

Schedule U

Rev. 11.17



NET INCOME ATTRIBUTABLE TO PUERTO RICO SOURCES PURSUANT TO SECTION 1123(f) OF THE PUERTO RICO INTERNAL REVENUE CODE OF 1994, AS AMENDED

For the taxable year beginning on \_\_\_\_\_ and ending on \_\_\_\_\_

20\_\_

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Taxpayer's Name

Social Security or Employer Identification Number

Place of Residence or Incorporation

Part I Determination of Entire Net Income of the Nonresident Individual or Foreign Corporation or Partnership

Table with 6 rows for Part I: 1. Entire net income of the nonresident alien individual or foreign corporation or partnership (See instructions) (1) 00; 2. Royalties (See instructions) (2) 00; 3. Dividends (See instructions) (3) 00; 4. Net Operating Losses (See instructions) (4) 00; 5. Total Adjustments (Add lines 2 through 4) (5) 00; 6. Entire net income of the nonresident alien individual or foreign corporation or partnership (Subtract line 5 from line 1) ... (6) 00

Part II Computation of the Net Income Attributable to Puerto Rico Sources

Table with 10 rows for Part II: 1. Entire net income of the nonresident alien individual or foreign corporation or partnership (Part I, line 6) (7) 00; 2. Property Factor (From Part III, line 3) (8) %; 3. Payroll Factor (From Part IV, line 3) (9) %; 4. Sales Factor (From Part V, line 3) (10) %; 5. Purchases Factor (From Part VI, line 3) (11) %; 6. Add lines 2 through 5 (12) %; 7. Divide line 6 by 4 (13) %; 8. Multiply line 1 by line 7 (14) 00; 9. Taxable income from operations in Puerto Rico (See instructions. If any of those lines is an operating loss, enter zero (-0-) here) (15) 00; 10. Net Income Attributable to Puerto Rico Sources (Subtract line 9 from line 8. If line 9 is more than line 8, enter zero (-0-) here. If line 8 is more than line 9, enter the difference here. See instructions) (16) 00

Part III Determination of the Property Factor

Table with 3 rows for Part III: 1. Average value of the real and tangible personal property used in Puerto Rico during the taxable year (17) 00; 2. Average value of the real and tangible personal property used everywhere during the taxable year (18) 00; 3. Property Factor (Divide line 1 by line 2. Transfer to Part II, line 2) (19) %

Part IV Determination of the Payroll Factor

Table with 3 rows for Part IV: 1. Total compensation paid or accrued in Puerto Rico during the taxable year (20) 00; 2. Total compensation paid or accrued everywhere during the taxable year (21) 00; 3. Payroll Factor (Divide line 1 by line 2. Transfer to Part II, line 3) (22) %

Part V Determination of the Sales Factor

Table with 3 rows for Part V: 1. Total sales in Puerto Rico during the taxable year (23) 00; 2. Total sales everywhere during the taxable year (24) 00; 3. Sales Factor (Divide line 1 by line 2. Transfer to Part II, line 4) (25) %

Part VI Determination of the Purchases Factor

Table with 3 rows for Part VI: 1. Total purchases in Puerto Rico during the taxable year (26) 00; 2. Total purchases everywhere during the taxable year (27) 00; 3. Purchases Factor (Divide line 1 by line 2. Transfer to Part II, line 5) (28) %

Part VII Computation of Income Effectively Connected with a Trade or Business Within Puerto Rico (Applies only to taxpayers subject to the provisions of Reg. Art. 1123(f)-4(g))

Table with 2 rows for Part VII: 1. Net income from the sale or exchange of personal property manufactured or produced in whole or in part, within Puerto Rico (See instructions) (29) 00; 2. Income Effectively Connected with a Trade or Business Within Puerto Rico (Multiply line 1 by 50%, enter the result here. See instructions) (30) 00

**SCHEDULE U CORPORATION AND PARTNERSHIP****NET INCOME ATTRIBUTABLE TO PUERTO RICO SOURCES PURSUANT TO SECTION 1123(f) OF THE PUERTO RICO INTERNAL REVENUE CODE OF 1994, AS AMENDED****INSTRUCTIONS**

This schedule must be completed by any nonresident alien individual or foreign corporation or partnership subject to the provisions of Section 1123(f) of the Puerto Rico Internal Revenue Code of 1994, as amended (Code), to determine the portion of its entire net income that is treated as income from sources within Puerto Rico.

**PART I – DETERMINATION OF THE ENTIRE NET INCOME OF THE NONRESIDENT INDIVIDUAL OR FOREIGN CORPORATION OR PARTNERSHIP**

**Line 1** – Enter the entire net income determined based on the principles of the income tax laws of the jurisdiction in which the nonresident alien individual resides or the foreign corporation or partnership is organized, if the income tax laws of such jurisdiction impose tax based on net income. It is necessary that you submit copy of the tax return filed in such jurisdiction. Corporations and partnerships must submit a copy of Form 1120 or Form 1065, as applicable. Corporations that are included in a U.S. consolidated federal income tax return must submit a pro forma Form 1120. It is not necessary to include the Schedules to Form 1120 or Form 1065. If the items were determined in a foreign currency, such items must be converted to U.S. dollars at the payment date. A schedule indicating the conversion to U.S. dollars must be submitted with the return.

In any other case, the entire net income shall be determined based on the principles of the Puerto Rico tax law. Where a taxpayer must compute its entire net income based on the Puerto Rico tax law (because its jurisdiction of organization does not impose a tax based on net income), the taxpayer should prepare a pro forma Puerto Rico tax return and reflect the entire net income figure of such pro forma return on this line. A copy of the pro forma return must be included with the return. Please make sure to label it as "PRO FORMA RETURN". The pro forma return does not need to be notarized before a notary public.

**Line 2** – Enter the amount of any royalties, included on line 1, that were subject to tax in Puerto Rico during the taxable year, net of any deductions directly or indirectly attributable or allocable to any such royalties.

**Line 3** – Enter the amount of any dividends, included on line 1, that were received during the taxable year from another member of the controlled group that are made out of earnings and profits earned in Puerto Rico by a person that manufactures or produces tangible property in whole or in part in Puerto Rico or provides manufacturing services in Puerto Rico.

**Line 4** – Enter the amount of any net operating losses carryforward that arose in years in which the taxpayer was subject to the provisions of Section 1123(f) of the Code, provided that the jurisdiction in which the taxpayer is organized imposes an income tax on the taxpayer.

**Line 5** – Add lines 2 through 4.

**Line 6** – Subtract line 5 from line 1.

**PART II – COMPUTATION OF THE NET INCOME ATTRIBUTABLE TO PUERTO RICO SOURCES**

**Line 1** – Enter line 6 from Part I.

**Line 2** – Enter line 3 from Part III.

**Line 3** – Enter line 3 from Part IV.

**Line 4** – Enter line 3 from Part V.

**Line 5** – Enter line 3 from Part VI.

**Line 6** – Add lines 2 through 5.

**Line 7** – Divide line 6 by 4.

**Line 8** – Multiply line 1 by line 7.

**Line 9** – If the taxpayer is engaged in trade or business in Puerto Rico without regard to the provisions of Section 1123(f)(4) of the Code, enter the taxable income from Puerto Rico operations determined under the provisions of the Puerto Rico Internal Revenue Code of 2011, as amended, as follows, otherwise enter zero:

If the taxpayer is a:	Enter the amount determined on
Corporation	Form 480.20, Part I, line 31 or Form 480.30(II), Schedule P, Part I, line 1; Schedule V, Part II, line 1; Schedule X, line 1 of Part II or III, as applicable.
Partnership	Form 480.20(EC), Part VIII, line 34.
Individual	Form 482.0, Part 2, line 13.

**Line 10** – Subtract line 9 from line 8. If line 9 is more than line 8, enter zero. If line 8 is more than line 9, enter the difference here and transfer the amount determined on this line to:

If the taxpayer is a:	Tax Form
Corporation	Form 480.20, Part I, line 26 or Form 480.30(II), Schedule P, Part III, line 16, as applicable. If Schedule P, reflects other operations include a separate statement detailing the income reflected on line 16.
Partnership	Form 480.20(EC), Part VIII, line 25.
Individual	Form 482.0, Schedule F, Part V, Column E.

*In the case of those taxpayers for which an alternative method of allocation was approved by the Secretary under Article 1123(f)-4(f) of Regulation Number 6257 approved on December 29, 2010 (Regulation 6257), enter the net income attributable to Puerto Rico sources computed under the alternative method on this line. Include a copy of the administrative determination issued by the Secretary as well as a separate statement showing the computation of the Puerto Rico source income based on the alternative method of allocation approved.*

**PART III – DETERMINATION OF THE PROPERTY FACTOR**

**Line 1** – Enter the average value of the real and tangible personal property owned and used or rented and used by the nonresident alien individual or foreign corporation or partnership in Puerto Rico during the taxable year.

*The average value of property shall be determined by averaging the value at the beginning and ending of the taxable year. However, the averaging of monthly values during the taxable year should be used if reasonably required to reflect properly the average value of the property of the nonresident alien individual or foreign corporation or partnership.*

*Property owned by a nonresident alien individual or foreign corporation or partnership shall be valued at its original cost plus the cost of additions and improvements.*

*Property rented by the nonresident alien individual or foreign corporation or partnership shall be valued at eight times the annual rental rate paid by the nonresident alien individual or foreign corporation or partnership.*

*The value of movable tangible personal property used both within and without Puerto Rico shall be included on this line to the extent of its utilization in Puerto Rico. The extent of such utilization shall be determined by multiplying the total value of such property by a fraction, the numerator of which is the number of days of physical location of the property in Puerto Rico during the taxable year and the denominator of which is the number of days of physical location of the property everywhere during the taxable year. The number of days of physical location of the property may be determined on a statistical basis or by such other reasonable method acceptable to the Secretary.*

**Line 2** – Enter the average value of the real and tangible personal property owned and used or rented and used by the nonresident alien individual or foreign corporation or partnership everywhere during the taxable year.

**Line 3** – Divide line 1 by line 2. Transfer the amount determined to Part II, line 2.

#### **PART IV – DETERMINATION OF THE PAYROLL FACTOR**

**Line 1** – Enter the total amount paid or accrued in Puerto Rico during the tax year by the nonresident alien individual or foreign corporation or partnership for compensation.

*Compensation* includes all amounts paid for services rendered, including bonuses, vacation allowances, and fringe benefits.

*Compensation is paid or accrued in Puerto Rico where:*

- the employee's service is entirely or predominantly performed within Puerto Rico;
- some of the service is performed in Puerto Rico and the base of operations, or, if there is no base of operations, the place from which the service is directed or controlled, is in Puerto Rico; or the base of operations or the place from which the service is directed or controlled is not in any state of the United States or foreign country in which some part of the service is performed, but the employee's residence is in Puerto Rico.

**Line 2** – Enter the total amount paid or accrued everywhere during the tax year by the nonresident alien individual or foreign corporation or partnership for compensation.

**Line 3** – Divide line 1 by line 2. Transfer the amount determined to Part II, line 3.

#### **PART V – DETERMINATION OF THE SALES FACTOR**

**Line 1** – Enter the total sales of the nonresident alien individual or foreign corporation or partnership in Puerto Rico during the taxable year.

*Sales of tangible personal property* are in Puerto Rico if such property is received in Puerto Rico by the purchaser. In the case of delivery by common carrier or other means of transportation, the place at which such property is delivered to such common carrier shall be considered as the place at which such property is received by the purchaser. Direct delivery in Puerto Rico, other than for purposes of transportation, to a person or firm designated by a purchaser, constitutes delivery to the purchaser in Puerto Rico, and direct delivery outside Puerto Rico to a person or firm designated by the purchaser does not constitute delivery to the purchaser in Puerto Rico, regardless of where title passes, or other conditions of sale.

*Sales, other than sales of tangible personal property,* are in Puerto Rico if the income-producing activity is performed in Puerto Rico, or the income producing activity is performed both in and outside Puerto Rico and a greater proportion of the income-producing activity is performed in Puerto Rico than in any other state of the United States or foreign country, based on costs of performance.

**Line 2** – Enter the total sales of the nonresident alien individual or foreign corporation or partnership everywhere during the taxable year, to the extent that such sales are used to produce income.

**Line 3** – Divide line 1 by line 2. Transfer the amount determined to Part II, line 4.

#### **PART VI – DETERMINATION OF THE PURCHASES FACTOR**

**Line 1** – Enter the total purchases of the nonresident alien individual or foreign corporation or partnership in Puerto Rico during the taxable year.

*Purchases of tangible personal property* are in Puerto Rico if such property is manufactured or produced in Puerto Rico by a member of the controlled group that includes the purchaser, whether such purchases are made directly or indirectly from the manufacturer or producer, provided, however, in no event shall purchases of tangible property be considered purchases of property manufactured or produced in Puerto Rico unless the property is manufactured or produced in whole or in part in Puerto Rico within the meaning of Article 1123(f)-4(d)(2) of Regulation 6257. In addition, refer to Article 1123(f)-4(d)(3) of Regulation 6257 to determine whether purchases of tangible personal property that is not manufactured or produced in whole or in part in Puerto Rico by a member of the controlled group that includes the purchaser are considered as purchases of tangible personal property in Puerto Rico.

*Purchases, other than purchases of tangible personal property,* are in Puerto Rico if the income-producing activity of the seller is performed in Puerto Rico, or the income-producing activity of the seller is performed both in and outside Puerto Rico and a greater proportion of the income-producing activity is performed in Puerto Rico than in any state of the United States or foreign country, based on costs of performance.

**Line 2** – Enter the total purchases of the nonresident alien individual or foreign corporation or partnership everywhere during the taxable year, to the extent that such purchases are used to produce income.

**Line 3** – Divide line 1 by line 2. Transfer the amount determined to Part II, line 5.

#### **PART VII – COMPUTATION OF INCOME EFFECTIVELY CONNECTED WITH A TRADE OR BUSINESS WITHIN PUERTO RICO**

This part must be completed by those taxpayers subject to the provisions of Article 1123(f)-4(g) of Regulation 6257 or those whose alternative method under Article 1123(f)-4(f) of Regulation 6257 is based on the allocation method of Article 1123(f)-4(g).

**Line 1** – Enter the portion of the taxpayer's income from the sale or exchange without Puerto Rico of personal property manufactured or produced in whole or in part within Puerto Rico net of any directly or indirectly allocated expenses to this income. A separate statement should be included with the return showing the computation of the amount entered on this line. Include a copy of the income tax return filed in the jurisdiction in which the taxpayer resides or is organized. If such jurisdiction does not impose a tax based on net income, the taxpayer should prepare a pro forma Puerto Rico income tax return. A copy of the pro forma return must be included with the return. Please make sure to label it as "PRO FORMA RETURN". The pro forma return does not need to be notarized before a notary public.

**Line 2** – Multiply Line 1 by 50%. Transfer the amount determined on this line to:

<b>If the taxpayer is a:</b>	<b>Tax Form</b>
Corporation	Form 480.20, Part I, line 26 or Form 480.30(II), Schedule P, Part III, line 16, as applicable. If Schedule P, reflects other operations include a separate statement detailing the income reflected on line 16.
Partnership	Form 480.20(EC), Part VIII, line 25.
Individual	Form 482.0, Schedule F, Part V, Column E.

**For additional information, please refer to Regulation 6257 and Informative Bulletin from Internal Revenue No. 11-08.**