code to authorize the Secretary to create the Tax Credits Manager ("TCM") as part of the electronic system of the Department. Pursuant to AD 22-11, 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 Internal Revenue 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.

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, IR CL 23-02 and to the next publications to be issued by the Department.

**SCHEDULE 6 INCENTIVES - INCOME TAX FOR EXEMPT BUSINESSES ENGAGED IN AGRO-INDUSTRIES ACTIVITIES**

This schedule must be used by an exempt business that requests a decree under Chapter 8 of Subtitle B of the Incentives Code to engage in activities related to agriculture, livestock industries and agro-industries.

The following activities are considered eligible:

- 1) Activities of the Puerto Rico Dairy Industry, Inc.
- 2) Livestock or agro-industrial businesses engaged in the operation or exploitation in Puerto Rico of one or more of the following businesses:
  - tillage or cultivation of the land for the production of fruits and vegetables, spices for condiments, seeds and all kinds of food for human beings or animals, or raw materials for other industries;
  - raising animals for the production of meat, milk or eggs, among others, used for food for human beings, or raw materials for other industries;
  - the breeding of thoroughbred racehorses, the breeding of Paso Fino horses and the breeding of ride horses;
  - agro-industries or livestock operations that purchase the raw material produced in Puerto Rico; or
  - other businesses, as described in Section 2081.01 of the Incentives Code.

For additional details regarding eligibility, benefits, and other requirements for decree applications under Chapter 8, refer to the Incentives Code.



## GENERAL INFORMATION

Include the case number in the corresponding box. Also, indicate the effective period for income, type of business and the current and required number of jobs directly related to the exempt activity.

### PART I - COMPUTATION OF THE PERCENTAGE OF GROSS INCOME DERIVED FROM BONA FIDE FARMER'S INDUSTRY OR BUSINESS

Determine in this Part the percentage of gross income derived from the bona fide agricultural industry or business, dividing the income from the exploitation of the livestock or agro-industries trade or business by the total gross income derived by the business during the period. Enter the result on line 4.

To be considered eligible for tax exemption, the livestock or agro-industry business must derive fifty-one percent (51%) or more of its gross income from one or more of the eligible activities for which it obtains the decree.

### PART III - DEDUCTIONS

In case of businesses engaged in agro-industries activities, the net income in excess of the exemption for livestock or agro-industries business will be subject to the ordinary rates established in the Internal Revenue Code. Therefore, the provisions applicable to allowable deductions must be considered for the determination of both the net income subject to regular tax and the alternative minimum tax.

Section 1022.04 of the Internal Revenue Code establishes that to determine the alternative minimum net income subject to the alternative minimum tax, only certain items may be claimed against the gross income and subject to the fact that some of them are evidenced with informative returns or have been validated with an Agreed-Upon Procedures Report. To do this, two columns are provided to indicate the allowable deductions against the net income subject to regular tax and the allowable deductions for purposes of the alternative minimum tax, respectively.

In case of those deductions that must be reported on informative returns (Section A of Part III of this Schedule), those taxpayers whose taxable year is natural and use the cash basis method, may include the amount of expenses reported in the informative returns issued for taxable year 2022 as an allowable deduction for the determination of both, the net income subject to regular tax and the alternative minimum tax. In the case of the regular tax, you may deduct those payments for services not reported on informative returns because they did not exceed \$500 during the taxable year. However, such payments may only be deductible to determine the net income subject to alternative minimum tax if they were included in a duly filed informative return.

In case of taxpayers who use the accrual basis method or whose taxable year is a fiscal year, must reconcile, in accordance with the provisions of Section 1063.01(a) of the Internal Revenue Code, the amount reported in the duly filed informative returns, with the expense claimed as a deduction on the return. In this case, the taxpayer may claim as a deduction the amount of expense recorded in their books for purposes of regular tax and alternative minimum tax. For these purposes, refer to the expense reconciliation templates available through your tax return preparation program provider or on the Department of the Treasury's website through the following link: <https://hacienda.pr.gov/documentos/2022-planilla-de-contribucion-sobre-ingresos-de-corporaciones->. You must

complete a reconciliation detail that includes the allowable expenses provided in this section for each column, Regular Tax column and Alternative Minimum Tax column, separately. This reconciliation will not be required in the event that the taxpayer submits, together with its income tax return, audited financial statements in accordance with the provisions of Section 1061.15(a) and files the Supplementary Information required in Section 1061.15(b) of the Internal Revenue Code.

To claim any amount included on lines 34 to 56 (Section C, Part III of this Schedule) as an allowable deduction for determining the net income subject to alternative minimum tax, and in the event that the return is not submitted including audited financial statements in accordance with the provisions of Section 1061.15(a) together with the Supplementary Information required in Section 1061.15(b) of the Internal Revenue Code, you must submit an Agreed-Upon Procedure Report together with your income tax return, in accordance with the provisions of Internal Revenue Circular Letter No. 19-14 (IR CL 19-14). You must check the oval ("AUP") provided on the line corresponding to each deduction that is validated in the AUP included with the return. Only items that have been submitted to the AUP may be deductible for the alternative minimum tax. If you do not submit the AUP, you will not be able to claim the deductions provided in this section for purposes of determining the net income subject to the alternative minimum tax.

For specific instructions of a particular line of this Part III, refer to the section of General Instructions for Schedules 1 to 11 Incentives.

### PART IV - DETERMINATION OF NET INCOME (OR LOSS) SUBJECT TO TAX

**Line 4** - Enter the net operating loss carryover balance reflected at the end of the previous year, as determined in Part VIII of this Schedule. The net operating losses declared exempt under the Incentives Code can only be deducted against the income from the operation that incurred the loss. The net operating losses from operations that are not covered by an exemption decree under the Incentives Code can only be deducted against income not covered by an exemption decree, in accordance with the provisions of the Internal Revenue Code.

The amount of the net operating loss to be carried forward must be computed in accordance with the provisions of Section 1033.14 of the Internal Revenue Code.

**Line 6** - Enter the amount associated with the corresponding exemption according to the eligible activity carried out by the exempt business.

The activities of Dairy Industry of Puerto Rico Inc. ("*Industria Lechera de Puerto Rico Inc.*") will be exempt from paying income tax as long as all the capital shares of the corporation belong to the Fund for the Promotion of the Dairy Industry ("*Fondo para el Fomento de la Industria Lechera*") created by Act No. 34 of June 11, 1957.

The Incentives Code provides a 90% exemption of the income that comes directly from a livestock or agro-industrial business. The exemption does not include income from interests, dividends, royalties or profits derived from the sale of assets, including assets used in the agricultural business, or any other income derived from the livestock or agro-industrial businesses of bona fide farmers and that does not directly come from the livestock or agro-industrial activity.



However, interest on bonds, promissory notes and other debt instruments issued as of January 1, 1996, by bona fide farmers and any financial institution, as the term is defined in Act No. 4 of October 11, 1985, as amended, known as the "Financial Institutions Commissioner Act", or issued in transactions authorized by the Financial Institutions Commissioner related to the financing of livestock or agro-industrial businesses, will be covered by the exemption.

## PART V - COMPUTATION OF TAX

**Line 2** - Enter \$25,000, except in case that the entity belongs to a group of controlled corporations owned directly or indirectly in 80% or more by the same person or persons. In such cases, the allowable credit will only be \$25,000 for the entire group of entities. If the entity is a component member of a controlled group of corporations as of December 31, the allowable credit to such corporation for the taxable year that includes such December 31, will be an amount equal to \$25,000 divided by the number of entities that are members of the group or the applicable amount according to the apportionment plan.

The group of entities must file Form AS 2652.1 where it will report the distribution of the deduction. This form will be filed electronically through SURI.

**Line 4** - Indicate the corresponding tax rate and multiply it by the amount showed on line 1 of this Part.

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

In case that a rate less than 18.5% is applicable, you must submit with the return, copy of the agreement or any other official document that evidences the applicable tax rate.

**Line 5** - Multiply line 3 of this Part by the applicable tax rate, according to the table included below and enter the result.

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

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

If the entity had during the taxable year net long-term capital gains in excess of net short-term capital losses, it may choose to pay the alternative tax. The alternative tax is determined by taxing the net income, not including the long-term capital gain, at the normal tax rates plus the special rate that applies to such capital gains.

**Line 9** - Enter the amount determined on line 6(c), Part IV of Schedule C Corporation (Credit for Taxes Paid to Foreign Countries, the United States, its States, Territories and Possessions).

**Line 11** - Enter the excess of the tentative minimum tax over the adjusted regular tax determined on Schedule A Corporation, Part V, line 34.

This 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 for certain preferential items, exceeds the exempt amount of \$50,000. The tax rate of this contribution is equal to 18.5% of such net income, but not less than \$500.

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

**Line 14** - In those cases in which the entity has paid an alternative minimum tax in previous years, it may claim it as a credit against the regular tax of taxable operations, as long as it meets certain requirements. To be eligible for this credit, the regular tax for the year must exceed the alternative minimum tax for such year and the alternative minimum tax must have been paid in 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 other taxes imposed by the Internal Revenue Code, those foreign corporations engaged in trade or business in Puerto Rico that operate as branches, will be subject to a 10% tax over the amount equivalent to a dividend or profit distribution for the taxable year.

This provision will not apply to any taxable year in which foreign corporations engaged in trade or business in Puerto Rico derive at least 80% of their gross income, during the 3-year period ending with the close of such taxable year, from income from sources in Puerto Rico or income related or treated as actually related to the operation of a trade or business in Puerto Rico.

**Corporations subject to this tax must complete Form AS 2879 (Foreign Corporations and Partnerships Tax on Dividend Equivalent Amount and Effectively Connected Interest (Branch Profits Tax) and submit it with their return. For more details, refer to the form instructions.**

**Line 18** - For taxable years beginning after December 31, 2013, a 10% tax will be imposed, collected and paid, without taking into consideration any deduction or credit provided by Subtitle A of the Internal Revenue Code, on the amount of the implicit dividend, which is considered to have been received



by a foreign owner (who owns directly or indirectly 50% or more of the shares of the corporation) of a corporation, during any taxable year.

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

### **SCHEDULE 7 INCENTIVES - INCOME TAX FOR EXEMPT BUSINESSES ENGAGED IN CREATIVES INDUSTRIES**

This schedule must be used by an exempt business that requests a decree under Chapter 9 of Subtitle B of the Incentives Code for being engaged in creative industries.

The following activities will be eligible:

- 1) Film Projects, subject to certain requirements, including:
  - Feature films
  - Short films
  - Documentaries or productions of live shows whose distribution includes markets outside of Puerto Rico during live broadcast, such as beauty pageants, award productions, or shows of a similar nature.
  - Television series, mini-series and television shows of a similar nature
  - Ads that are displayed outside of our jurisdiction, including campaigns consisting of several ads, as long as all the ads in the campaign are included in a single contract or purchase order with added production expenses from Puerto Rico of at least one hundred thousand dollars (\$100,000).
  - Video games
  - Television projects, including reality shows, talk shows, news, game shows, entertainment, comedy and those directed at children, and variety shows.
  - The post-production of one or several film projects listed above, provided that all the film projects are included in a single contract or purchase order with aggregate Puerto Rico production expenses of at least one hundred thousand dollars (\$100,000).
  - Film festivals
  - Music videos
- 2) Studio Operators or Post-Production Studios that directly or through an endorsed concessionaire operate a studio or post-production studio, as well as the components required in order to provide the necessary services to respond to the commercial needs of film projects.
- 3) Strategic suppliers or Concessionaires endorsed by the Secretary of the DDEC
- 4) Infrastructure Projects that include a substantial development or expansion in Puerto Rico of studios, laboratories, facilities for the international transmission of television images or other media, or other permanent facilities to carry out film projects, whose direct cost budgets exceed five hundred thousand dollars (\$500,000).

For additional details regarding eligibility, benefits, and other requirements for decree applications under Chapter 9, refer to the Incentives Code.

### **GENERAL INFORMATION**

Include the case number in the corresponding box. Also, indicate the effective period for income, the sales volume for the previous three (3) taxable years, type of business and the current and required number of jobs directly related to the exempt activity.

If you are filing the return as a New PYME, check the corresponding oval.

### **PART III - DETERMINATION OF NET INCOME (OR LOSS) SUBJECT TO TAX**

**Line 4** - Enter the net operating loss carryover balance reflected at the end of the previous year, as determined in Part V of this Schedule. Net operating losses declared exempt under the Incentives Code can only be deducted against the income from the operation that incurred the loss. Net operating losses that are not covered by an exemption decree under the Incentives Code can only be deducted against income not covered by an exemption decree, in accordance with the provisions of the Internal Revenue Code.

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

### **PART IV - COMPUTATION OF TAX**

**Line 1** - Multiply the net income from the eligible activity subject to tax by the applicable rate, as determined in your decree. Enter the result on this line.

An exempt business that is a New PYME in accordance with the provisions of the Incentives Code, will be subject to a fixed income tax rate of two percent (2%) for a period of five (5) years. For the remaining period of the decree, the fixed rate will be four percent (4%).

**Line 2** - Include on this line the amount corresponding to any recovery of credits claimed in excess.

**Line 4** - Include on this line the amount corresponding to tax credits to which the exempt business related to creative industries is entitled. You must submit details of these credits.

Act 52 of June 30, 2022 ("Act 52-2022") added Section 1051.16 to the Internal Revenue Code to authorize the Secretary of the Treasury 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.

Enter on line 2(a) Pre TCM-\$\_\_\_\_\_, any tax credit granted under the Internal Revenue Code, the Puerto Rico Incentives Code, previous incentive acts or any other special act, prior to the date of implementation of the TCM.

Enter on line 2(b) Post TCM \$\_\_\_\_\_, any tax credit granted from the date of implementation of the TCM. The amount of credit to be included on the line corresponding to Post TCM credits must be the amount you are claiming against the tax determined on this Schedule 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 this line. Once you claim this amount on this Schedule, 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 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, 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 Internal Revenue Code will be subject to the limitation of use provided in Section 1051.13 of the Internal Revenue Code.

An exempt business that is considered a New PYME may request a tax credit for purchases of products manufactured in Puerto Rico of up to thirty percent (30%) of the purchases of such products, subject to the provisions of Sections 3000.01 and 3000.02 of the Incentives Code.

In case of activities related to creative industries, concessionaires dedicated to film projects may request a tax credit for production expenses in Puerto Rico, which will be:

- Up to forty percent (40%) of the amounts certified as disbursed in relation to production expenses in Puerto Rico, not including payments made to foreign persons; and
- Up to twenty percent (20%) of the amounts certified as disbursed in relation to Puerto Rico production expenses that consist of payments to foreign persons.
- Up to fifteen percent (15%) of the amounts certified as disbursed in relation to production expenses in Puerto Rico, not including payments made to a foreign person, in the case of feature films or episode series, or documentaries in which a domestic producer is in charge of the film project and the director, cinematographer, editor, production designer, post-production supervisor, or line producer are domestic persons, up to a maximum of four million dollars (\$4,000,000) tax credit for film project under this line.

Fifty percent (50%) of the tax credit may be used in the taxable year during which the activities covered by the decree begin and the remaining balance in subsequent years.

For more details on the creative industries tax credit, refer to Section 3050.01 of the Incentives Code.

### **SCHEDULE 8 INCENTIVES - INCOME TAX FOR EXEMPT BUSINESSES ENGAGED IN ENTREPRENEURSHIP ACTIVITIES**

This schedule must be used by an exempt business that requests a decree under Chapter 10 of Subtitle B of the Incentives Code for entrepreneurship activities.

Any young entrepreneur who signs a Special Agreement for the Creation of Companies with the Secretary of the DDEC, may enjoy the benefit of tax exemption for a period of three (3)

years from the date of commencement of operations, as established in the decree.

In general, new businesses of young entrepreneurs must meet the following requirements:

- the business must begin its main commercial operation on or after the filing of the decree application;
- the business must be operated exclusively by young entrepreneurs;
- One that has been operating through affiliates or that is the result of a reorganization, as defined in the Internal Revenue Code, will not be considered a new business; and
- Benefits will be limited to one new business per young entrepreneur.

For additional details regarding eligibility, benefits, and other requirements for decree applications under Chapter 10, refer to the Incentives Code.

### **GENERAL INFORMATION**

Include the case number in the corresponding box. Also, indicate the effective period for income, the type of business, and the current and required number of jobs directly related to the exempt activity.

### **PART II - DEDUCTIONS**

In case of businesses engaged in entrepreneurship activities, the net income in excess of five hundred thousand dollars (\$500,000), will be subject to the ordinary rates established in the Internal Revenue Code. Therefore, the provisions applicable to allowable deductions must be considered for the determination of both the net income subject to regular tax and the alternative minimum tax.

Section 1022.04 of the Internal Revenue Code establishes that to determine the alternative minimum net income subject to the alternative minimum tax, only certain items may be claimed against the gross income and subject to the fact that some of them are evidenced with informative returns or have been validated with an Agreed Upon Procedures Report. To do this, two columns are provided to indicate the allowable deductions against the net income subject to regular tax and the allowable deductions for purposes of the alternative minimum tax, respectively.

In case of those deductions that must be reported on informative returns (Section A of Part II of this Schedule), those taxpayers whose taxable year is natural and use the cash basis method, may include the amount of expenses reported in the informative returns issued for taxable year 2022 as an allowable deduction for the determination of both the net income subject to regular tax and the alternative minimum tax. In case of the regular tax, you may deduct those payments for services not reported on informative returns because they did not exceed \$500 during the taxable year. However, said payments may only be deductible to determine the net income subject to alternative minimum tax if they were included in a duly filed informative return.

In case of taxpayers who use the accrual basis method or whose taxable year is a fiscal year, they must reconcile, in accordance with the provisions of Section 1063.01(a) of the Internal Revenue Code, the amount reported in the duly filed informative returns, with the expense claimed as a deduction on the return. In this case, the taxpayer may claim as a deduction

the amount of expense recorded in their books for purposes of regular tax and alternative minimum tax. For these purposes, refer to the expense reconciliation templates available through your tax return preparation program provider or on the Treasury's website through the following link: <https://hacienda.pr.gov/documentos/2022-planilla-de-contribucion-sobre-ingresos-de-corporaciones->. You must complete a reconciliation detail that includes the allowable expenses provided in this section for each column, Regular Tax column and Alternative Minimum Tax column, separately. This reconciliation will not be required in case that the taxpayer submits, together with its income tax return, audited financial statements in accordance with the provisions of Section 1061.15(a) and files the Supplementary Information required in Section 1061.15(b) of the Internal Revenue Code.

To claim any amount included on lines 33 to 55 (Section C, Part II of this Schedule) as an allowable deduction for determining the net income subject to alternative minimum tax, and in case that the return is not submitted including audited financial statements in accordance with the provisions of Section 1061.15(a) together with the Supplementary Information required in Section 1061.15(b) of the Internal Revenue Code, you must submit an Agreed Upon Procedures Report together with your income tax return, in accordance with the provisions of IR CL 19-14. You must check the oval for ("AUP") provided in the line corresponding to each deduction that is validated in the Agreed-Upon Procedures Report ("AUP") included with the return. Only those expense items that have been submitted to the AUP may be deductible for the alternative minimum tax. If you do not submit the AUP, you will not be able to claim the deductions provided in this section for purposes of determining the net income subject to the alternative minimum tax.

For specific instructions of a particular line of this Part II, refer to the section of General Instructions for Schedules 1 to 11 Incentives.

### **PART III - DETERMINATION OF NET INCOME (OR LOSS) SUBJECT TO TAX**

**Line 4** - Enter the net operating loss carryover balance reflected at the end of the previous year, as determined in Part VII of this Schedule. Net operating losses declared exempt under the Incentives Code can only be deducted against the income from the operation that incurred the loss. Net operating losses that are not covered by an exemption decree under the Incentives Code can only be deducted against income not covered by an exemption decree, in accordance with the provisions of the Internal Revenue Code.

The amount of the net operating loss to be carried forward must be computed in accordance with the provisions of Section 1033.14 of the Internal Revenue Code.

**Line 5** - The first five hundred thousand dollars (\$500,000) of net income subject to tax will be exempt from tax for new businesses that operate under a young business agreement.

### **PART IV - COMPUTATION OF TAX**

Any net income generated by the new businesses in excess of five hundred thousand dollars (\$500,000), will be subject to the ordinary rates established in the Internal Revenue Code.

Refer to the instructions of Part V of Schedule 6 Incentives.

## **SCHEDULE 9 INCENTIVES - INCOME TAX FOR EXEMPT BUSINESSES IN OPPORTUNITY ZONE**

This schedule must be used by those eligible businesses in the opportunity zones under the Incentives Code, which have a tax exemption decree issued under the Opportunity Zones chapter of said Code.

For additional details regarding eligibility, benefits and other requirements for decree applications for exempt businesses in opportunity zones, refer to the Incentives Code.

### **GENERAL INFORMATION**

Indicate in the corresponding boxes the type of business, effective period for income and the current and required number of jobs directly related to the designated service.

### **PART III - DETERMINATION OF NET INCOME (OR LOSS) SUBJECT TO TAX**

**Line 4** - Enter the net operating loss carryover balance reflected at the end of the previous year, as determined in Part VII of this Schedule. Net operating loss declared exempt under the Incentives Code can only be deducted against the income from the operation that incurred the loss. Net operating losses that are not covered by an exemption decree under the Incentives Code can only be deducted against income not covered by an exemption decree, in accordance with the provisions of the Internal Revenue Code.

The amount of the net operating loss to be carried forward must be computed in accordance with the provisions of Section 1033.14 of the Internal Revenue Code.

### **PART IV - COMPUTATION OF TAX**

**Line 1** - Multiply the net income from the eligible activity subject to tax by the applicable rate, as determined in your decree. Enter the result on this line.

An exempt business in the opportunity zone will be subject to a fixed tax rate on the net income from opportunity zones of eighteen point five (18.5) percent instead of any other tax imposed by the Internal Revenue Code.

**Line 2** - Include on this line the amount corresponding to applicable credits. You must submit details of these credits.

Act 52 of June 30, 2022 ("Act 52-2022") added Section 1051.16 to the Internal Revenue Code to authorize the Secretary of the Treasury 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.

Enter on line 2(a) Pre TCM-\$\_\_\_\_\_, any tax credit granted under the Internal Revenue Code, the Puerto Rico Incentives Code, previous incentive acts or any other special act, prior to the date of implementation of the TCM.

Enter on line 2(b) Post TCM \$\_\_\_\_\_, any tax credit granted from the date of implementation of the TCM. The amount of credit to be included on the line corresponding to Post TCM



credits must be the amount you are claiming against the tax determined on this Schedule 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 this line. Once you claim this amount on this Schedule, 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 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, 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 Internal Revenue Code will be subject to the limitation of use provided in Section 1051.13 of the Internal Revenue Code.

### **SCHEDULE 10 INCENTIVES - INCOME TAX FOR EXEMPT BUSINESSES ENGAGED IN OTHER EXEMPT INDUSTRIES**

This schedule must be used by an exempt business that requests a decree under Chapter 11 of Subtitle B of the Incentives Code for activities related to other industries covered by the Incentives Code.

Certain exemptions are provided for a business established or to be established in Puerto Rico with the purpose of providing air transportation services as a public carrier. Similarly, you can request a decree under Chapter 11 when the entity is established in Puerto Rico to engage in one of the following eligible activities:

- 1) Transportation of cargo by sea between ports located in Puerto Rico and ports located in foreign countries.
- 2) The rental or lease of vessels, used in said transportation, or property of any other kind, real and personal, used in the operation of such vessels, as long as the Secretary of the DDEC determines that the exemption is necessary and convenient for the promotion of the economy and welfare of the people of Puerto Rico.

For additional details regarding eligibility, benefits, and other requirements for decree applications under Chapter 11, refer to the Incentives Code.

### **GENERAL INFORMATION**

Include the case number in the corresponding box. Also, indicate the effective period for income, type of business and the current

and required number of jobs directly related to the exempt activity.

Select the oval corresponding to the type of industry, as applicable: public air transport carriers or ocean freight carriers.

### **PART III - DETERMINATION OF NET INCOME (OR LOSS) SUBJECT TO TAX**

**Line 4** - Enter the net operating loss carryover balance reflected at the end of the previous year, as determined in Part VI of this Schedule. Net operating losses declared exempt under the Incentives Code can be deducted only against the income from the operation that incurred the loss. Net operating losses that are not covered by an exemption decree under the Incentives Code can only be deducted against income not covered by an exemption decree, in accordance with the provisions of the Internal Revenue Code.

The amount of the net operating loss to be carried forward must be computed in accordance with the provisions of Section 1033.14 of the Internal Revenue Code.

**Line 6** - Enter in the space provided the amount associated with the corresponding exemption according to the eligible activity carried out by the exempt business.

In general, air transport public carriers services, as well as ocean freight carriers, will be exempt from income tax.

### **SCHEDULE 11 INCENTIVES - INCOME TAX FOR FULLY TAXABLE OPERATIONS OR PERIODS FOR WHICH IT IS CHOSEN NOT TO USE THE BENEFITS OF THE TAX EXEMPTION GRANT UNDER ACT 60-2019**

This schedule must be used to report fully taxable activities or in those cases in which the entity chooses not to use the benefits of the exemption decree granted under the Incentives Code.

Exempt businesses that have a decree granted under the Incentives Code will have the option to choose the specific tax years to be covered under their decrees regarding their exempt income, as long as they notify the Secretary of the DDEC and the Secretary of the Treasury. Said notification must be completed no later than the due date to file the income tax return for said taxable year, including extensions.

### **GENERAL INFORMATION**

Select the corresponding oval when this Schedule is completed to report the income from exempt activities for which the tax exemption benefits will not be used. Include the case number in the corresponding box.

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

Enter on line 8 the net capital gain and on line 9 the net gain (or loss) on the sale or exchange of property that is not a capital asset. To determine the amount to include on both lines, use Schedule D Corporation (see instructions for Schedule D Corporation).

Enter on line 10 the rental income. If the rental income comes from the lease of a New Construction Property or Residential-type Qualified Property, it is exempt in its entirety pursuant to the provisions of Act 132-2010, as amended ("Act 132-2010").



This exemption applies from January 1, 2011 onwards until December 31, 2025, regardless of the date on which the contract was signed.

For more details, see Act 132-2010 and the corresponding regulations.

Enter on line 13 the income received from any distributable share on profits from partnerships and special partnerships and on line 14 the result of the distributable share on net income subject to preferential rates from partnerships and special partnerships, as reported on line 7 of Part III of Form 480.6 EC. Use Schedules R and R1 Corporation to determine the amount to include on these lines. (See instructions for Schedules R and R1 Corporation).

## PART II - DEDUCTIONS

Those activities not covered by a decree will be considered taxable operations and will be subject to the ordinary rates established in the Internal Revenue Code. Therefore, the provisions applicable to allowable deductions must be considered for the determination of both, the net income subject to regular tax and the alternative minimum tax. The same applies in case of entities that choose not to use the benefits of the exemption decree granted under the Incentives Code during the taxable year.

Section 1022.04 of the Internal Revenue Code establishes that to determine the alternative minimum net income subject to the alternative minimum tax, only certain items may be claimed against the gross income and subject to the fact that some of them are evidenced with informative returns or have been validated with an Agreed-Upon Procedures Report. For these purposes, two columns are provided to indicate the allowable deductions against the net income subject to regular tax and the allowable deductions for purposes of the net income subject to alternative minimum tax, respectively.

In the case of those deductions that must be reported on informative returns (Section A of Part II of this Schedule), those taxpayers whose taxable year is natural and use the cash basis method, may include the amount of expenses reported in the informative returns issued for taxable year 2022 as an allowable deduction for the determination of both, the net income subject to regular tax and the alternative minimum tax. In case of the regular tax, you may deduct those payments for services not reported on informative returns because they did not exceed \$500 during the taxable year. However, said payments may only be deductible to determine the net income subject to alternative minimum tax if they were included in a duly filed informative return.

In case of taxpayers who use the accrual basis method or whose taxable year is a fiscal year, they must reconcile, in accordance with the provisions of Section 1063.01(a) of the Internal Revenue Code, the amount reported on the duly filed informative returns, with the expense claimed as a deduction on the return. In these cases, the taxpayer may claim as a deduction the amount of expense recorded in their books for purposes of regular tax and alternative minimum tax. For these purposes, refer to the expense reconciliation templates available through your tax return preparation program provider on the Treasury's website through the following link: <https://hacienda.pr.gov/documentos/2022-planilla-de-contribucion-sobre-ingresos-de-corporaciones> You must complete a reconciliation detail that includes the allowable expenses provided in this section for each column, Regular Tax column

and Alternative Minimum Tax column, separately. This reconciliation will not be required in case that the taxpayer submits, together with its income tax return, audited financial statements in accordance with the provisions of Section 1061.15(a) and files the Supplementary Information required in Section 1061.15(b) of the Internal Revenue Code.

To claim any amount included on lines 33 to 55 (Section C, Part II of this Schedule) as an allowable deduction for determining the net income subject to alternative minimum tax, and in the event that the return is not submitted including audited financial statements in accordance with the provisions of Section 1061.15(a) of the Internal Revenue Code together with the Supplementary Information required in Section 1061.15(b) of the Internal Revenue Code, you must submit a Agreed-Upon Procedures Report together with your income tax return, in accordance with the provisions of IR CL 19-14. You must check the oval of ("AUP") provided in the line corresponding to each deduction that is validated in the AUP included with the return. Only those expense items that have been submitted to the AUP may be deductible for the alternative minimum tax. If you do not select the corresponding oval, and do not submit the AUP, you will not be able to claim the deductions provided in this section for purposes of determining the net income subject to the alternative minimum tax.

For specific instructions of a particular line of this Part II, refer to the section of General Instructions for Schedules 1 to 11 Incentives.

## PART III - DETERMINATION OF NET INCOME (OR LOSS) SUBJECT TO NORMAL TAX AND SURTAX

**Line 4** - Enter the net operating loss carryover balance reflected at the end of the previous year, as determined in Part VII of this Schedule.

The amount of the net operating loss to be carried forward must be computed in accordance with the provisions of Section 1033.14 of the Internal Revenue Code.

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

- Years beginning before January 1, 2005 - net operating losses can be carried over to each 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 the 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 over to each of said subsequent taxable years will be the lesser 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 provided in Section 1033.14(d) of the Internal Revenue Code, for each of the taxable years started before January 1, 2013,
- 2) ninety (90) percent of the net operating income.

**Line 6** - Enter 85% of the amount received as dividends from a domestic corporation subject to tax under the Internal Revenue Code, but limited to 85% of the net income of the corporation.

If the dividend received is a result of industrial development income ("IDI") derived from operations covered under the provisions of Act No. 57 of 1963, the deduction will be 77.5% of the amount received, but limited to 77.5% of the net income subject to tax.

The 77.5% deduction does not apply to dividend distributions from income derived from operations covered under Act 78-1993, as amended, or Act No. 8 of 1987, as amended.

However, the Internal Revenue 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 deduction an amount equal to 100% of the total amount received as dividends from a domestic corporation taxable under the Internal Revenue Code.
- 2) Subject to certain requirements imposed by the Internal Revenue Code, a deduction will be granted 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 source 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 insured 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% deduction 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 source 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% deduction will be granted against the net income of the total amount received as dividends from a domestic controlled corporation.

**Line 8** - Enter \$25,000, except in case that the entity belongs to a group of controlled corporations owned directly or indirectly in 80% or more by the same person or persons. In such cases, the allowable credit will only be \$25,000 for the entire group of entities. If the entity is a component member of a controlled group of corporations as of December 31, the allowable credit to such corporation for the taxable year that includes such December 31, will be an amount equal to \$25,000 divided by the number of entities that are component members of the group or the applicable amount according to the apportionment plan.

The group of entities must file Form AS 2652.1 where it will report the distribution of the deduction. This form will be filed electronically through SURI.

## PART IV - COMPUTATION OF TAX

**Line 1** - Indicate the corresponding tax rate and multiply it by the amount shown on line 7, Part III.

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

In case that a rate of less than 18.5% is applicable, you must submit with the return, a copy of the agreement or any other official document that evidences said applicable tax rate.

In case of corporations with fully eligible activity, or in periods in which they choose not to use the benefits of the tax exemption decree granted under the Incentives Code, and whose source of income comes substantially from the rendering of services, may choose to an optional tax in lieu of the normal, additional and alternative minimum tax.

If you chose said optional tax, check the Optional tax box and enter the amount determined on Schedule X Corporation, Part II, line 4. Use Schedule X Corporation to determine the amount to include on this line (see instructions for Schedule X Corporation).

**Line 2** - Multiply line 9, Part III by the applicable tax rate, according to the table included below and enter the result.

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

**Line 4** - Enter the amount determined on line 9 of Schedule D1 Corporation (Income Tax Subject to Preferential Rates).

If, during the taxable year, the entity derives net long-term capital gains in excess of net short-term capital losses, it may choose to pay the alternative tax. The alternative tax is determined by taxing the net income, excluding the long-term capital gains, at the normal tax rates plus the special rate that applies to such gains.

**Line 6** - Enter the amount determined on line 6(c), Part IV of Schedule C Corporation (Credit for Taxes Paid to Foreign Countries, the United States, its States, Territories and Possessions).

**Line 8** - Enter the excess of the tentative minimum tax over the adjusted regular tax determined on Schedule A Corporation, Part V, line 34.

This 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 for certain preferential items, exceeds the exempt amount of \$50,000. The tax rate of this contribution is equal to 18.5% of such net income, but not less than \$500. However, corporations with a volume of business equal to or more than \$10,000,000 will be subject to a tax rate of 23%.

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

**Line 11** - In those cases in which the entity has paid an alternative minimum tax on the income derived from fully taxable operations in previous years, it can claim it as a credit against the regular tax on taxable operations, as long as it meets certain requirements. To be eligible for this credit, the regular tax for the year must exceed the alternative minimum tax for said year and the alternative minimum tax must have been paid in previous years. Enter on this line the amount of credit determined on line 4, Part VI of Schedule A Corporation.

**Line 14** - In addition to the other taxes imposed by the Internal Revenue Code, those foreign corporations engaged in trade or business in Puerto Rico that operate as branches, **will be subject to a tax of 10%** of the tax on dividend equivalent amount or profit distribution for the taxable year.

This provision must not apply to any taxable year in which foreign corporations engaged in trade or business in Puerto Rico derive at least 80% of their gross income, during the 3-year period ending with the close of said taxable year, from income from sources in Puerto Rico or income related or treated as actually related to the operation of an industry or business in Puerto Rico.

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

**Line 15** - For taxable years beginning after December 31, 2013, a 10% tax will be imposed, collected and paid, without taking into consideration any deduction or credit provided by Subtitle A of the Internal Revenue Code, on the amount of the deemed dividends tax, which is considered to have been received by a foreign owner (who owns directly or indirectly 50% or more of the shares of the corporation) of a corporation, during any taxable year.

**Corporations subject to this tax must complete Form AS 2877 and submit it with their return. For more details, refer to the form instructions.**

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

Use this schedule to determine the recapture of credits for investment and for donation of a conservation easement or

eligible land claimed in excess, the tax credits under certain acts, and the detail of the purchase of tax credits.

#### **PART I - RECAPTURE OF CREDIT FOR INVESTMENT AND FOR DONATION OF A CONSERVATION EASEMENT OR ELIGIBLE LAND 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 check the box that identifies the Act that regulates the investment or donation made.

Enter the credit claimed in excess in previous years as a result of the intervention of the Secretary or Director of the Agency or Department, or the Board 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), 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:

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

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 provisions 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 6 Incentives, Part V, line 13; to Schedule 7 Incentives, Part IV, line 2; to Schedule 8 Incentives, Part IV, line 13; or to Schedule 11 Incentives, Part IV, line 10, 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 52-2022 added Section 1051.16 to the Internal Revenue Code to authorize the Secretary to create the Tax Credits Manager ("TCM") as part of the electronic system of the Department. Pursuant to AD 22-11, 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 Internal Revenue 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 on this Schedule, 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 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, 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 Internal Revenue Code will be subject to the limitation of use provided in Section 1051.13 of the Internal Revenue Code.

Credits acquired through purchase may only be claimed on lines 16 and 17 of this Part II, as applicable. Lines 1 through 5, 8, 12 through 17 and 20 of this Part II should only be used to claim credits generated during the current taxable 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 pertinent 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 Authority for the Housing Financing.

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 an urban center, as provided by law, may qualify to claim a credit against the tax.

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

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

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

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

**To claim this credit, you must submit the certification issued by Secretary.**

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

**Line 6** - Enter here the tax credit acquired during the year through the purchase, exchange or transfer made by the investor or participant of the primary investor and which are included on the list of credits subject to moratorium under Sections 1051.11 and 1051.12 of the Internal Revenue 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 each year in which you claim the credit.

#### **Complete Part III of Schedule B Incentives.**

**Line 7** - Enter on this line only the total amount of credits claimed, but not used in previous years that are subject to moratorium under Sections 1051.11 and 1051.12 of the Internal Revenue 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, the taxable year in which any balance of such credit was claimed and the balance of credit available for the current taxable year.

Submit evidence of the credit that you are claiming.

**Line 8** - Enter the total of credits subject to moratorium that has not been included on the previous lines. Include with your return a schedule showing a breakdown of the credits included on this line. In addition, you must submit evidence of the credits that are being claimed on this line.

#### **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 Internal Revenue Code.

**Line 13** - 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 Internal Revenue 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 provided by 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 14** - Enter the amount of credit for tourism investment. Every investor may claim a credit for tourism investment equal to 50% of their eligible investment. The credit may be taken in two installments: the first half in the year in which financing was obtained for the total construction of the tourism project and the balance of said credit in the following years. To claim this credit, you must include with your return Schedules Q and Q1, duly completed.

You must include with the return a copy of the sworn statement reporting the distribution of the credit. Also, you must include a copy of the Certification issued by the relevant agencies.



**Line 15** - Enter the amount of credit for tourism eligible investment under Act 60-2019. Every investor may claim a credit for tourism investment equal to 30% or 40% of the total cost of the tourism project with respect to the tax credits granted in Section 3010.01(a)(1) of the Incentives Code, as determined by the Department of Economic Development and Commerce.

If the credit is determined based on 30% of the cost of the project, it can be taken in four (4) installments. Up to 10% may be claimed in the year of the eligible investment, in the year in which the financing was obtained for the total construction of the tourism project, and the balance of said credit may be taken in three installments: the first third of the balance in the year in which the exempt business receives the first paying guest, and the remaining balance, in the two subsequent years in equal parts.

If the credit is granted based on 40% of the investment, it will be taken in three (3) installments: the first third of the Tax Credit in the second year after the exempt business began its operations and the remaining balance in the two subsequent years in equal parts.

Any Tourism Eligible Investment credit not used in a taxable year may be carried over to subsequent taxable years until totally used, subject to the provisions of Section 1051.16(h) of the Internal Revenue Code.

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

For additional details, refer to Section 3010.01 of the Incentives Code.

**Line 16** - Enter the amount of credit to be claimed for the investment in a Film Entity dedicated to a Film Project and/or Infrastructure Project under Act 27-2011.

Said credit is subject to the taxpayer's request and the approval by the Secretary of an administrative determination issued under Act 27-2011 and its regulations. The taxpayer must include with the return a copy of the certification issued by the Puerto Rico Film Corporation, which is assigned to the Department of Economic Development of Puerto Rico. For additional details, refer to Act 27-2011.

**Line 17** - 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 Internal Revenue Code, including the alternative minimum tax applicable to corporation.

That part 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 18** - 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 Internal Revenue Code.

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

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

#### **Complete Part III of Schedule B Incentives.**

**Line 19** - Enter on this line only the total amount of credits claimed, but not used in previous years that are not subject to moratorium under Sections 1051.11 and 1051.12 of the Internal Revenue Code. The taxpayer must include with his 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 during which any balance of such credit was claimed and the credit balance available for the current taxable year.

Submit evidence of the credits that you are claiming.

**Line 20** - Enter the total amount of tax credits not subject to moratorium not included on the preceding lines.

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

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

**Line 23** - This line may not be greater than the amount indicated on line 12, Part V of Schedule 6 Incentives, line 12, Part IV of Schedule 8 Incentives or line 9, Part IV of Schedule 11 Incentives reduced by the credit, if any, reflected on line 14, Part V of Schedule 6 Incentives, line 14, Part IV of Schedule 8 Incentives or line 11, Part IV of Schedule 11 Incentives.

Add line 3 of Part V of Schedule 1 Incentives, line 1 of Part IV of Schedules 2 and 3 Incentives, the greater of lines 3 or 4 of Part V of Schedule 4 Incentives, lines 1 and 4 of Part V of Schedule 5 Incentives, lines 8, 11 and 13 of Part V of Schedule 6 Incentives, line 3 of Part IV of the Schedule 7 Incentives, lines 8, 11 and 13 of Part IV of Schedule 8 Incentives, line 1 of Part IV of Schedule 9 Incentives, and lines 5, 8 and 10 of Part IV of Schedule 11 Incentives.

### 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 the credits subject to moratorium under Section 1051.13 of the Internal Revenue Code will be made over the total of 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 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 Internal Revenue 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 Internal Revenue 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 Internal Revenue 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 Internal Revenue Code and its regulations for other requirements and provisions in connection with the deduction under the flexible and accelerated depreciation methods.**

### 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 the case of intangible property, other than goodwill, acquired by purchase or developed in taxable years after December 31, 2009, a deduction for amortization is granted, using the straight-line 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 useful life.

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

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

In the case of automobiles under operating leases, the amount of rent paid during the taxable year shall be allowed as a deduction for **depreciation** up to a maximum of \$6,000 annually per automobile or \$10,000 if used by a seller. Include on this line, the lease rental payments for 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 Internal Revenue Code for the definition of a lease that is essentially equivalent to a purchase.

In 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 heading (Schedule E1 No. \_\_\_\_), the number that correspond to the schedule from the total amount of Schedule E1 submitted with the return.

In 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 Internal Revenue 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 property, 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 T INCENTIVES CODE - ADDITION TO THE TAX FOR FAILURE TO PAY ESTIMATED TAX IN CASE OF EXEMPT BUSINESSES UNDER THE PUERTO RICO INCENTIVES CODE**

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 line 3 of Part V of Schedule 1 Incentives, line 1 of Part IV of Schedules 2 and 3 Incentives, the greater of lines 3 or 4 of Part V of Schedule 4 Incentives, line 1 and 4 of Part V of Schedule 5 Incentives, lines 8, 11 and 13 of Part V of Schedule 6 Incentives, line 3 of Part IV of Schedule 7 Incentives, lines 8, 11 and 13 of Part IV of Schedule 8 Incentives, line 1 of Part IV of Schedule 9 Incentives, and lines 5, 8 and 10 of Part IV of Schedule 11 Incentives.

**Line 2** - Include the total of all withholdings and credits provided in the Internal Revenue Code or special acts for the taxable year, including the tax paid in excess not refunded corresponding to the previous taxable year. Add lines 2(a), 2(c), 2(d), 2(f) and 2(g) of Part I of the return, line 4 of Part V of Schedule 1 Incentives, line 2 of Part IV of Schedule 3 Incentives, lines 2(d) and 5 of Part V of Schedule 4 Incentives, line 2(c) of Part V of Schedule 5 Incentives, lines 9, 14 and 15 of Part V of Schedule 6 Incentives, line 4 of Part IV of Schedule 7 Incentives, lines 9, 14 and 15 of Part IV of Schedule 8 Incentives, line 2 of Part IV of Schedule 9 Incentives, and lines 6, 11 and 12 of Part IV of Schedule 11 Incentives.

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

**Line 5** - Include on this line the tax determined as reflected in the income tax return that you completed the previous year, as applicable.

#### **PART II - ADDITION TO THE TAX FOR FAILURE TO PAY**

##### **Section A - Failure to Pay**

Completely fill in the oval for the calendar year if your taxable year ends on December 31, otherwise, fill in the oval that





indicates the fiscal year. If you filled in the oval for the fiscal year, enter in Columns (a), (b), (c) and (d), the date that corresponds to the 15th day of the fourth month, sixth month, ninth month and twelfth month of the taxable year, respectively.

**Line 8** - If the obligation to pay estimated tax **was met for the first time** before the first day of the fourth month of the taxable year, enter in each of the Columns 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 calculation 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 15th day of the fourth month of the taxable year if you have a fiscal year); in Column (b), the estimated tax paid after April 15 of the taxable year (or the 15th day of the fourth month of the taxable year if you have a fiscal year) and no later than June 15 of the taxable year (or the 15th day of the sixth month of the taxable year if you have a fiscal year); in Column (c), the estimated tax paid after June 15 of the taxable year (or the 15th day of the sixth month of the taxable year if you have a fiscal year) and no later than September 15 of the taxable year (or the 15th day of the ninth month of the taxable year if you have a fiscal year); and in Column (d), the estimated tax paid after September 15 of the taxable year (or the 15th day of the ninth month of the taxable year if you have a fiscal year) and no later than December 15 of the taxable year (or on the 15th day of the twelfth month of the taxable year if you have a fiscal year).

**Line 10** - If several 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 amount to be entered in Columns (b), (c) and (d), you must complete lines 11 through 17 of the previous column.

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

## Section B - Penalty

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

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

## OBLIGATION TO PAY ESTIMATED TAX

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

## ESTIMATED TAX COMPUTATION

The estimated tax computation will be made using an approximate computation of the gross income that can reasonably be expected to be received or earned by the corporation, as applicable depending on the accounting method used to determine the net income, and an approximate calculation of the deductions and credits provided by the Internal Revenue Code or special acts, including the non-refunded tax paid in excess in the previous taxable year.

## PAYMENT OF ESTIMATED TAX

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

1st installment: the 15th day of the fourth month

2nd installment: the 15th day of the sixth month

3rd installment: the 15th day of the ninth month

4th installment: the 15th day of the twelfth month

If the 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 15th day of the sixth month

2nd installment: the 15th day of the ninth month

3rd installment: the 15th day of the twelfth month

If the 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 15th day of the ninth month

2nd installment: the 15th 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 15th day of the twelfth month of the taxable year.

Estimated tax installments will be paid electronically through SURI.

## CHANGES IN THE ESTIMATED TAX COMPUTATION

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

## PENALTIES

**Section 6041.10 of the Internal Revenue 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:
- a) the total tax determined as it results from the preceding year's income tax return, or
  - b) an amount equal to the tax computed at the rates and under the 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 determined was reflected, without taking into consideration any credits to which it had been entitled, including credits for taxes withheld or paid. On the other hand, you can take into consideration any credit for taxes paid or accumulated during the taxable year to the United States, its states, territories and possessions, or any foreign country to which you are entitled.

**INDUSTRIAL CODES**

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



- 5121 Motion Picture and Video Industries  
5122 Sound Recording Industries  
5131 Radio and Television Broadcasting  
5132 Cable Networks and Program Distribution  
5133 Telecommunications  
5141 Information Services  
5142 Data Processing Services  
**52 Finance and Insurance**  
5221 Depository Credit Intermediation  
5222 No depository Credit Intermediation  
5223 Activities Related to Credit Intermediation  
5231 Securities and Commodity Contracts Intermediation and Brokerage  
5239 Other Financial Investment Activities  
5241 Insurance Carriers  
5242 Agencies, Brokerages, and Other Insurance Related Activities  
5251 Insurance and Employee Benefit Funds  
5259 Other Investment Pools and Funds  
**53 Real Estate and Rental and Leasing**  
5311 Lessors of Real Estate  
5312 Offices of Real Estate Agents and Brokers  
5313 Activities Related to Real Estate  
5321 Automotive Equipment Rental and Leasing  
5322 Consumer Goods Rental  
5323 General Rental Centers  
5324 Commercial and Industrial Machinery and Equipment Rental and Leasing  
5331 Lessors of Non financial Intangible Assets (except Copyrighted Works)  
**54 Professional, Scientific, and Technical Services**  
5411 Legal Services  
5412 Accounting, Tax Preparation, Bookkeeping, and Payroll Services  
5413 Architectural, Engineering, and Related Services  
5414 Specialized Design Services  
5415 Computer Systems Design and Related Services  
5416 Management, Scientific, and Technical Consulting Services  
5417 Scientific Research and Development Services  
5418 Advertising and Related Services  
5419 Other Professional, Scientific, and Technical Services  
**55 Management of Companies and Enterprises**  
**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 00902-4140

**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.