



INSTRUCTIONS BOOKLET

INCOME TAX RETURN
OF TAXABLE CORPORATIONS
2020

FOR PUERTO RICO
FILE YOUR RETURN ON TIME



DEPARTMENT OF THE TREASURY
GOVERNMENT OF PUERTO RICO

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TAXPAYER'S BILL OF RIGHTS

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

To receive a proper, considerate and impartial treatment.

The information submitted will be confidential.

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

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

The 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 employee of the Department.

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

RELEVANT FACTS

SIGNIFICANT CHANGES IN THE RETURN

↪ Return

- It is provided in the **Heading** to indicate if its qualified as "Large Taxpayer" by the Department of the Treasury for tax purpose.
- In the box for "**Taxable Year**" it is provided space to indicate the beginning and ending date in case of 52-53 weeks taxable year and space for short period is added.
- The deduction of "**services rendered**" is segregated in **Part II, lines 5 and 6**, as payment for services rendered in Puerto Rico and payments for services rendered outside of Puerto Rico, respectively.
- **Lines 12, 15 and 18 in Part II** are added for bundles services, payments for virtual and technological tools and other subscriptions, and payments for judicial or extrajudicial indemnification, respectively.
- It is provided in lines corresponding to the deduction of **depreciation and amortization**, a space to indicate the amount of **Schedules E and E1** that have been used.
- The previous **line 6** of the **Part III** corresponding to the taxable farming income is eliminated as a result of the repeal of Section 1033.12 of the Code. Such benefits will be reported in the income tax return for businesses under the incentive program.
- **Question 7** is modified and **question 8** is added of the Questionnaire of **Part XII** to indicate if audited financial statement or agreed upon procedure report prepared by a Certified Public Accountant (CPA) with a license in force in Puerto Rico, include the stamp number from the CPA College and Schedule PCI with Uncertain Tax Position according with the requirements established in Section 1061.15 of the Code and the Internal Revenue Circular Letter No. 19-14.
- **Question 23** is added to the Questionnaire in **Part XII** to indicate if you request a change in accounting period.

↪ Schedule B Corporation

- The taxable credits reported in **Parts II** are regrouped and **line 13** is added to include the credits for contributions to former governors' foundations.
- **Lines 10, 12 and 16** were added in **Part IV** to include the credits under Act 60-2019 for eligible tourism investment, creative industries and research and development investment, respectively.

↪ Schedule C Corporation

- In **Part II** is added a space to indicate the type of form in which is reflected the tax paid to the United States, its states, territories, possessions, and foreign countries.
- This schedule was modified, integrating **Part III** to determine any reduction applicable to the tax paid or accrued that is claimed as a credit.

↪ Schedule E and Schedule E1

- Space is added in the heading to indicate the amount of schedules that has been prepared and which number of such amount correspond to each schedule.

↪ Schedule IE Corporation

- **Lines 4, 5 and 6 in Part I** were added to reflect the amount received through any grant or stimulus paid by the Federal Government as a result of COVID-19, amount received through any grant or stimulus paid by the Government of Puerto Rico as result of COVID-19, and interest on mortgages on residential property located in Puerto Rico granted after January 1, 2014.

↪ Schedule R Corporation

- This Schedule is modified. It will be used as reconciliation of all Schedules R1 Corporation completed and to reflect the distributable share on the gross income from service rendered and on the partnership volume business, special partnership and subsidiary pass-through entities.

↪ Schedule R1 Corporation

- This schedule will be used as the principal schedule (non-complementary) to determine the adjusted basis and the net income or loss of the partner's share in each partnerships or special partnerships.
- Lines are added in the **Questionnaire of Part I** to indicate the distributable share on gross income from services rendered by the partnership, the distributable share on gross income from services rendered by subsidiary pass-through entities, the distributable share on the volume of business of the partnership, and the distributable share on the volume of business of subsidiary pass-through entities.
- **Lines 5(b) in Part II** are added to indicate the distributable share on loss from a partnership or special partnership owned by the entity.
- **Line 7 of Part II** is renumbered as **line 7(a)**, and **lines 7(b) and 7(c)** are added to indicate the distributable share on gain from a partnership or special partnership owned by the entity and the total income received, respectively.

↪ Schedule S Corporation

- This schedule is eliminated from the return due to the repeal of section 1033.12 of the Code. The farming income will be reported in the incentives income tax return under the Incentives Code of Puerto Rico.

↪ Schedule X Corporation

- **Line 1 of Part I** is renamed as determination of gross income from services rendered. **Lines 1(a) and 1(b)** are added for gross income from services rendered directly by the corporation during the current year, and distributable share on gross income from services rendered by pass-through entities, respectively.
- **Line 2 of Part I** of other income, is distributed between **lines 2(a), 2(b) and 2(c)** to register the result of line 24 less lines 7, 13 and 14 of Part I of the return, other gross income reported by a partnership or special partnership, and total gross income from services rendered, respectively.

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

Indicate if you paid for the preparation of your tax return and make sure that the specialist signs the return and includes his/her registration number. THE CODE PROVIDES CIVIL AND

CRIMINAL SANCTIONS TO THOSE INCOME TAX RETURN SPECIALISTS WHO FAIL TO SUBMIT THIS INFORMATION OR WHO DO NOT MEET ANY OTHER STATUTORY REQUIREMENTS IMPOSED BY THE CODE.

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

If the return is prepared by an accounting firm duly registered as a Tax Return Specialist, it must include the registration number and be signed by the authorized person.

AREA CODE

You must indicate the area code (**787** or **939**) in the parenthesis located in the space 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.

FILING THE TAX RETURN ELECTRONICALLY

You must file your Income Tax Return electronically through SURI or using any program or application certified by the Department. For additional information related with the process of electronic filing, refer to the CC RI 20-13.

FINANCIAL STATEMENTS REQUIREMENT

Those taxpayers engaged in trade or business or to the production of income in Puerto Rico, will be required to submit with their 2020 taxable year income tax return, financial statements, as following indicated:

If the entity has a volume of income during the taxable year equal or more than \$10 million, will be required to submit with the return financial statements audited by a Certified Public Accountant ("CPA") with license in force Puerto Rico that reflect the results of its operations for the taxable year.

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

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

In case that the entity generates a volume of business equal or more 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, submit voluntarily any of the following documents, the

deductions limitations established in Sections 1022.04 of the Code will not apply.

- AUP prepared by a CPA with license in force Puerto Rico under the CC RI 19-14;
- AUP prepared by a CPA with license in force in Puerto Rico under the Internal Revenue Circular Letter No. 20-39 ("CC RI 20-39"); 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 the CCRI 20-39, shall be entitled to a total or partial waiver on the withholding from payments for services rendered.

In cases in which the entity generates a volume of business equal or more than \$3 million, but less than \$10 million, the entity may choose to submit audited financial statements or the AUP prepared by a CPA with license in force Puerto Rico under the CC RI 20-39. If the business submits one of this reports the deductions limitations established in Sections 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 an income statement, a balance sheet, 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 public accounting in Puerto Rico. This 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 opinion without qualifications. Qualified opinions will be accepted, as defined by the US GAAS, provided that the qualification of the opinion is not due to restrictions on the scope of the audit imposed by the business. Reports with abstention of opinion that is due to restrictions in the scope of the audit imposed by the business will not be accepted. Neither will reports of adverse opinion be accepted.

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. For additional information on the Guidelines for the Preparation of the Schedules Required as Supplementary Information, refer to the Administrative Determination No. 14-06 of March 6, 2014 and the 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 calendar year must file the return on April 15, therefore, the due date to submit the Supplementary Information will be no later than May 31. In the event that the corporation requests an extension of time to file the income tax return, the due date to submit said return will be October 15, therefore, in this case the due date to submit the Supplementary Information will be November 30.

Group of Related Entities

In case of a group of related entities, as defined in Section 101.05 of the Code, Section 1061.15(a)(5) of the Code establishes the requirement to submit consolidated or combined financial statements according to the provisions of the United States Generally Accepted



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

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

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

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

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

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

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

CONTRACTS WITH GOVERNMENTAL ENTITIES

Every person, natural or juridical, 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, among others. These documents must be requested annually.

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 print a copy of the electronically filed return. This way you will get a copy with the Department electronic filing seal.

ESTIMATED TAX PAYMENT

The four installments of the estimated tax corresponding to the 2021 calendar year or to the 2021-2022 taxable period, will be made electronically through SURI.

360° SERVICES CENTERS

In the 360° Services Centers, besides **informing the taxpayers about the status of your refund**, other services are offered such as: Tax Return Filing Certifications, Return Copies, assistance for Cases of Inheritance and Donations, Individuals, Corporations or Partnerships and Professional Services Withholding Waivers.

Following are the telephone number of the "Hacienda Responde" Contact Center and the location of each one of our 360° Services Centers:

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

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

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

↳ **Aguadilla 360° Services Center**
Governmental Center
Muñoz Rivera Street
Pueblo Ward, 1st Floor

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

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

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

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

To ensure the health and safety of our taxpayers, the Department has established a controlled system to attend the taxpayers through technological platforms, telephone, e-mail and a system of appointments and changes through the application of "Turnos PR" on our page on the Internet www.hacienda.pr.gov or at hacienda.turnospr.com. On the other hand, to realize transactions

obtain services online, you can access our SURI digital platform at suri.hacienda.pr.gov. In addition, those taxpayers who do not have an account in SURI and require assistance, you can write us safely through the link "Assistance in SURI", available on the main page of SURI.

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 or send a message through your SURI account.

HACIENDA MAKING CONNECTION

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

- ↪ Preparation, filing and electronic transfer of the Corporation Income Tax Return through SURI or using programs or applications certified by the Department
- ↪ Preparation, filing and electronic transfer of the Individual Income Tax Return through SURI or using programs or applications certified by the Department
- ↪ Preparation of 2020 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
- ↪ Puerto Rico Internal Revenue Code of 1994, as amended (Spanish version only)
- ↪ Puerto Rico Internal Revenue Code of 2011, as amended (Spanish version only)
- ↪ Forms, Returns and Informative Booklets, such as:
 - Income Tax Returns for Exempt Businesses under the Puerto Rico Incentives Program
 - 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 version only)
 - *Modelo SC 2800A - Planilla Corta de Contribución sobre Caudal Relicto* (Spanish version 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 version only)
 - *Modelo SC 2800 C - Planilla Informativa de Caudal Relicto (Aplica a causantes fallecidos a partir del 1 de enero de 2018) (Informativo)* (Spanish version only)
- *Modelo SC 2788 - Planilla de Contribución sobre Donaciones* (Spanish version 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 version only)
- *Modelo SC 2788 B - Planilla Informativa de Donaciones (Aplica a donaciones efectuadas a partir del 1 de enero de 2018) (Informativo)* (Spanish version only)
- Form AS 2909.1 A – Tax Return Specialists Authorization for the Electronic Filing and Digital Signature of the Corporation Income Tax Return
- 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 version only)
- *Folleto Informativo para Aclarar sus Dudas sobre Aspectos Contributivos en la Venta de Ciertas Propiedades Inmuebles* (Spanish version only)
- Withholding of Income Tax at Source on Wages - Instructions to Employers (Spanish and English versions)
- *Folleto Informativo - Responsabilidad personal por violaciones al Código de Rentas Internas de 2011, según enmendado* (Spanish version only)
- ↪ Informatives 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 version 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 version 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*
 - *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 version only)
 - *Carta Circular de Rentas Internas Núm. 17-02 de 16 de febrero de 2017- Retención sobre Pagos Efectuados por Servicios Prestados* (Spanish version only)
 - *Carta Circular de Rentas Internas Núm. 19-08 de 11 de marzo de 2019 – Radicación de la Planilla de Contribución sobre Ingresos de Corporaciones Correspondiente al Año Contributivo 2018* (Spanish version only)

- *Carta Circular de Rentas Internas Núm. 19-16 de 9 de diciembre de 2019 - Relevo Parcial 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*
- *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*
- *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 version only)*
- *Determinación Administrativa Núm. 07-03 de 4 de abril de 2007 - Aportaciones y Transferencias de Cuentas de Aportación Educativa (Spanish version 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 version 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 version 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 version 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 version 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 version only)*
- *Determinación Administrativa Núm. 14-06 de 6 de marzo de 2014 - Guías para la Preparación de los Anejos Requeridos como Información Suplementaria (Spanish version 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 version 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 version only)*
- *Determinación Administrativa Núm. 16-11 de 30 de septiembre de 2016 – Contribución Alternativa Mínima para Años Contributivos 2015 y 2016 (Spanish version 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 enmendada, por la Ley Núm. 257 de 10 de diciembre de 2018*

INSTRUCTIONS TO COMPLETE THE CORPORATION INCOME TAX RETURN

WHO MUST FILE THIS RETURN?

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

The following entities are not required to file this return: (1) entities covered by the Incentives Acts or Tourism Development Act; (2) entities with partially exempt income under the Puerto Rico Agricultural Tax Incentives Act, as amended, or under any other special acts; (3) entities with partially exempt income under the Tax Incentives Act to Hospital Facilities; (4) entities which have earned income from Film Projects or Infrastructure Projects; (5) non-profit organizations with tax exemption granted by the Department of the Treasury which has not been rejected; (6) foreign or domestic life insurance companies; (7) corporations of individuals; (8) partnerships; (9) special partnerships; (10) employees-owned special corporations and ordinary and extraordinary members; (11) international insurers; or (12) international financial institutions that do not operate as a bank unit. Nevertheless, these entities must file the return designed by the Department of the Treasury, in accordance to the laws under which they operate.

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

WHEN AND WHERE IT MUST BE FILED?

The income tax return of domestic or foreign corporations engaged in trade or business in Puerto Rico must be filed on or before the fifteenth day of the fourth month following the end of the taxable year. However, according to established in Administrative Determination No. 21-04, every corporation that files the income tax return based on the calendar year 2020, will have until Monday, May 17, 2021 to submit it. The provisions of this Administrative Determination will also apply to any corporation that be required to file the income tax return for taxable 2020 on or before April 15, 2021 based on a 2020 short year or a fiscal year. In case of a foreign corporation not having any office or place of business in Puerto Rico, the return must be filed on or before the fifteenth day of the sixth month following the end of the taxable year.

The return must be filed electronically through of SURI or using any program or application certified by the Department. For additional information related with the process of return electronic filling, refer to the Internal Revenue Circular Letter that the Department will primary issue for these purpose.

AUTOMATIC EXTENSION OF TIME TO FILE THE RETURN

A 6 months automatic extension of time to file the return will be granted if it is requested no later than the due date to file the return. The application will be done 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.

SCHEDULES TO COMPLETE THE CORPORATION INCOME TAX RETURNS

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

- Schedule A Corp. – Alternative Minimum Tax
- Schedule B Corp. – Recapture of Credit Claimed in Excess, Tax Credits, and Other Payments and Withholdings
- Schedule C Corp. – Credit for Taxes Paid to Foreign Countries, the United States, its States, Territories and Possessions
- Schedule D Corp. – Gains and Losses from Sale or Exchange of Property
- Schedule D1 Corp. – Tax on Income Subject to Preferential Rates
- Schedule E – Depreciation
- Schedule E1 – Depreciation for Businesses with Volume of \$3,000,000 or Less
- Schedule G Corp. – Detail of Net Operating Losses from Previous Years
- Schedule IE Corp. – Excluded and Exempt Income
- Schedule Q – Investment Funds - Credit for Investment, Losses and Amount to Carryover
- Schedule Q1 – Investment Funds - Determination of Adjusted Basis, Capital Gain, Ordinary Income and Special Tax
- Schedule R Corp. – Partnerships and Special Partnerships (Reconciliation)
- Schedule R1 Corp. – Partnerships and Special Partnerships
- Schedule S Corp. – Taxable Farming Income (Bona Fide Farmer)
- Schedule T Corp. – Addition to the Tax for Failure to Pay Estimated Tax in Case of Corporations
- Schedule X Corp. – Optional Tax for Corporations that Render Services
- Form AS 2652.1 – Apportionment of the Deduction for the Surtax Computation - Group of Related Corporations
- Form AS 2877 – Deemed Dividend Tax
- Form AS 2879 – Foreign Corporations and Partnerships Tax on Dividend Equivalent Amount and Effectively Connected Interest (Branch Profits Tax)
- Form AS 6042.1 – Deduction for Contributions to Qualified Retirement Plans and Tax on Certain Contributions

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

HEADING OF THE RETURN

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

NAME, EMPLOYER IDENTIFICATION NUMBER AND ADDRESS

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

Enter 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 assigned employer identification number, you must request it from the Federal Internal Revenue Service and notify it to the Department of the Treasury using Form AS 4809.

Enter the Merchant's Registration Number assigned by the Department of the Treasury, the Manufacturer Number (in 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 NAICS code, as indicated in your Merchant Registration 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 45, in order to facilitate the description of the commercial activity and enter the corresponding industrial code.**

Choose the corresponding box if the corporation is a Large Taxpayer according to Section 1010.01(a)(35) of the Code. For purpose of determining the business volume required in subsection (G) of such section, will be determine the aggregated business volume of each member of the group of related entities, as defined in Section 1010.05.

Choose the applicable box if it is the first or last return you are filing and if you have requested a change of accounting period during the taxable year.

Choose 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. You can also change your address at any time of the year through your account in SURI following the steps indicated below: (i) Login to your SURI account; (ii) in the menu Names and Address, select the address you want to change and click Change this address link; (iii) enter the new address and click the link Validate the address; (iv) Once the address is validated, click the Next option to continue with the next screen; (v) On the Review and submit screen, make sure to click on the Submit link. The system will provide you with a confirmation number

of the request for the change of address. We encourage you to keep this number for your records. If you do not have a SURI account, and you still do not have to file the return, you must notify any in your address- using the Form AS 2898 (Change of Address). You can get it accessing our page on the Internet www.hacienda.pr.gov.

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

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

Also indicate if the entity is a member of a group of related entities and the group number assigned by the Department. This number is assigned when you register the group following the procedure established in the Internal Revenue Circular Letter No. 20-18 ("CC RI 20-18"). As part of the registration process, each group must designate a principal member, with knowledge of the group's operations, who will be responsible for managing and updating the group account in SURI. Groups registered as of January 1, 2019 will not have to complete the registration process in SURI. For additional information, refer to CC RI 20-18.

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

If you are member of related entities, the number of the group is required to process the return.

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

REFUND

Line 1 – Amount overpaid

If the sum of lines 18 and 20, Part IV is less than line 19, transfer to this line and indicate the distribution of line 21 among line 1A (to be credited to estimated tax for 2021), 1B (contribution to the San Juan Bay Estuary Special Fund), 1C (contribution to the Special Fund for the University of Puerto Rico) or 1D (to be refunded), at the option of the taxpayer.

Line 2 – Amount of tax due

If the sum of lines 18 and 20, Part IV is more than line 19, enter the amount of line 21 on this line.

PAYMENT

Line 3 – Amount paid

The payments may be made only electronically through SURI. The payments method available to make any transaction in SURI are the following: 1) credit card, Visa or Master Card, 2) ACH Debit (Direct debit) and 3) ACH Credit.

For additional information regarding payments method for transactions on SURI, please refer to Internal Revenue Bulletin No. 20-03: Payment Methods Accepted in Transactions through the Internal Revenue Integrated System.

The payments may be made by electronic debit if you use a program or application certified by the Department to file your returns. If an electronic debit through a program or application certified is authorized, you must enter the amount on line 3(a). Remember to enter in the corresponding screen of the certified

program the account number and the routing/transit number, information necessary to make the electronic debit.

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

INTERESTS, SURCHARGES AND PENALTIES

Interests

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

Surcharges

In case that imposition of interests is applicable, a 5% surcharge of the amount due will also be assessed, if the delay in paying exceeds 30 days, but not 60 days; or 10% of the amount due, if the delay exceeds 60 days.

Penalties

The Code imposes a progressive penalty from 5% to 25% of the total tax for late filing unless you can show reasonable cause for the delay.

Also, any person required under the Code to file a return, declaration, certification or report, who voluntarily fails to file such return, declaration, certification or report, within the term or terms required by the Code or regulations, in addition to other penalties, shall be guilty of a misdemeanor.

If any person voluntarily fails to file the above mentioned return, declaration, certification or report (within the terms required by the Code or regulations) with the intention to avoid or defeat any tax imposed by the Code, in addition to other penalties, shall be guilty of a third degree felony.

SIGNATURE AND OATH OF THE RETURN

The return must be signed by the president, vice president, treasurer or assistant treasurer or other principal officer or finance officer of the corporation.

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

Enter on line 1 **only** the net sales of goods or products and from construction work. Do not include on this line the income received in the year from manufacture and sale of services. They must be included on lines 4 and 7 of this Part I, respectively.

Enter manufacturing and sales costs on lines 2 and 5, as corresponding. Determine this on Part V of the return. Also, enter the gross profit on sale of goods or products and manufacturing on lines 3 and 6, as applicable. To determine the gross profit margin percentage corresponding for the year 2020, in case of sale of goods income, divide line 3 by line 1. In case of manufacturing income, divide line 6 by line 4. To determine the corresponding amount for the year 2019, use the data from the 2019 return.

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

on this line will be the only ones that may request the Department a Waiver Certificate from Withholding at Source. If the corporation does not report income from services it will not be eligible to benefit from the Withholding Waiver.

Enter on line 10 the rental income. If the rental income is derived from the lease of a New Construction Property or Qualified Residential Property, it is fully exempt under the provisions of Act 132-2010, as amended. This exemption applies from January 1, 2011 to December 31, 2025, regardless of the date on which the contract has been subscribed. Do not include on this line the income received for this concept and include the same on Schedule IE Corporation, Part II, line 13.

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

Enter on line 11 the eligible interests that you elected to pay taxes at the regular tax rates and the preferential rate of 10%, among others.

Enter on line 13 the distributable share on the income from partnerships and special partnerships. To determine this income, complete Schedules R and R1 Corporation, if necessary (See instructions for Schedules R and R1 Corporation).

Enter 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 Form 480.60 EC.

If the amount informed is a loss, the same must be carried forward, as provided in the corresponding Special Act. If you have losses from previous years to be claimed against the current year net income, submit with the return a detail that include the taxable year (day/month/year) in which the loss was generated, as reported on Form 480.60 EC, the amount of loss reported, the expiration date of the same and if such loss has been used in previous years, the amount of loss used, if any, the taxable year (day/month/year) in which it was used and the amount of loss available for the current year.

Enter on line 15 the result of the net income subject to the 4% tax rate, derived from the operations of an international financial entity that operates as a bank unit.

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

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

Enter on line 18 the amount of income from debt discharge as informed on Form 480.6A. In case of entities that have a taxable year different to a year ending on December 31, they will include the total income from debt discharge corresponding to the taxable year for which the return is being filed.

Enter on line 19 the net income from public shows. The determined amount will not be part of the gross income informed on lines 1 (Net sales of goods or products) or 7 (Gross profit from sale of services) of this Part I.

Enter on line 20 the amount informed as income from other payments included in Box 12 of Form 480.6A or in Box 9 of Form 480.6B. In case of entities that have a taxable year different to a year ending on December 31, they will include the total of the

other payments corresponding to the taxable year for which the return is being filed

Enter on line 21 any other income earned or received not included on the previous lines. Include with the return a schedule showing a breakdown of this income.

Enter on line 23 the first \$500,000 of gross income generated by a new business created by a young entrepreneur whose age ranges between 16 and 35 years. Also, indicate in the parenthesis provided on this line the amount of the deduction that has been attributed to the service income, if any.

Such new business should have granted a Special Agreement for the Creation of Young Businesses (Agreement) with the Puerto Rico Trade and Export Company, as established by the Act 135-2014, in order to enjoy the exemption during the first 3 years beginning on the date on which the Agreement is signed. **In order to claim this exemption, copy of the Agreement must be included with the income tax return.**

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

PART II - DEDUCTIONS

Section 1022.04 of the Code establishes that to determine the alternative minimum net income subject to alternative minimum tax, only certain items can be claimed against the gross income and subject to, as indicated below, some of them are evidenced with informative returns or have been validated with an Agreed-Upon Procedures. For this, two columns are provided to indicate the allowable deductions against the net income subject to normal tax and the allowable deductions for purpose of the alternative minimum tax, respectively. In addition, the deductions are divided into three groups: (A) Deductions reported on informative return, (B) Deductions not reported on informative return, and (C) Other deductions validated by an Agreed-Upon Procedures (AUP).

A. Deductions that must be reported on informative return

Those taxpayers whose taxable year is natural and use the cash basis method may include the amount of the expenses reported in the informative returns issued for the taxable years 2020 as an allowable deduction to determine both, the net income subject to normal tax and alternative minimum tax. In case of the normal tax, you can deduct those payments for services not reported in an informative return because they did not exceed \$500 during the taxable year. However, said payments can only be deductible to determine the net income subject to the alternative minimum tax if they were included in a duly filed informative return.

In case of taxpayers that use the accrual method or whose taxable year is an economic, for lines 1 through 22, must reconcile, according to the dispositions of Section 1063.01(a) of the Code, the amount reported in the informative returns, duly filed, with the expense claimed as deduction in the return. In this case, the taxpayer can claim as deduction the amount of expense registered in their books for purposes of the normal tax and alternative

minimum tax. For this purpose, refer to the models of expenses reconciliation available through your program provider to complete the tax returns or in the Department's website using the following link: <http://www.hacienda.gobierno.pr/documentos/2020-planilla-de-contribucion-sobre-ingresos-de-corporaciones>.

You must submit a reconciliation detail that includes the eligible expenses provided in this section for each column, Normal Tax and Alternative Minimum Tax column, separately.

This reconciliation will not be required in case that the taxpayer submit, together with the income tax return, the financial statement as established by Section 1060.15(b) and submit the Supplementary Information as established by Section 1061.15(b).

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 X, page 5 of the return.

Line 2 - Compensation to officers

Enter on this line the total compensation paid to the corporation's officers during the year, including the total, if any, that have been determined in Part XI, page 5 of the return.

Line 3 - Salaries, commissions and bonuses to employees

Enter on this line the total salaries, commissions and 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.

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

Line 4 - Salaries paid to young university students

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

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

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

Line 5 - Payments for services rendered in Puerto Rico

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

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

Line 6 - Payments for services rendered outside of Puerto Rico

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

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

Line 7 - Services subcontracted

Enter in this line the amount paid to any person subcontracted in the exercise of an activity of services rendered as part of the industry or business operation. In order to claim the deduction, you must have submitted the corresponding Form 480.6SP and have indicated in them that the reported payments correspond to subcontracted services.

Line 8 - Lease, rent and royalties paid

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

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

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

Line 10 - Telecommunication services

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

Line 11 - Internet and cable or satellite television services

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

Line 12 - Bundles

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

Line 13 - Advertising

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

Line 14 - Royalties

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

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

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

Line 17 - Homeowners association fees

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

Line 18 - Payments for judicial or extrajudicial indemnification

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

Line 19 - Certain other expenses

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

B. Deductions not reported on informative returns

Enter on lines 21 through 31 those deductions not reported on informative returns to determine the net income in columns for normal and alternative minimum tax, as applicable.

Line 21 - Interests on businesses debt

Include in the corresponding space the amount paid for mortgage interest, interest paid in automobile financing lease and other interest, and then totals in the Regular Tax and Alternative Minimum Tax columns.

Mortgages: Enter on this line the amount of mortgage interest 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 the total of the amounts paid for automobiles finance leases (that are essentially purchase). If the corporation has a fiscal year, enter the total paid or incurred during the taxable year.

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

Line 22(b) - Other taxes

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

Line 22(d) - Sales and use tax

Enter on this line the amount of sales and use tax payments made by the corporation during the taxable year not claimed as credit on the sales and use tax monthly returns filed by the corporation. The tax to be claimed takes into consideration such amount paid in: (1) imports, (2) subcontracts, (3) purchase of tangible personal property and taxable services to Puerto Rico residents, (4) purchases of designated professional services, and (5) reverse charge in the purchase of services and goods (including designated professional services) to persons not engaged in trade or business in Puerto Rico.

This deduction will proceed as long as the corporation has not claimed credit for this tax paid.

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

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

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

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

Line 23 - Depreciation and amortization**Flexible depreciation**

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

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

Accelerated depreciation

In order to be entitled to this deduction, an election to use the accelerated depreciation method must be exercised with the return. Said election may be exercised only with respect to property acquired through purchase during taxable years beginning after June 30, 1995. Once the option is exercised, it is irrevocable. This depreciation method does not apply to automobiles, property used outside Puerto Rico, property used by exempt entities, property used totally or partially in activities under the Industrial Incentives Acts, Tax Incentives Act and Tourism Incentives Act, Tourism Development Act, Agricultural Tax Incentives Act, or any other act of similar nature or to intangible property.

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

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

Current depreciation, amortization, automobiles and vehicles under financial leases

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

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

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

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

Also, a deduction for goodwill amortization is granted, as long as the goodwill is purchased 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 Schedule E completed where you detailed the depreciation or amortization claimed.

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

Every corporation which total income for the taxable year does not exceed \$3,000,000 can elect to depreciate the total cost,

including installation, of the computer systems equipment in the year of its acquisition and installation. Equipment previously depreciated by a shareholder of such corporation or acquired from a related person, will not qualify for the acceleration of the depreciation allowance. Also, can be depreciated under the straight-line method, based on a useful life of 2 years, the land transportation equipment, except automobiles, and environmental conservation equipment. In addition, for taxable years beginning after December 31, 2018, you can determine the deduction for depreciation using a two-year useful life for machinery and equipment, furniture and fixtures and any other fixed assets to be used in the industry or business without including personal property, automobiles and property subject to the above terms.

Submit details of this depreciation in Schedule E-1. Indicate in the space provided the total amount of Schedule E completed where you detailed the depreciation or amortization claimed.

Line 25 - Electric power

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

Line 26 - Water and sewage

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

Line 27 - Contribution to health or accidents plans

Enter contributions to your employees' health or accidents plans to cover personal injury or illness, either by insurance, or in any other form that complies with Section 1032.08 of the Code.

Line 30 - Contributions to pension or other qualified plans

Enter the amount contributed to pension, stock bonus, profit sharing or other qualified plans approved by the Secretary of the Treasury. This deduction is subject to certain limitations. See Section 1033.09 of the Code.

To claim this deduction, you must complete and include with the return Form AS 6042.1 - Deduction for Contributions to Qualified Retirement Plans and Tax on Certain Contributions. For additional details, see Regulation No. 8324 of January 9, 2018 and Internal Revenue Circular Letter No. 18-21 of December 31, 2018.

Line 31 - Deduction for employers who employ 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.

C. Other deductions

Enter on lines 33 through 56 those allowable deductions to determine the net income in the columns of the normal and alternative minimum tax, as applicable.

In order to claim any amount on these lines as allowable deduction for the determination of the net income subject to alternative minimum tax, and in case that the return be filed without a financial statement as established by Section 1061.15(a) together with the Supplementary Information required by Section 1061.15(b), the taxpayer must submit with the income tax return an Agreed Upon Procedures, according to the disposition of the "CC RI 19-14".

In order to enter any amount in the column of alternative minimum tax, the taxpayer must check the oval of ("AUP") provided in the corresponding line of each deduction validated in the Agreed Upon Procedures ("AUP") submitted with the return. Only the expenses submitted to the AUP will can be deductible for the alternative minimum tax.

If you do not select the corresponding oval, and the Agreed Upon Procedures is not submitted, you cannot claim the deductions provided in this section for purpose of determining the net income subject to minimum alternative tax.

All taxpayer who chooses to submit financial statements and the supplementary information with the tax return must ensure that the questions number 7 and 8 of the questionnaire, Part XIII, page 6 of the return is correctly answered in order to enter the amounts in the alternative minimum tax column.

Line 33 - Automobile expenses

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

- (1) the expense determined based on a standard mileage rate of sixty cents (\$0.60) for each mile that the taxpayer uses in its industry or business or for the production of income; or
- (2) the actual expenses related to the use and maintenance of an automobile incurred by the taxpayer in its industry or business or for the production of income, including those expenses that are duly documented by the employees under an expenses reimbursement plan established by their employer.

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

The expense related to use and maintenance of automobiles includes repairs, insurances, gasoline, oil and filter changes, cleaning, tires, annual license fees and other expenses of a similar nature. This expense does not include depreciation, rental payments on ordinary leases or financial leases which are claimed on line 23 and detailed on Schedule E. Also, do not include expenses related to the use of tolls or parking, they must be included as miscellaneous expenses.

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

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

If you incurred expenses for vehicles, which are not considered automobiles according to the above definition, you should claim them on line 34.

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

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 37 - Meal and entertainment expenses

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

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

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

Line 44 - Office expenses

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

Line 46 - Bad debts

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

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

Also, the amounts owed to related persons who are foreign or nonresidents not engaged in trade or business in Puerto Rico will not be deductible as well. Paragraph (c) of Section 1040.04 of the Code - Period for Which the Deductions and Credits must be Claimed, establishes the following:

Amounts owed to related persons who are foreign or nonresidents not engaged in trade or business in Puerto Rico.

- 1) In general - Any amount owed to a related person (as defined in Section 1010.05 of the Code) who is foreign or nonresident not engaged in trade or business in Puerto Rico and that, otherwise, be deductible under Section 1033.01 of the Code, will not be deductible by the taxpayer until this amount is paid to any of the related persons.
- 2) Amounts covered by this paragraph - This paragraph applies to those amounts, that otherwise had been deductible, and are of the type described in Sections 1091.01(a)(1) (A)(i) and 1092.01(a)(1)(A)(i) of the Code.

Line 47 - Contributions to educational contribution accounts for the employee's beneficiaries

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

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

Line 48 - Expenses incurred or paid to stockholders, persons or related entities outside of Puerto Rico

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

- the expenses incurred or paid to a related person not engaged in trade or business in Puerto Rico, if such payments are attributable to the conduct of a trade or business in Puerto Rico and are not subject to withholding at source under the Code during the taxable year in which they are incurred or paid, or
- the expenses incurred or paid to a home office located outside of Puerto Rico, by a foreign corporation engaged in trade or business in Puerto Rico through a branch.

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

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

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

For taxable years beginning after December 31, 2018, the limitation (49%) in deductible expenses will not apply if the entity submits to the Secretary a transfer pricing study together with the income tax return that includes an analysis of the operations carried out in Puerto Rico.

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

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

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

In case that the Department has granted a waiver to exclude you from the limitation, you must be sure to answer "Yes" in question 19(b) of the Questionnaire in Part XII, page 6 of the return and must include with the return copy of the administrative determination which granted you the waiver.

Line 50 - Losses from fire, storm, other casualties or theft

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

Line 52 - Expenses in property leased to the Puerto Rico Industrial Development Company or Warehouse of the Puerto Rico Trade and Export Company

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

The total of the eligible investment for this deduction in excess of the eligible business net income in the year of the expense may be claimed as deduction in the subsequent taxable years, until totally used. A deduction will not be allowed for this concept in relation to the portion of expense or investment on which the eligible business has received economic incentives from the Puerto Rico Industrial Development Company or from any other agency,

governmental instrumentality or municipality of the Government of Puerto Rico. Neither will this deduction apply if the investment has generated other special deductions or tax credits.

Line 53 - Other deductions

Breastfeeding Period Concession Deduction

Every employer may claim annually, as an operating expense of the industry or business, an amount equal to a month of salary for each employee to whom you have granted the right to nurse their babies or express 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 one half hour of each full time working day, which can be divided in two periods of 15 minutes.

Special Deduction in Activities of Research and Development

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

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

- (a) is controlled directly or indirectly in 50% or more of the total value of their stocks or shares by a corporation, and
- (b) at the same time, said corporation owns directly or indirectly 50% or more of the total value of the stocks or shares of an exempt business.

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

Additional Deduction for New Job Creation - Act 212

Every industry or business that meets the requirements established in Act 212-2002, that creates new employments as part of an urban center revitalization process, will be entitled to a special additional deduction equivalent to 5% of the minimum salary applicable to each new employment created. Also, the transfer of your business with a minimum of 5 employees to an urban center will entitle you to an additional deduction equivalent to 15% of the payroll expenses related to the employees transferred during the year in which the business was transferred. This deduction will be limited to 50% of the net income according to the Code, adjusted by the special deductions provided by Act 212-2002, without considering this deduction.

These deductions will be available for a term of 5 years from the taxable year in which the taxpayer applies for these benefits. You must keep for your records a certification issued by the Territorial Ordinance Office or from the City Planning Director indicating the

name, social security number and minimum salary for each new employment created; or name and account number of the transferred business, its previous location, name and social security number of the transferred employees and the amount of payroll related to said employees. For both deductions you must also specify the taxable year in which you applied for these benefits and their due dates.

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

For additional details, refer to Act 212-2002 and its regulatory provisions.

Other Deductions

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

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

Line 55 - Charitable contributions

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

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

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

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

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

The contributions made to a municipality that conducts an activity or event of cultural or historic value, as certified by the Institute of Puerto Rican Culture or the Cultural Center of each municipality, or that makes possible the realization of any cultural or historic work, may be claimed as charitable contributions. The contributed amount will be \$50,000 or more, and must be made in connection with the celebration of the centennial foundation of the municipality.

The total of said contributions is not subject to the limitations provided by the Code.

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

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

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

- 1) a bank, insurance company, registered investment company, business development company, investment company in small enterprises, International Banking Entity ("IBE") or International Financial Entity ("IFE"). It will be understood that the IBE and the IFE may be Accredited Investors irrespectively of what is established by the International Banking Center Regulatory Act and the International Financial Center Regulatory Act, respectively;
- 2) a nonprofit organization, corporation or association with assets in excess of five million dollars (\$5,000,000); and
- 3) a business in which all capital owners are accredited investors.

The amount allowed as a deduction will be the following:

- If the initial investment was made in a PEF, the maximum amount of deduction will be 30% of the initial investment provided that such amount will not exceed 15% of the net income before such deduction.
- If the initial investment was made in a PEF-PR, the maximum amount of deduction will be 60% of the initial investment provided that such amount will not exceed 30% of the net income before such deduction.

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

For additional information, refer to Act 185-2014, as amended, and Act 60-2019.

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

You must submit with the return the following documents:

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

- The amount of the capital committed as initial investment that was contributed during the taxable year by the resident investor for which the certification is issued, including any amount that has been contributed after the end of the taxable year but before the resident investor files the income tax return for such taxable year. This amount will be included on line 1 of the worksheet to be completed.
- (2) A schedule that includes the completed worksheet showing how this deduction was determined.
 - (3) Copy of the Sworn Statement filed under which the Fund made the election under Act 185-2014, as amended, Act 60-2019 or through SURJ, as the dispositions of the Internal Revenue Circular Letter No. 19-03 of February 5, 2019.
 - (4) In those cases in which the taxpayer is claiming a deduction from previous years, a detail indicating the taxable year in which the deduction was generated, the amount of deduction generated by the investor, the amount of such deduction that was claimed in previous years, the amount of deduction available for the taxable year and the expiration date of any available unclaimed balance to be used in subsequent years.

Determination of the Deduction:	
1. Amount of capital committed as initial investment that qualifies as contributed during the taxable year (From the certification issued by the PEF or FEP-PR)	\$ _____
2. Applicable percentage:	
• If the investment was in a PEF, enter 30%	
• If the investment was in a PEF-PR, enter 60%	_____ %
3. Amount of deduction for initial investment contributed during the year (Multiply line 1 by the applicable percentage on line 2)	\$ _____
4. Amount of deduction not claimed in previous years	\$ _____
5. Total deduction for investment in a PEF or PEF-PR (Add lines 3 and 4)	\$ _____
Deduction Limitation:	
6. Net income (Subtract lines 20, 32, 54 and 55, Part II from line 25, Part I. If the sum of lines 20, 32, 54 and 55, Part II is more than line 24, Part I, enter zero)	\$ _____
7. Applicable percentage:	
• If the investment was in a PEF, enter 15%	
• If the investment was in a PEF-PR, enter 30%	_____ %
8. Maximum amount allowable as deduction (Multiply line 6 by the applicable percentage of line 7)	\$ _____
9. Allowable deduction on this return (Enter the smaller between lines 5 and 8. Transfer this amount to line 56, Part II of the return)	\$ _____

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

Line 4 - Net operating loss deduction from preceding year

Enter on this line the total of net operating losses from previous years for purposes of the normal tax and alternative minimum tax, as applicable, as determined on Schedule G Corporation, Part I, line 13, Column E, Part I and II, as applicable. Include said schedule with the return.

The total amount of loss to be claimed on this line cannot exceed 90% of the net operating income determined on line 3, Part III.

Provided that in case of a corporate partner that owns, directly or indirectly, 50% or more of the interest in the capital or the interest in the benefits of a partnership or a special partnership, cannot claim the deduction provided in this Section against the distributable income of such partnership. Also, such corporate partner cannot deduct from the distributable income from a partnership or special partnership the losses generated in the corporate partner operations during the current taxable year. Nevertheless the provision herein, the corporate partner will can claim the deduction described in Section 1033.02(e) of the Code against the distributable income of the partnership or special partnership. For purpose of determine the interest percentage, will be used the regulations established on Section 1010.05 of the Code. Determine the net operating loss deduction from preceding year in case of corporation that have 50% or more of participation in partnerships and special partnerships using the worksheet provided in page 44 of the instructions.

Line 6 - Dividends received from domestic corporations

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

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

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

However, the Code provides the following exceptions:

- 1) In the case of a small business investment company operating in Puerto Rico under the United States Congress Small Business Act of 1958, there shall be allowed as a deduction an amount equal to 100% of the total amount received as dividends or profits from a domestic corporation taxable under the Code.
- 2) Subject to certain requirements imposed by the Code, a deduction of 100% is allowed against the net income from the total amount received as dividends by corporations organized under the laws of any state of the United States or the Government of Puerto Rico, which principal is derived from



industrial development income accrued during taxable years beginning prior to January 1, 1993 and invested in obligations of the Government of Puerto Rico, its instrumentalities or political subdivisions, or invested in mortgages secured by the Puerto Rico Housing Bank and Finance Agency or in loans or other securities guaranteed by mortgages granted under any general character pension or retirement system established by the Legislative Assembly of Puerto Rico, the municipalities and the agencies, entities or public corporations of the Government of Puerto Rico.

- 3) There shall be granted a 100% deduction against the net income from the total amount received as dividends by corporations organized under the laws of any state of the United States or the Government of Puerto Rico, which principal is derived from industrial development income accrued during taxable years beginning prior to January 1, 1993 and invested in obligations of the Governmental Development Bank for Puerto Rico or any of its subsidiary corporations, for the financing through the purchase of mortgages, or the construction, purchase or housing improvements in Puerto Rico made after December 31, 1984.
- 4) A 100% deduction will be granted against the net income from the total amount received as dividends or profits from a domestic controlled corporation.

Line 8 - Surtax net income deduction

Enter **\$25,000**, except in case that the corporation belongs to a controlled group of corporations that are 80% or more owned, directly or indirectly, by the same person or persons. In those cases, the allowed credit will be only \$25,000 for the entire group of corporations.

If a corporation is a component member of a controlled group of corporations by December 31, the credit allowed to such corporation for the taxable year that includes such December 31, shall be an amount equal to \$25,000 distributed among the corporations that are component members of the group or the applicable amount according to the apportionment plan.

If a corporation has a taxable year of less than twelve months that does not include December 31, and is a component member of a controlled group of corporations with respect to such taxable year, the allowable credit for that taxable year will be \$25,000 distributed among the number of corporations that are component members of the group as of the last day of said taxable year.

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

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

PART IV - COMPUTATION OF TAX

Line 1 – Normal tax

Indicate the corresponding tax rate and multiply it by the amount on line 7, Part III of this return.

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

Nevertheless, a corporation that has granted an Agreement for the Creation and Retention of Employments and constitutes an Eligible New Small and Medium Business under the provisions of Act 120-2014, will be subject to a 5% normal tax during the first operating year. For the second taxable year following the year in which the Agreement is signed, the tax rate will be 10% and for the third taxable year it will be 15%.

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

In the case of corporations whose source of income comes substantially from the services rendered, may choose an optional tax, instead of the normal, additional and alternative minimum tax.

If you choose the optional tax, check the **optional tax** box and enter the amount determined in Schedule X Corporation, Part II, line 4. For additional information, refer to the instruction of Schedule X Corporation.

Line 2 – Surtax

Multiply line 9, of Part III by the applicable tax rate according to the following table, and enter the result.

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

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

Line 4 - Alternative Tax - Capital Gains and Preferential Rates

Enter the amount determined on Schedule D1 Corporation, line 9.

If the net long-term capital gains exceed the net short-term capital losses, the corporation may elect to pay an alternative tax. The alternative tax is determined by taxing the net income excluding net long-term capital gains at the normal tax rates, plus a 20% on such gains.

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

Any corporation may exercise the option of paying a 4% tax on the total distributable share on the net income subject to preferential rates from partnerships and special partnerships or on the net



income subject to 4% tax rate from operations of an international financial entity that operates as a bank unit.

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

Compute the alternative tax on income subject to preferential rates included in Columns B through G, only if the special rate option was exercised, on Schedule D1 Corporation – Tax on Income Subject to Preferential Rates. Include said schedule with the return.

Line 6 – Credit for taxes paid to foreign countries, the United States, its states, territories and possessions

Enter on this line the total credit for taxes paid to foreign countries, the United States, its states, territories and possessions, as determined on line 6(c), Part IV of Schedule C Corporation.

Line 8 - Alternative minimum tax in excess of the regular tax

Enter the excess of the tentative minimum tax over the adjusted regular tax from Schedule A Corporation, Part V, line 34.

Every corporation (except those corporations not engaged in trade or business in Puerto Rico) will be subject, in addition to any other tax imposed by the Code, to a tax equal to the excess, if any, of:

- 1) the tentative minimum tax for the taxable year, over
- 2) the adjusted regular tax for the taxable year.

To compute the excess of the alternative minimum tax over the adjusted regular tax, you must complete Schedule A Corporation and include it with your return.

Line 11 – Credit for alternative minimum tax paid in previous years

Enter on this line the total of credit for alternative minimum tax as determined on line 4, Part VI of Schedule A Corporation.

Line 14 - Branch profits tax

In addition to any other tax imposed by the Code, those foreign corporations engaged in trade or business in Puerto Rico that operate as branches, **are subject to a 10% tax** of the amount equivalent to the dividend or profit distribution for the taxable year.

This provision shall not be applicable to any taxable year in which the foreign corporations engaged in a trade or business in Puerto Rico derived at least 80% of its gross income from sources within Puerto Rico or from income effectively connected or treated as effectively connected to operations from a trade or business in Puerto Rico, during the 3 taxable years period ended at the closing of said taxable year.

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

Line 15 – Deemed dividend tax

It will be imposed, collected and paid a 10% tax, without taking into consideration any deduction or credit granted by Subtitle A of the

Code, on the total deemed dividend considered received by a foreign owner (who owns directly or indirectly 50% or more of the corporation's stocks) of a corporation, during any taxable year.

Corporations subject to this tax must complete Form AS 2877 and submit it with the return. For more information, see the instructions of the form.

Line 18 - Balance of tax due

In case that line 17 is less than line 16, enter on this line the result of line 16 less line 17. In case that line 17 is more than line 16, enter zero and continue with line 19.

Line 19 – Excess of tax paid or withheld

In case that line 17 is more than line 16, enter on this line the result of line 16 less line 17. In case that line 16 is more than line 17, this line must be zero.

Line 20 – Addition to the Tax for Failure to Pay Estimated Tax

Enter the addition to the tax for failure to pay the minimum estimated tax required, previously determined on Schedule T Corporation. (See instructions to complete the Schedule).

It is important to note that even when this amount is part of the balance reflected on line 21, the same is **not** subject to additional interests, surcharges and penalties.

PART V - COST OF GOODS SOLD

Select the corresponding box to indicate the method used to value the inventory at the beginning and end of the year (cost or, cost or market value, whichever is less).

Details the other direct costs of line 4 of this part in Part VI of the return. The flexible depreciation of assets used in manufacturing will be enter under other direct costs in line 4 and Part VI, line 15. The flexible depreciation of other non-manufacturing assets will be recorded in Part II, line 23.

Enter on line 7 the total cost of good sold or direct costs of production (Subtract line 6 from line 5).

PART VI - OTHER DIRECT COSTS

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

The total of these costs should be entered on line 17 of this part and must be transferred to Part V, line 4 of the return.

PARTS VII, VIII AND IX - COMPARATIVE BALANCE SHEET, RECONCILIATION OF NET INCOME (OR LOSS) PER BOOKS WITH NET TAXABLE INCOME (OR LOSS) PER RETURN AND ANALYSIS OF RETAINED EARNINGS PER BOOKS

These statements must be completed in all of its parts in order for the return to be considered filed. **Any return that does not comply with these requirements will be returned.**

The amount in Part VIII, line 10 (Reconciliation of net income (or loss) per books with net taxable income (or loss) per return) must be the same amount as the one of Part III, line 3 of this return.

PARTS X AND XI - COMPENSATION TO DIRECTORS AND OFFICERS

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

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

PART XII - QUESTIONNAIRE

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

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 under "N/A".

Line 7 - It is provided to indicate if the required reports are included when the business volume of the entity or the aggregated volume of business of the group of related entities, if the entity is a member of said group, is \$10,000,000 or more.

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

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

Line 7(c) - Indicate if you include audited financial statements or agreed-upon procedures signed by a CPA license in Puerto Rico, as established in Section 1061.15(a)(5)(A) of the Code in the case that the entity is a member of a related group of entities and the volume of business is not greater than \$1 million. You must include the number of the CPA Association stamp.

Line 8 - It is provided to indicate if you include the required reports when the volume of business of the entity is equal to or greater than \$3 million, but less than \$10 million.

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

Line 23 - If the entity is filing a return for a period less than twelve months as a result of a change in accounting period, indicate if you request approval from the Secretary for the same. You must include the application and approval date of the change.

INCOMPLETE RETURN

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

SCHEDULE A CORPORATION - ALTERNATIVE MINIMUM TAX**WHAT IS THE ALTERNATIVE MINIMUM TAX?**

The Alternative Minimum Tax is an additional tax which is imposed when the net income, adjusted by certain preferential items, exceeds the exempt amount of \$50,000. **The tax rate for this tax is 18.5% of said net income, but not less than \$500.**

However, Corporations with volume of business equal or greater than \$10 million (\$10,000,000) will be subject to a tax rates of 23%.

WHICH ENTITIES ARE SUBJECT TO THE ALTERNATIVE MINIMUM TAX?

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

The following entities are not subject to the alternative minimum tax: (1) foreign corporations not engaged in trade or business in Puerto Rico; (2) partnerships; (3) special partnerships; (4) registered investment companies taxable under the provisions of Subchapter L of the Code; (5) corporations operating under Act No. 8 of January 24, 1987 or under any other similar act, but only on the income derived from its exempt operations; (6) exempt real estate investment trusts; (7) corporations of individuals; (8) corporations under the provisions of Tourism Acts; (9) bona fide farmers; (10) employees-owned special corporations and ordinary and extraordinary members.

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

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

Line 1 - Use lines 1(a) through 1(d) to compute the net income (or loss) subject to alternative minimum tax without considering the net operating loss of previous years, excluding the income subject to preferential tax rates that you have elected to pay taxes at the corresponding preferential rate and the distributable share in the adjustment of pass-through entities. Follow the detailed instructions provided on the schedule.

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

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

Line 2(b) - If you are a merchant in personal property and reported gains through a sales installment plan for the regular tax,

you must recognize the gain (or loss) in its entirety for the year in which the personal property was sold. Enter on this line the difference between both methods.

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

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

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

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

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

Line 4 - Enter your net income (or loss) as per your Income Statement. For this purpose, **Income Statement means** a financial statement that reflects the results of the operations of the corporation for the taxable year, accompanied by a Balance Sheet and a Statement of Cash Flows. The statements must be prepared in accordance with the generally accepted accounting principles, and if the company had a volume of business of more than \$10 million, such statements must be audited by a certified public accountant licensed in Puerto Rico.

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

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

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

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

Line 10 - Enter the net income amount per books from industrial development, or derived from exempt income of tourism development, as defined in the Puerto Rico Tourism Incentives Act of 1983 or the Puerto Rico Tourism Development Act of 1993. Enter also rental income from a new construction property or a qualified residential property pursuant to the provisions of Act 132-2010 or the rent income under the rental housing program for elderly persons with low income according with the disposition of Act 165-1996, as amended.

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

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

Line 13 - Enter the net long-term capital gain that you elected to pay taxes at the special tax rate of 20% or applicable rate under special legislation (lines 8(a) and 8(b), Part VII of Schedule D Corporation, as applicable) and any other income taxed at preferential rate. As general rule, this amount will be same as the amount included on line 1(b), Part I of this Schedule.

Line 14 - Enter the amount of the capital gain that does not exceed the total aggregate that you have invested in an eligible opportunity fund.

In the case of a gain derived from the sale or exchange of a capital asset between a taxpayer and an unrelated person, at the taxpayer's election, their gross income for a taxable year will not include the amount of such gain that does not exceed the total aggregate that **such taxpayer invests in an eligible opportunity fund** within 180 days counted from the day of such sale or exchange.

For purposes of the alternative minimum tax, the total capital gain not included according with the preceding paragraph will not be part of the "adjusted net income per books".

Line 17 - Subtract line 3 from line 16 (but not less than zero). This is the excess of the Adjusted Net Income per Books over the Alternative Minimum Net Income.

PART III - COMPUTATION OF THE ALTERNATIVE MINIMUM NET INCOME

Line 20 - Enter on this line the total net operating losses from previous years for purpose of the alternative minimum tax, as determined on Schedule G Corporation, Part II, line 13, Column E. Include such schedule with the return.

The amount of the loss to be claimed on this line cannot exceed 70% of the alternative minimum net income determined on line 19.

Line 22 - The alternative minimum tax allows an exemption of \$50,000 if the alternative minimum net income is \$500,000 or less. That exempt amount is reduced by 25% (but no less than zero) of the excess of the alternative minimum net income over said amount. If your alternative minimum net income is \$700,000 or more, you are not entitled to claim any exemption.

To determine the exempt amount follow the instructions below:

A. Maximum exempt amount	\$50,000
B. Total line 21	_____
C. Less:	\$500,000
D. Excess of line B over line C	(_____)
E. Multiply line D by 25%	_____
F. This is your exempt amount (Subtract line E from line A)	_____

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

Line 24 - Multiply the amount of line 23 by 18.5 or 23% as applicable, and enter on this line the highest between the result or \$500.

Line 25 - Enter on this line the Alternative Minimum Net Income before the net operating loss (amount informed on line 19).

Line 26 - If line 19 is \$500,000 or less, the exempt amount is \$50,000. If line 19 exceeds \$500,000 but is less than \$700,000, the exempt amount will be \$50,000 less 25% of the excess over \$500,000.

Line 31 - Determine your credit for foreign taxes paid according to the Code. Use the formula indicated and adjust the net income by the adjustment items specified in the Code. The formula is as follows:

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

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

The calculated credit is subject to an additional limitation. It may be reduced up to 90% of the Tentative Minimum Tax (line 24) without considering the deduction for the net operating loss used in the determination of the alternative minimum tax. Determine the credit limitation amount on lines 24 through 31. **Any credit amount not claimed in the taxable year can be carried over to the following 7 years.** No part of the credit may be carried back.

PART V - COMPUTATION OF THE ALTERNATIVE MINIMUM TAX

Line 32 - Enter on this line the amount that results after subtracting line 31 from line 24, Part IV of this Schedule.

Line 33 - Enter on this line the amount that results after subtracting line 6 from line 3, Part IV, page 3 of the return.

Line 34 - Enter on this line the total alternative minimum tax. The total alternative minimum tax will be the difference of line 32 less line 33. In case that line 33 exceeds the amount of line 32, the taxpayer must enter zero on this line. If line 33 is less, in addition to enter the difference on this line you must enter this amount on line 8, Part IV, page 3 of the return.



PART VI – COMPUTATION OF ALTERNATIVE MINIMUM TAX CREDIT

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

Line 1- Enter the excess of the regular tax over the alternative minimum tax determined in the current year. The amount to be included will be the different between lines 33 and 32, Part V of this schedule. If the alternative minimum tax determined on line 32 is more than the regular tax determined on line 33, enter zero and do not continue with the schedule.

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

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

Line 4 – Enter the smaller between the amounts determined on lines 2 and 3. Transfer this amount to line 11, Part IV of the return.

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

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

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

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

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

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

PART I - RECAPTURE OF CREDIT CLAIMED IN EXCESS

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

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

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

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

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

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

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

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

In case of owners of a levied property or donors of a conservation easement, in case of an eligible land, they shall be subject to the recapture of the tax credits granted, in the event that the obligations included in the constitution deed of the conservation easement or



donation of an eligible land are not fulfilled, as applicable, but only in those cases in which it is impossible to return the land to its original condition. These dispositions will also apply when the perpetuity requirement is not fulfilled by the owners and the titular of the easement.

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

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

Line 3 - Multiply line 1 by 50% and enter the result. Transfer to Part IV, line 10 of the return. If part of the excess was paid in the previous year, enter the balance owed.

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

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

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

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

For its part, on July 2, 2018, AAFAF, through Administrative Order No. OA-2018-10 (“OA-2018-10”), repealed the OA-2017-01 and left the CADCC without effect prospectively. For such purposes,

Section 1051.15(b)(1) of the Code provides that for taxable years commenced after December 31, 2017, the tax credits will not be subject to the limitations set forth in the resolutions issued by the CADCC during its existence, therefore, they will be subject only to the rules of use established in the special law under which the tax credit is granted and the applicable provisions of the Code. However, credits covered under Section 1051.12(a)(4), (5) and (7) of the Code will be subject to the use limitation provided in Section 1051.13 of the Code.

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

Every corporation that claims a tax credit, must submit with its return copy of Form 480.71.1 duly filed with the Department.

A. Credits Subject to Moratorium:

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

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

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

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

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

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

The petitioner must file an application with the Housing Finance Authority. 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 Code.

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

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

Complete Part IV of Schedule B Corporation.

Line 7 - Enter on this line the total of carryforward credits determined on line 28, Part II of Schedule B Corporation of the income tax return filed in the previous year, which are subject to moratorium under Sections 1051.11 and 1051.12 of the Code. The taxpayer must include with the return a breakdown including the taxable year in which the credit was originated, the amount of credit generated per taxable year, the amount of credit carried over per taxable year used in previous taxable years, the taxable year in which any balance of such credit was claimed and the balance of credit available for the current taxable year.

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 credit that is being claimed.

B. Credits Not Subject to Moratorium:

Line 12 - Enter the amount of the credit for the purchase or transmission of television programming made in Puerto Rico. Every investor may claim up to 15% of the expenses paid by the television channel in the taxable year for which the credit is claimed.

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

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

Line 13 - A credit equivalent to 100% of the amount contributed during the taxable year to former governors foundations is granted for its operating expenses and those expenses related to the purposes for which they were created and/or those charitable contributions to a Depository of Files and Relics of Former Governors and Former First Ladies of Puerto Rico constituted according to the provisions of Act 290-2000 by itself or as a whole with public or private Higher Education entities, to pay for the construction, operation and all necessary expenses for the true fulfillment of the purposes of Act 290-2000 and Section 1051.10 of the Code. The tax credits to be granted cannot exceed \$500,000 in the aggregate for any taxable year.

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

To claim this tax credit, you must submit the certification issued by the recipient entity as evidence that the contribution was made and accepted; that the foundation is operationally active upon receipt of the contribution; that have the Certificate of Validity of Tax Exemption issued by the Department of the Treasury; and that it complies with the annual report that is submitted to the Commission of Legislative Funds for Community Impact (as provisions of Section 1051.10(b) of the Code). Such part of the credit not used in the taxable year in which the contribution was made, may be carried over to subsequent taxable years, until totally used.

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

Line 14 - Enter 100% of contributions made to the Santa Catalina's Palace Patronage or to the Patronage of the State Capitol of the Legislative Assembly (Patronages). The tax credits to be granted cannot exceed \$2,500,000 for any taxable year.

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

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

Line 15 - Enter the amount of credit to be claimed for industrial investment under Section 6 of Act 73-2008. This amount must be equal to 50% of the eligible investment to be claimed in two or more installments: the first half in the year in which the eligible investment is completed and the balance in the subsequent years.

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

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

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

Line 16- Enter the amount of credit to be claimed for your eligible investment in opportunity zones. The credit will be equal to the eligible percentage of your eligible investment and may be taken as indicated below:

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

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

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

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

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

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

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

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

To claim this credit, the transferor and the transferee will submit a sworn statement notifying the transfer to the Secretary. The sworn

statement must be submitted with their income tax returns in the year in which the transaction takes place.

Complete Part IV of Schedule B Corporation.

Line 18 - Enter on this line the total of carryforward credits determined on line 28, Part II of Schedule B Corporation of the income tax return filed in the previous year. The taxpayer must include with the return a breakdown including the taxable year in which the credit was originated, the amount of credit generated per taxable year, the amount of credit carried over per taxable year used in previous taxable years, the taxable year in which any balance of such credit was claimed and the balance of credit available for the current taxable year.

Submit evidence of the credit that you are claiming.

Line 19 - Enter the total amount of tax credits not subject to withholding 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 evidences to support them.

Do not include on this line Tax Credits for the Acquisition of New Construction Housing or Existing Housing. Such credits will be claimed in Part III, line 10 of this schedule as "Other Payments and Withholdings". For additional details, refer to the Internal Revenue Circular Letter No. 09-02 of March 16, 2009.

Line 22 – This amount cannot be more than the amount indicated on line 9, Part IV of the return reduced by the credit, if any, reflected on line 11, Part IV of the return.

PART III - OTHER PAYMENTS AND WITHHOLDINGS

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

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

Line 3 – If you are filing an amended return, enter on this line the amount paid to cover the tax determined in the original return, which has been included with the return at the moment of its filing or that was made later.

Line 4 - Enter the tax paid in excess in previous years that you had elected to claim against the payment of estimated tax. Do not include amounts already included on line 2.

Line 5 – Enter the total tax withheld at source, as reported on Forms 480.6C received by the corporation for the taxable year. If you have a fiscal year, the credit for the amount withheld on Forms 480.6C will be claimed in the return according to the amounts actually withheld during the fiscal year. In these cases, you must include with the return, a schedule detailing the following information regarding each Form 480.6C for which you claim credit for tax withheld: (1) taxable year as indicated on Form 480.6C, (2) employer identification number of the withholding agent, (3) name of the withholding agent, (4) control number of Form 480.6C, (5) electronic filing confirmation number of Form 480.6C, (6) total amount withheld according to Form 480.6C, and (7) amount withheld claimed in the current taxable year return.

Line 6 - Enter the amount withheld at source over payments for services rendered. In order to claim this credit, you must submit Form 480.6SP. Otherwise, you must submit a sworn statement indicating the name, address, employer identification number and telephone number of the person who made the payment or deposit, the total amount of the deposits and the tax withheld.

If you have a fiscal year, the credit for the amount withheld on Forms 480.6SP will be claimed in the return according to the amounts actually withheld during the fiscal year. In these cases, you must include with the return, a schedule detailing the following information regarding each Form 480.6SP for which you claim credit for tax withheld: (1) taxable year as indicated on Form 480.6SP, (2) employer identification number of the withholding agent, (3) name of the withholding agent, (4) control number of Form 480.6SP, (5) electronic filing confirmation number of Form 480.6SP, (6) total amount withheld according to Form 480.6SP, and (7) amount withheld claimed in the current taxable year return.

Line 7 - Enter the tax withheld at source on the distributable share of pass-through entities as reported on the Informative Return – Pass-Through Entity (Form 480.60 EC) received from partnerships and special partnerships. You must submit this form with your return.

Line 8 - Enter the tax withheld reported on the Informative Return – Revocable Trust or Grantor Trust (Form 480.60 F). You must submit this form with your return.

Line 10 - Enter any other payment or withholding not specified on the preceding lines. Submit a detail and evidence of the payment or withholding.

PART IV – BREAKDOWN OF THE PURCHASE OF TAX CREDITS

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

The limitation related to the credits subject to moratorium will be made over the total 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 C CORPORATION - CREDIT FOR TAXES PAID TO FOREIGN COUNTRIES, THE UNITED STATES, ITS STATES, TERRITORIES AND POSSESSIONS

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

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

- 1) Have paid or accrued income tax in one or more of such jurisdictions.
- 2) Have included taxable income from such jurisdictions in your Puerto Rico income tax return.
- 3) Include with the return evidence of the tax paid (copy of canceled checks and copy of the return filed to the IRS or

other eligible jurisdiction). If the payment receipt or the tax return is written in a language that is not Spanish or English, you must provide a certified translation of the same.

If you received income from sources in, or paid taxes to, more than one foreign country, states, territory or possession of the United States, you must provide the information separately for each foreign country, states, territory or possession in Parts I, II, III and IV of Schedule C Corporation, indicating the name of each country, states, territory or possession in Columns A, B and C. If you received income from sources in, or paid taxes to, more than 3 jurisdictions as well as the United States, you must detail the items of 2 of the jurisdictions in Columns A and B and totalize the items of the remaining jurisdictions in Column C.

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

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

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

Taxable Gross Income

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

Sources of Income

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

- 1) Interests and dividends - Based on the residence or place of incorporation of the payer.
- 2) Compensation for services - Based on where services are rendered.
- 3) Rents and royalties - Based on where the property is located or the place of use or the privilege of using patents, copyrights, trademarks, goodwill or other similar property.
- 4) Gain on sale of inventory - If the property sold was acquired by purchase from unrelated persons, it is determined based on where you transferred the title of the goods; to determine the source of income from the sale of inventory produced by the seller, or acquired by purchase from related persons, see Sections 1035.04 and 1035.05 of the Code.
- 5) Gain on sale of personal property other than inventory - Based on the residence of the seller; certain exceptions apply in the case of depreciable property and intangible assets, as well as sales through offices or other places of business located outside of Puerto Rico.
- 6) Gain on sale of real property – Based on the place where the property is located.

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

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

- (a) The expenses directly related to the production of such income,
- (b) The losses from sources of the applicable jurisdiction, and
- (c) A proportion of other expenses or deductions not related to a category of income.

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

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

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

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

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

PART III - REDUCTION IN CREDIT FOR TAX PAID OR ACCRUED

Use this part to determine any reduction in the taxes paid or accumulated in the United States, its states, territories, possessions and foreign countries by those income that are excluded from taxes in Puerto Rico.

Line 1 - Enter the income earned in the United States, its state, territories, possessions, and foreign countries which are not subject to tax in Puerto Rico reduced by the deductible expenses attributable to such income.

Line 2 - Enter the total income that was reported to United State, its states, territories, possessions, and foreign countries earned or accumulated during the tax year less the deductible expenses attributable to this income.

Formula to calculate the reduction paid to foreign countries:

$$\frac{\text{Income from sources of Puerto Rico not subject to federal tax less deductible expenses allocable to such income}}{\text{Total income subject to tax in Puerto Rico less the deductible expenses allocable to such income}} \times \text{Tax paid or accumulated to Puerto Rico}$$

PART IV - DETERMINATION OF THE CREDIT

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

Line 3 – The amount to be included in Column “Total” will be determined by dividing the amount of line 1, Column “Total” between the amount of line 2 of this Part IV. The results will be rounded to two decimal places.

Line 4 - Include on this line the total tax determined on line 5, Part IV, page 3 of the return.

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

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

The amount to be included in line 6(c) will be the smaller between lines 5(b) and 6(b), Column “Total” of this Part IV. You must submit evidence of the taxes paid to foreign countries, the United States, its states, territories and possessions. Transfer the total credit determined on line 6(c) to Part IV, line 6 of the return.

Alternative Minimum Tax

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

- Part I, lines 1(a) through 1(g) of Schedule C Corporation - substitute by the corresponding items of gross income of the taxpayer that is subject to alternative minimum tax; include in the corresponding column all items of gross income subject to alternative minimum tax earned from sources in the applicable jurisdiction, even if such item of income was not subject to tax in that jurisdiction.
- Part I, line 2(c)(ii) of Schedule C Corporation - substitute by the total gross income of the taxpayer that is subject to alternative minimum tax.
- Part IV, line 2 of Schedule C Corporation - substitute by line 23 of Part III of Schedule A Corporation.
- Part IV, line 4 of Schedule C Corporation - substitute by line 30 of Part IV of Schedule A Corporation.

Determine the credit amount on Schedule C Corporation recalculated with the above adjustments, enter the same on this line and check the box at the top identifying that the Schedule was recalculated for purposes of the alternative minimum tax. Transfer the total credit determined on line 6(c) to Part IV, line 31, Schedule A Corporation.

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

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



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

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

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

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

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

Provisions applicable to the adjusted basis of certain capital assets:

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

- 10% during the period of **July 1 to December 31, 2006**, as provided in Section 1121A of the Puerto Rico Internal Revenue Code of 1994, as amended (1994 Code), and
- 12% during the period of **July 1, 2014 to April 30, 2015**, as provided in Section 1023.22 of the Puerto Rico Internal Revenue Code of 2011, as amended (2011 Code).

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

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

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

Recognition of loss:

Losses generated in the sale of capital assets for which the 10% or 12% special tax was prepaid, shall be adjusted according to the income tax rate in force applicable to

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

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

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

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

(a) Exemption over net long-term capital gain

- the net long-term capital gain realized in the sale of **new construction property** acquired by the seller between **September 1, 2010 and June 30, 2013**, will be totally exempt from the payment of income tax.
- the net long-term capital gain realized in the sale of **qualified property** acquired by the seller between **September 1, 2010 and June 30, 2013**, will be 50% exempt from the payment of income tax.
- the net long-term capital gain realized in the sale of **eligible housing** acquired by the seller or by a qualified institutional investor between **July 1, 2013 and December 31, 2020**, will be exempt from the payment of alternative minimum tax. This exemption applies equally to that purchaser who purchases an eligible unit from a qualified institutional investor, provided that it is the first sale that the investor makes after the initial acquisition.

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

- Capital losses realized between **September 1, 2010 and December 31, 2020**, may be carried over up to a maximum of **15 years**. If you realized a loss on the sale of qualified property, submit with the return a schedule detailing the origination date of such losses, the amounts and the years in which they were claimed, and the balance to be claimed in future years.

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

(a) "Qualified property"

- every existing residential real property located in Puerto Rico suitable for family living, not occupied or occupied for residential purposes, that is not a New Construction Property, or
- every existing nonresidential real property located in Puerto Rico that was sold between September 1, 2010 and June 30, 2013 and which sales price did not exceed \$3,000,000.

(b) "New construction property"

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

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

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

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

(c) **“Developer”**

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

(d) **“Eligible Housing”**

Property of new construction, as defined in previous subparagraph (b).

(e) **“Qualified Institutional Investor”**

Every individual or legal person resident of Puerto Rico, or any individual or legal person nonresident of Puerto Rico, which is engaged in the construction business that invests in a single act or separate acts, exclusively on eligible housing units, a minimum of \$1,000,000 or acquires not less than 5 eligible housing units.

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

You must keep for your record copy of the Certification issued by the Department in the year of the sale, for a minimum period of six years, in case it will be eventually requested by the Department.

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

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

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

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

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

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

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

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

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

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

PART IV – SUMMARY OF CAPITAL GAINS AND LOSSES

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

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

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

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

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

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



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

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

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

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

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

Line 20 – The net capital loss carryover will be the smaller between the total determined on line 23, Part VI or 90% of the net capital gain determined on line 19.

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

Line 21 – Enter the net capital gain that results after claiming the deduction for net capital loss not used in previous years (Line 19 less line 20). This amount will also be entered in Part I, line 8, page 2 of the return.

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

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

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

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

The term property used in the trade or business means property that is used in the trade or business subject to the allowance for current

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

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

PART VI – DETERMINATION OF THE NET CAPITAL LOSS CARRYOVER

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

Carryover of Capital Losses

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

- For losses realized in taxable years beginning after June 30, 1995 and before January 1, 2006, the carryover period will be five (5) years.
- For losses realized in taxable years beginning after December 31, 2005 and before January 1, 2013, the carryover period will be ten (10) years.
- For losses realized in taxable years beginning after December 31, 2012, the carryover period will be seven (7) years.

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

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

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

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

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

On the other hand, if the net capital gain includes a net short-term capital gain, it will be part of the computation of the regular tax that

will be determined in Column A of Schedule D1 Corporation. This is due to the fact that the short-term capital gain is taxable at the regular tax rates.

SCHEDULE D1 CORPORATION – TAX ON INCOME SUBJECT TO PREFERENTIAL RATES

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

Line 1 – Transfer the Net Income determined in Part III, line 7 of the return. This Net Income must consider all income subject to preferential rates, as informed on the other corresponding schedules of the return.

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

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

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

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

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

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

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

Line 2(b) – Enter on this line the interests you elect to pay tax at the preferential rate, including eligible interests **only** if you elected the option to pay the total amount at the preferential tax rate of 10%. In this case, include in Column C of this line the amount shown on line 11(a), Part I of the return. On the other hand, if you choose to include such interests as part of your gross income and pay the tax determined according to the normal tax rates, do not complete this line. The total interests, including eligible interests, must be included in Part I, line 11 of the return.

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

Also, any interest on mortgage loans on residential property located in Puerto Rico issued after July 31, 1997 and before January 1,

2014, secured or guaranteed under the provisions of the National Housing Act of June 27, 1934, as amended, or under the provisions of the Servicemen's Readjustment Act of 1944, will qualify for the aforementioned special rate of 10%.

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

Line 2(c) – Enter on this line the distributable share on the net income subject to preferential rates from partnerships and special partnerships, as reported on line 14, Part I of the return. In this case, include in Columns C through G the net income, as applicable. Also, enter the applicable Tax Rate in Columns E through G if the net income is subject to a tax rate different to 4% or 10%.

Line 2(d) – Enter on this line, Column D the net income subject to the 4% tax rate, generated by an international financial entity that operates as a banking unit, as reported on line 15, Part I of the return.

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

Lines 5 and 6 – Refer to the instructions of Part III, line 8 and Part III, line 9 of the return.

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

Line 8(b) – Multiply line 6 by the applicable tax rate. Refer to the instructions of line 2, Part IV of the return.

Line 9 – Enter the sum of tax at preferential rates determined on line 7(b) with the regular tax determined on line 8(c). The amount of this line will be transferred to Part IV, line 4, page 3 of the return.

SCHEDULE E – DEPRECIATION

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

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

Enter in the space provided in the heading (Schedule E No. ____ of ____) the number that correspond to the schedule of the total amount of Schedule E submitted with the return.

On this schedule you must provide the following information:

- classification of the property;
- date acquired;
- allowable cost or basis;
- depreciation claimed in previous years;

- estimated useful life to determine the depreciation; and
- depreciation claimed in the current year.

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

Line (b) - Flexible Depreciation

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

Line (c) - Accelerated Depreciation

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

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

Line (d) - Amortization

In case of property that constitutes goodwill acquired by purchase during taxable years beginning after June 30, 1995, a deduction for amortization will be granted using the straight-line method and a useful life of fifteen (15) years.

In case of intangible property, that not be goodwill, acquired by purchase or developed in taxable years after December 31, 2009, a deduction for amortization will be granted, using the 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 automobiles 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 lease

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

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 useful life.

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

Provide with the return the information required on 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. ____ of ____) the number that correspond to the schedule of the total amount of Schedule E 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 Code), and environmental conservation equipment.

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

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

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

Submit this Schedule with the return.

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

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

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

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

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

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

The amount of the deduction to be claimed on line 4, Part III, page 3 of the return will be the smaller of the following:

- (1) the excess, if any, of the amount of such net operating loss over the sum of the net income, computed with the exceptions,

additions and limitations established in Section 1033.14(d), for each one of the taxable years beginning before January 1, 2013,

- (2) the ninety (90) percent of the net operating income determined on line 3, Part III, page 3 of the return.

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

Detail in this part the net operating losses available to be claimed as deduction against the alternative minimum income computed on line 19, Part III of Schedule A Corporation. The amount of this deduction cannot exceed 70% of the alternative minimum net income determined without considering this deduction. Any excess of net loss may be carried over as established in the Code.

The net losses can be used against subsequent years income as follows:

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

SCHEDULE IE CORPORATION – EXCLUDED AND EXEMPT INCOME

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

PART I – EXCLUSIONS FROM GROSS INCOME

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

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

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

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

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

Provide the required information of the Informative Return - Exempt and Excluded Income and Exempt Income Subject to Alternate Basic Tax (Form 480.6D).



Line 4 - Enter the amount received through any grant or stimulus paid by the Federal Government to help mitigate the emergency as a result of COVID-19. Include a breakdown with the description of the Federal Government assistance program that allowed you access to this benefit, the amount of the payment and any other required information.

Line 5 - Enter the amount received through any grant or stimulus paid by the Puerto Rico Government to help mitigate the emergency as a result of COVID-19. Include a breakdown with the description of the Puerto Rico Government assistance program, either at the central level or at the municipal level that allowed you access to this benefit, the amount of the payment and any other required information.

Line 6 - Enter the amount received from interest on residential property new construction located in Puerto Rico granted after January 1, 2001 and insured by the National Household Act of 1934 or the Act of Readjustment of the 1944 Service Members, as amended.

Line 7 - Enter the total amount of other exclusions from gross income for which a specific line is not provided on this Schedule, for example, amounts excluded from gross income under special laws. For more information, see Section 1031.01(b) of the Code.

Include with your return a schedule detailing the nature of each excluded income included on this line.

PART II - EXEMPTIONS FROM GROSS INCOME

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

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

- ☞ secured by the National Housing Act of 1934, as amended, that has been issued no later than February 15, 1973 and possessed by residents of Puerto Rico on May 5, 1973 and issued within the 180 days following February 15, 1973 to be acquired by a resident of Puerto Rico;
- ☞ on residential property located in Puerto Rico issued after June 30, 1983 and before August 1, 1997 secured by the National Housing Act of 1934 or the Servicemen's Readjustment Act of 1944, as amended;
- ☞ on new residential property located in Puerto Rico issued after July 31, 1997 and before January 1, 2014 and secured by the National Housing Act of 1934 or the Servicemen's Readjustment Act of 1944. For those granted after January 1, 2014, see instructions for Part I, line 6 of this Schedule;
- ☞ originated to provide permanent financing for the construction or acquisition of social interest housing; and
- ☞ secured under the Bankhead-Jones Farm Tenant Act of 1937, as amended.

Line 1(E) - Enter the interest income received from obligations secured by the Servicemen's Readjustment Act of 1944 that were

issued no later than February 15, 1973 and possessed by residents of Puerto Rico on May 5, 1973 and issued within the 180 days following February 15, 1973 to be acquired by a resident of Puerto Rico.

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

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

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

- ☞ finance the acquisition, development, construction, expansion, rehabilitation or improvement of real property located in Puerto Rico to be used for commercial purposes by the special corporation, provided that the loan does not exceed the cost of the property or the improvements to be made on it;
- ☞ finance the acquisition of machinery or other tangible personal property to be used for commercial purposes by the special corporation in its business operations in Puerto Rico, provided that the loan does not exceed the purchase price of such property; or
- ☞ finance the acquisition of capital stocks in a corporation that is treated for Puerto Rico income tax purposes as a purchase of the assets of that corporation.

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

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

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

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

Line 1 (M) - Enter the income received of interest on bonds,

promissory notes or other obligations of an exempt business for the development, construction or rehabilitation of, or improvements to an exempt business, as defined in Section 6070.55 of the Act 60-2019, conditioned on the funds being totally used for development, construction, or rehabilitation of, or improvements to, an exempt business and/or the payment of existing debts of said exempt business, as long as the funds from those existing debts were originally used for development, construction or rehabilitation of, or improvements to said exempt business. Provide the required information of Form 480.6D.

Line 1(N) – Enter the amount of other interests reported in Box 11 of Form 480.6D. Provide the required information of Form 480.6D.

Line 1(O) – Enter the amount of other interests not reported on a Form 480.6D. Submit with your return a schedule showing a breakdown of such interests.

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

- ↳ obligations of the Government of Puerto Rico or any of its instrumentalities or political subdivisions;
- ↳ mortgages insured by the Puerto Rico Housing Finance Authority acquired after March 31, 1977; or
- ↳ loans or other securities which are guaranteed by a mortgage, issued by any pension or retirement system of a general nature established by the Legislative Assembly of Puerto Rico, the municipalities and agencies, instrumentalities and corporations of the Government of Puerto Rico, acquired after March 31, 1977.

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

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

Line 2(D) - Enter the total income received by concept of dividends or distributable share generated by your net income from opportunity zones according with Section 6070.56(e). Also, include subsequent distributions of them that any corporation or partnership carries out. Provide the required information of Form 480.6D.

Line 2(E) – Enter the amount of other exempt dividends reported in Box 18 of Form 480.6D. Provide the required information of Form 480.6D.

Line 2(F) – Enter the amount of other exempt dividends not reported on a Form 480.6D. Submit with your return a schedule showing a breakdown of such dividends.

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

Line 4 - Enter the income from news agencies or unions or other press services, received from journalism or broadcasting companies, for rents or royalties for the use or publication or the

right to use or publish in Puerto Rico, literary or artistic property of such agencies or unions.

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

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

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

Line 9 - Enter the income derived from buildings leased to the Government of Puerto Rico for public hospitals, convalescence or nursing homes and public schools, exclusively for those buildings that had a lease contract in effect as of November 22, 2010.

Line 10 - Enter the income derived by the taxpayer from the resale of personal property or services which acquisition by the taxpayer was subject to taxation under Section 3070.01 of the Code or Section 2101 of the Puerto Rico Internal Revenue Code of 1994, as amended.

Line 11 - Enter the distributions of amounts previously reported as eligible deemed distributions under Sections 1023.06(j) and 1023.25(b) of the Code.

Line 12 - Enter the distributions of dividends or profits from industrial development income of exempt businesses or in liquidation under the Economic Incentives for the Development of Puerto Rico Act (Act 73-2008) and the Tax Incentives Act of 1998 (Act 135-1997). For the treatment of such current or liquidation distributions, see Internal Revenue Circular Letter No. 09-06 of July 22, 2009.

Line 13 - Enter the income from rent of residential property under the Act of Stimulus to the Real Estate Market (Act 132-2010, as amended).

Line 14 - Enter the gross income, up to \$500,000, generated by a new business created by a young entrepreneur whose age fluctuates between 16 and 35 years. Such new business will have to be in the first three years of operation with a special agreement for the creation of young businesses. For additional details, refer to the Act 135-2014 (Act for the Incentives and Financing of Young Entrepreneurs).

Line 15 - Enter the amount received from the distributable share in the exempt income from pass-through entities as informed on Forms 480.60 EC, Part III, line 17.

Line 16 - Enter the amount included in Box 21 of Form 480.6D. Provide the required information of Form 480.6D.

Line 17 - Enter the total amount of other payments for which a specific line is not provided on this schedule and were not reported on a Form 480.6D.

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

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

SCHEDULE R CORPORATION – PARTNERSHIPS AND SPECIAL PARTNERSHIPS (RECONCILIATION)

Complete Schedule R Corporation, following the instructions of each line. This schedule contains a reconciliation of the information provided in all Schedules R1 Corporation submitted with the return. Part I of this schedule is used to determine the total distributable share in the aggregated business volume of the pass-through entities. In Part II determines the net income or loss from the entity's interest in one or more partnerships and special partnerships. Part III provide to determine the amount of the aggregate net loss of partnerships and special partnerships that you can use.

PART I - QUESTIONNAIRE

The amounts to be included in this Part I will be transfer from the Schedule R1 Corporation.

Line 7 - In addition to consider the exempt income reported in line 2(d), Part I of Schedule R1 Corporation, the income item that are included in lines 2(c) and 2(e), Part I of such schedule will also be included. These amounts are part of the business volume of the pass-through entity, but they are reported in other schedules of the return, and consequently, are part of the determination of the gross income of schedules to which they were transferred.

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

Line 4 - The amount admitted as loss may not exceed 90% of the aggregate net income of partnerships and special partnerships produced in the current tax year, which are showed on line 1 of this part.

Line 6 - If the result is a **net loss**, it is not deductible, but you can carry it over for future years. The balance object of the loss carryforward will be attributable proportionally to the loss of each entities. The attribution will be made using as factor the adjusted basis of partner or shareholder interest in each of the entities at the close of the taxable year.

SCHEDULE R1 CORPORATION – PARTNERSHIPS AND SPECIAL PARTNERSHIPS

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

Part I of Schedule R1 Corporation is used every year to determine the entity's adjusted basis in each partnership or special partnership. In addition, you must indicate the type of form from which the information to be included on this schedule comes (Form 480.60 EC or K-1), type of taxable year (calendar or fiscal), name and employer identification number of the entity, percentage

of participation in the entity, and the control number and electronic filing confirmation number of Form 480.60 EC received, as applicable.

Additionally, you must indicate if the entity elects the optional tax of Section 1071.10 of the Code (in case of partnerships whose source of income comes substantially from the services rendered). As established in this Section, the partners will not be responsible for the payment of the income tax of the partnership for the year of the election, and for these purposes, the distributable share received by the partner will be considered to determine the tax basis of the partner's participation in the partnership.

You must also indicate, as applicable, the distributable share in the gross income from services rendered by the partnership, as reported in Form 480.6 EC, Part III, line 23(a), the distributable share on gross income from services rendered by subsidiary pass-through entities, as reported in Form 480.6 EC, Part III, line 25(a), the distributable share on the volume of business of the partnership, as reported in Form 480.6 EC, Part III, line 23 reduce by the distributable share in the gross income from services rendered by the partnership, which has been reported in Form 480.6 EC Part II, line 23 (a) and the distributable share on the volume of business of subsidiary pass-through entities, as reported in Form 480.6 EC, Part III, line 25 reduced by the distributable share on the gross income from services rendered by the subsidiary pass-through entities, as reported in Form 480.6 EC, Part III, line 25(a). In case of pass-through entities for which Form K-1 Federal has been received, must determine the business volume of said entity and include it in the space provided in the column that is reporting the activity of said pass-through entity.

Part II of the Schedule is used to determine the net income or loss in one or more partnerships and special partnerships, including those losses carried forward from previous years.

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

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

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

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

Line 2 - Basis increase

- Enter the partner's distributable share in the pass-through entity's income and profits from current year. This amount must be same as the one shown on line 7, Part II of this schedule.
- Enter the capital contributions made by the partner to the pass-through entity during the current year, as shown in column (a), Part II of Form 480.60 EC.
- Enter the partner's distributable share in the pass-through entity's gain from the sale or exchange of capital assets for the current year.

- (d) Enter the partner's distributable share in the pass-through entity's exempt income for the current year.
- (e) Enter other income or profits like for example, the distributable share in the dividends and interests received by the partnership or special partnership.

Line 3 - Basis decrease

- (a) Enter the distributable share in the loss attributable to the partner on the previous year. This amount shall be the same as line 4, Part III of Schedule R Corporation of tax year 2019. If a partner has shares in losses from more than one special partnership or partnership, the total allowable loss balance, as determined on the previous taxable year, will be attributed proportionally to the loss of each one of the partnerships. The allocation will be made using as factor the adjusted basis of the partner's share in each one of the partnerships at the close of the previous taxable year.
- (b) Enter the distributable share in the partnership or special partnership's capital losses.
- (c) Enter the distributions made to the partner by the partnership or special partnership during the current year, whether in cash or in property, including tax exempt income.
- (d) Enter the amount claimed as credit against the income tax on the previous taxable year for investments made in partnerships or special partnerships engaged in the production of feature films or under the Puerto Rico Tourism Development Act of 1993, the Puerto Rico Capital Investment Fund Act, the Puerto Rico Agricultural Tax Incentives Act, as amended, or any other credit admitted by law to the partners related to the partnership or special partnership's activities.
- (e) Enter the amount claimed as credit against the income tax for withholding of tax at source from the distributable share made to a resident partner (30%) or to a nonresident alien partner (29%) during the current year.
- (f) Enter any expense from the partnership or special partnership not allowed as a deduction while determining your net income and that is not capitalized.
- (g) Enter the distributable share in net loss from tax exempt operations under the Tourism Incentives Act of 1983 and the Tourism Development Act of 1993.
- (h) **Only in the case of partnerships**, enter the donations contributed during the current year to eligible entities.
- (i) Enter the partner's debts assumed and guaranteed by the partnership.

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

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

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

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

Line 5(a) - Enter the amount of distributable share in the loss of the special partnership or partnership attributable to the partner in accordance with the share percentage. This amount is informed to the partner on Form 480.60 EC.

Line 5(b) - Enter the distributable share on loss from a partnership or special partnership owned by the entity in accordance with the share percentage. This amount is informed to the partner on Form 480.60 EC.

Line 5(c) - Enter the carryover losses which were not claimed in previous years due to the limitation. This amount must be the same as line 6, Part III of Schedule R Corporation included on the income tax return of tax year 2019. If a partner owns shares in losses from more than one partnership or special partnership, the balance subject to the loss carryover, as determined on the previous taxable year, will be proportionally attributed to the loss of each one of the partnerships. Said attribution will be done by using as factor the adjusted basis of the partner's share in each one of the partnerships at the end of the previous taxable year.

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

Also, include on line 6(c) the portion of the partnership's current debts assumed by the partner that are guaranteed by such partner as established on Form 480.60 EC, Part I, line E.

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

Line 7(b) - Enter the distributable share on gain from a partnership or special partnership owned by the entity in accordance with the share percentage. This amount is informed to the partner on Form 480.60 EC.

Line 8 - Enter the smaller of the amounts on lines 5(d) and 6(d). This will be the maximum admissible amount of losses for this taxable year that you may claim as a deduction against income from other partnerships or special partnerships, subject to the limitations established by the Code and that are computed in Part III of Schedule R Corporation.

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

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

In case of taxpayers who have determined their tax under the optional tax of the Schedule X Corporation, they will not be subject to this addition and will use this schedule only to enter in Part II the amount of tax paid by installments and the payment date. In these cases, it will not be necessary to include information in Part I of this schedule.

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

Line 2 – Include the total of withholdings and credits provided by the Code or special acts for the taxable year, including the non refunded tax paid in excess corresponding to the previous taxable year. Add lines 6 and 11, Part IV of the return, line 23, Part II of Schedule B Corporation, and lines 4 through 10, Part III of Schedule B Corporation.

For information related to the Tax Credits Moratorium, refer to the instructions of the Schedule B Corporation, Sections 1051.11, 1051.12 and 1051.13 of the Code and Act 257-2018.

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

Line 5 – Enter the amount indicated on lines 5, 8 and 10 of Part IV, page 3 of the preceding taxable year's return, or an amount equal to the tax computed at the rates and under the act applicable to the taxable year using the data included on the income tax return of the previous year. If the previous year's return is for a taxable period of less than 12 months or if the tax determined in such return is not more than zero, this line will be left blank and the amount to transfer to line 6 must be the same as the one shown on line 4.

PART II – ADDITION TO THE TAX FOR FAILURE TO PAY

Section A – Failure to Pay

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

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

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

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

of the taxable year if you have a fiscal year) and no later than December 15 of the taxable year (the 15th day of the twelfth month of the taxable year if you have a fiscal year).

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

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

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

Section B – Penalty

The first two installments for the 2020 tax year were postponed, so it should not be compute any penalty in Section B, Column s (a) and (b). Even so, you may enter on line 9, Part II any payment of estimated tax that the taxpayer has made during postponed periods. For more details refer to Administrative Determination No. 20-10.

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.

SCHEDULE X CORPORATION - OPTIONAL TAX FOR CORPORATIONS THAT RENDER SERVICES

In case of corporations whose source of income comes substantially from services rendered, they can elect an optional tax, instead of the tax provided in Sections 1022.01, 1022.02 and 1022.03 of the Code.

You must indicate in the heading of this Schedule if the election for the optional tax it was made through the Partial Waiver for the withholding at source of 6%, as established in the Internal Revenue Circular Letter No. 19-16 of December 9, 2019 (CC RI 19-16), or with this form.

The corporation can chose the **optional tax** if it comply with the following requirements:

- The total gross income for the taxable year in which you choose the optional tax comes substantially from services rendered; and
- The total gross income was subject to withholding at source provided in Section 1062.03 of the Code or to the estimated payment provided in Section 1061.23 of the Code.

For purposes of the optional tax, the income will be considered to come substantially from services rendered when said income category represents at least eighty (80) percent of the total gross income received during the taxable year.

In the case of taxpayers who choose for the optional tax through SURI as part of the application for the Partial Waiver - Optional



Tax 6%, as provided in CC RI 19-16, they shall be forced to determine their tax according to the provisions of the Schedule X of the return, as long as the income for services rendered represent eighty percent (80%) or more of total gross income received during the taxable year. However, if the income for services represents less than eighty percent (80%) of total gross income, this taxpayer shall not be allowed to pay taxes at the optional tax rates and will be subject to the regular tax rates.

The eligible corporation who choose this optional tax shall determine it by applying the rate provided on Part II of this schedule.

PART I - DETERMINATION OF ELIGIBILITY FOR OPTIONAL FOR OPTIONAL TAX PAYMENT

Line 1(a) - Enter the amount of line 7(a), Part I of the return.

Line 1(b) - Enter the amount of line 3, Part I of the Schedule R Corporation

Line 2(a) - Enter the amount that results from subtracting lines 7, 13 and 14 from line 24 of Part I, page 2 of the return.

Line 2(b) - Enter the amount of other income, not from services rendered, as line 8, Part I of Schedule R Corporation (total distributable share on the volume of business of pass-through entities).

Line 6 - If the result of line 6 is less than 80%, you are not eligible to benefit of the optional tax. In this case, you must determine your tax liability on page 3 of the return according to the applicable rate.

If the result of line 6 is equal to or more than 80%, you can elect the benefit of the optional tax, as long as there is no tax balance to be paid with the filing of the return or request for extension of time.

PART II - COMPUTATION OF THE OPTIONAL TAX ON GROSS INCOME

Line 4 - Multiply line 3, of this Part II by the applicable tax rate included below and enter the result.

Optional Tax for corporations that render services:

If the taxable gross income is:	The tax will be:
Not over \$100,000	6%
In excess of \$100,000, but not over \$200,000	10%
In excess of \$200,000, but not over \$300,000	13%
In excess of \$300,000, but not over \$400,000	15%
In excess of \$400,000, but not over \$500,000	17%
In excess of \$500,000	20%

DUTY TO PAY ESTIMATED TAX

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

ESTIMATED TAX COMPUTATION

The estimated tax computation, including the alternative minimum tax, will be made using an approximate calculation of the gross income that can reasonably be expected that the corporation will receive or accumulate, as applicable, depending on the accounting method in which the net income determination is based on, and an approximate calculation of the deductions and credits provided by the Code or special acts, including the non refunded tax paid in excess corresponding to the previous taxable year.

PAYMENT OF ESTIMATED TAX

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

- 1st installment: the 15th day of the fourth month
- 2nd installment: the 15th day of the sixth month
- 3rd installment: the 15th day of the ninth month
- 4th installment: the 15th day of the twelfth month

If the duty to pay estimated tax arises for the first time after the last day of the third month and prior to the first day of the sixth month of the taxable year, the installments will be:

- 1st installment: the 15th day of the sixth month
- 2nd installment: the 15th day of the ninth month
- 3rd installment: the 15th day of the twelfth month

If the duty to pay estimated tax arises for the first time after the last day of the fifth month and prior to the first day of the ninth month of the taxable year, the installments will be:

- 1st installment: the 15th day of the ninth month
- 2nd installment: the 15th day of the twelfth month

If the duty to pay estimated tax arises for the first time after the last day of the eighth month and prior to the fifteenth day of the twelfth month of the taxable year, the estimated tax will be paid in its entirety on the 15th day of the twelfth month of the taxable year.

The estimated tax installment 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

The Code establishes in Section 6041.10 a 10% penalty of the amount not paid of any estimated tax installment. For these purposes, the estimated tax will be the smaller of:

- 1) 90% of the tax for the taxable year, or



- 2) the larger between:
- (a) the total tax determined as it results from the preceding year's income tax return, or
 - (b) an amount equal to the tax computed at the rates and under the act applicable to the taxable year using the data included in the income tax return of the previous year.

The previous clause (2) will not be applicable if the previous taxable year was not a 12 month taxable year, or if the corporation filed a tax return for that previous taxable year in which a tax determined was not reflected, without taking into consideration any credit to which the corporation had been entitled, including credits for taxes withheld or paid. On the other hand, you can take into consideration any credit for taxes paid or accumulated during the taxable year to the United States, its territories, states and possessions, or any foreign country to which you are entitled.

Worksheet to determine the net income subject to tax for corporate partners with fifty (50) per cent or more of interest in a Pass-Through Entity (Partnership or Special Partnership)

Does any corporate partner, directly or indirectly, have fifty (50) percent or more of the interest in the Pass-Through Entity? (See Part I of Schedule R Corporation) Yes No (If the answer is "No", do not continue).

Part I - Determination of the income from Pass-Through Entity to be considered

1. Total income from Schedule R1 Corporation of the entities which you have fifty (50) percent or more of interest. (Enter the sum of lines 7(c) and 8 of Part II, Schedule R1 Corporation of each pass-through entity to which the percentage of participation registered in Part I on line "Percentage of participation in the entity" is equal or more to .50 (50%). If the result is less than zero, enter zero here and do not continue. \$ _____
2. Distributable share on partnership and special partnership net income (Line 13, Part I, page 2 of the return) If the amount on line 14 is less than zero, enter zero on this line \$ _____
3. Determination of the income from Pass-Through Entity (Enter the smaller between the amount on line 1 or 2) \$ _____

Part II - Determination of the Net Income

- | | Regular
Tax |
|--|----------------|
| 1. Net income (operating or loss) (Line 3, Part III, page 3 of the return) | \$ _____ |
| 2. Less: Income from Pass-Through Entity (Line 3, Part I of this worksheet) | \$ _____ |
| 3. Adjusted operating net income (or loss) | \$ _____ |
| 4. Net operating loss from preceding year (Enter the smaller between line 13 , Part I of Schedule G Corporation or the 90% of line 3 of this Part II of the Worksheet) | \$ _____ |
| 5. Net income after the net operating loss from preceding year (Line 3 less line 4 of the Part II of the Worksheet) | \$ _____ |
| 6. Add: Income from Pass-Through Entity (Line 3 of Part I of this Worksheet) | \$ _____ |
| 7. Total net income (Add lines 5 and 6 of this Part II of the Worksheet. Transfer to line 5, Part III, page 3 of the return) | \$ _____ |



INDUSTRIAL CODES

11 Agriculture, forestry, fishing and hunting

- 1111 Oilseed and Grain Farming
- 1112 Vegetable and Melon Farming
- 1113 Fruit and Tree Nut Farming
- 1114 Greenhouse, Nursery, and Floriculture Production
- 1119 Other Crop Farming
- 1121 Cattle Ranching and Farming
- 1122 Hog and Pig Farming
- 1123 Poultry and Egg Production
- 1124 Sheep and Goat Farming
- 1125 Animal Aquaculture
- 1132 Forest Nurseries and Gathering of Forest Products
- 1133 Logging
- 1141 Fishing
- 1142 Hunting and Trapping
- 1151 Support Activities for Crop Production
- 1152 Support Activities for Animal Production
- 1153 Support Activities for Forestry

21 Mining

- 2121 Coal Mining
- 2122 Metal Ore Mining
- 2123 Nonmetallic Mineral Mining and Quarrying
- 2131 Support Activities for Mining

22 Utilities

- 2211 Electric Power, Generation, Transmission and Distribution
- 2212 Natural Gas Distribution
- 2222 Water Distribution

23 Construction

- 2331 Land Subdivision and Land Development
- 2333 Nonresidential Building Construction
- 2341 Highway, Street, Bridge, and Tunnel Construction
- 2349 Other Heavy Construction
- 2351 Plumbing, Heating, and Air-Conditioning Contractors
- 2352 Painting and Wall Covering Contractors
- 2353 Electrical Contractors
- 2355 Carpentry and Floor Contractors
- 2356 Roofing, Siding, and Sheet Metal Contractors
- 2357 Concrete Contractors
- 2358 Water-Well Drilling Contractors
- 2359 Other Special Trade Contractors

31-33 Manufacturing

- 3111 Animal Food Manufacturing
- 3112 Grain and Oilseed Milling
- 3113 Sugar and Confectionery Product Manufacturing
- 3115 Dairy Product Manufacturing
- 3116 Animal Slaughtering and Processing
- 3117 Seafood Product Preparation and Packaging
- 3118 Bakeries and Tortilla Manufacturing
- 3119 Other Food Manufacturing
- 3121 Beverage Manufacturing
- 3122 Tobacco Manufacturing
- 3132 Fabric Mills
- 3133 Textile and Fabric Finishing and Fabric Coating Mills
- 3141 Textile Furnishings Mills
- 3149 Other Textile Product Mills
- 3151 Apparel Knitting Mills
- 3152 Cut and Sew Apparel Manufacturing
- 3159 Apparel Accessories and Other Apparel Manufacturing
- 3161 Leather and Hide Tanning and Finishing
- 3162 Footwear Manufacturing
- 3169 Other Leather and Allied Product Manufacturing
- 3211 Sawmills and Wood Preservation
- 3212 Veneer, Plywood, and Engineered Wood Product Manufacturing
- 3222 Converted Paper Product Manufacturing
- 3231 Printing and Related Support Activities
- 3241 Petroleum and Coal Products Manufacturing

- 3251 Basic Chemical Manufacturing
- 3252 Resin, Synthetic Rubber, and Artificial and Synthetic Fibers
- 3253 Pesticide, Fertilizer, and Other Agricultural Chemical Manufacturing
- 3254 Pharmaceutical and Medicine Manufacturing
- 3255 Paint, Coating, and Adhesive Manufacturing
- 3256 Soap, Cleaning Compound, and Toilet Preparation Manufacturing
- 3259 Other Chemical Product and Preparation Manufacturing
- 3261 Plastics Product Manufacturing
- 3262 Rubber Product Manufacturing
- 3271 Clay Product and Refractory Manufacturing
- 3272 Glass and Glass Product Manufacturing
- 3273 Cement and Concrete Product Manufacturing
- 3274 Lime and Gypsum Product Manufacturing
- 3279 Other Nonmetallic Mineral Product Manufacturing
- 3311 Iron and Steel Mills and Ferroalloy Manufacturing
- 3312 Steel Product Manufacturing from Purchased Steel
- 3313 Alumina and Aluminum Production and Processing
- 3314 Nonferrous Metal (except Aluminum) Production and Processing
- 3315 Foundries

3321 Forging and Stamping

- 3322 Cutlery and Hand tool Manufacturing
- 3323 Architectural and Structural Metals Manufacturing
- 3324 Boiler, Tank, and Shipping Container Manufacturing
- 3325 Hardware Manufacturing
- 3326 Spring and Wire Product Manufacturing
- 3327 Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing
- 3328 Coating, Engraving, Heat Treating, and Allied Activities
- 3329 Other Fabricated Metal Product Manufacturing
- 3331 Agriculture, Construction, and Mining Machinery Manufacturing
- 3332 Industrial Machinery Manufacturing
- 3333 Commercial and Service Industry Machinery Manufacturing
- 3334 Ventilation, Heating, Air-Conditioning, and Commercial Refrigeration Equipment Manufacturing

3335 Metalworking Machinery Manufacturing

- 3336 Engine, Turbine, and Power Transmission Equipment Manufacturing
- 3339 Other General Purpose Machinery Manufacturing
- 3341 Computer and Peripheral Equipment Manufacturing
- 3342 Communications Equipment Manufacturing
- 3343 Audio and Video Equipment Manufacturing
- 3344 Semiconductor and Other Electronic Component Manufacturing
- 3345 Navigational, Measuring, Electro medical, and Control Instruments Manufacturing
- 3351 Electric Lighting Equipment Manufacturing
- 3352 Household Appliance Manufacturing
- 3353 Electrical Equipment Manufacturing
- 3359 Other Electrical Equipment and Component Manufacturing
- 3361 Motor Vehicle Manufacturing
- 3362 Motor Vehicle Body and Trailer Manufacturing
- 3363 Motor Vehicle Parts Manufacturing
- 3364 Aerospace Product and Parts Manufacturing
- 3365 Railroad Rolling Stock Manufacturing
- 3366 Ship and Boat Building
- 3369 Other Transportation Equipment Manufacturing
- 3371 Household and Institutional Furniture and Kitchen Cabinet
- 3372 Office Furniture (including Fixtures) Manufacturing
- 3379 Other Furniture Related Product Manufacturing
- 3391 Medical Equipment and Supplies Manufacturing
- 3399 Other Miscellaneous Manufacturing

42 Wholesale Trade

- 4211 Motor Vehicle and Motor Vehicle Parts and Supplies
- 4212 Furniture and Home Furnishing
- 4213 Lumber and Other Construction Materials
- 4214 Professional and Commercial Equipment and Supplies
- 4215 Metal and Mineral (except Petroleum)
- 4216 Electrical Goods
- 4217 Hardware, and Plumbing and Heating Equipment and Supplies
- 4218 Machinery, Equipment, and Supplies

- 4219 Miscellaneous Durable Goods
- 4221 Paper and Paper Product
- 4222 Drugs and Druggists' Sundries
- 4223 Apparel, Piece Goods, and Notion
- 4224 Grocery and Related Product
- 4225 Farm Product Raw Material
- 4226 Chemical and Allied Products
- 4227 Petroleum and Petroleum Products
- 4228 Beer, Wine, and Distilled Alcoholic Beverage
- 4229 Miscellaneous No durable Goods

44-45 Retail Trade

- 4411 Automobile Dealers
- 4412 Other Motor Vehicle Dealers
- 4413 Automotive Parts, Accessories, and Tire Stores
- 4421 Furniture Stores
- 4422 Home Furnishings Stores
- 4431 Electronics and Appliance Stores
- 4441 Building Material and Supplies Dealers
- 4442 Lawn and Garden Equipment and Supplies Stores
- 4451 Grocery Stores
- 4452 Specialty Food Stores
- 4453 Beer, Wine, and Liquor Stores
- 4461 Health and Personal Care Stores
- 4471 Gasoline Stations
- 4481 Clothing Stores
- 4483 Jewelry, Luggage, and Leather Goods Stores
- 4511 Sporting Goods, Hobby, and Musical Instrument Stores
- 4512 Book, Periodical, and Music Stores
- 4521 Department Stores
- 4529 Other General Merchandise Stores
- 4531 Florists
- 4532 Office Supplies, Stationery, and Gift Stores
- 4533 Used Merchandise Stores
- 4539 Other Miscellaneous Store Retailers
- 4541 Electronic Shopping and Mail-Order Houses
- 4542 Vending Machine Operators
- 4543 Direct Selling Establishments

48-49 Transportation and Warehousing

- 4811 Scheduled Air Transportation
- 4812 Nonscheduled Air Transportation
- 4821 Rail Transportation
- 4831 Deep Sea, Coastal, and Great Lakes Water Transportation
- 4832 Inland Water Transportation
- 4841 General Freight Trucking
- 4842 Specialized Freight Trucking
- 4851 Urban Transit Systems
- 4852 Interurban and Rural Bus Transportation
- 4853 Taxi and Limousine Service
- 4855 Charter Bus Industry
- 4859 Other Transit and Ground Passenger Transportation
- 4861 Pipeline Transportation of Crude Oil
- 4862 Pipeline Transportation of Natural Gas
- 4871 Scenic and Sightseeing Transportation, Land
- 4872 Scenic and Sightseeing Transportation, Water
- 4881 Support Activities for Air Transportation
- 4882 Support Activities for Rail Transportation
- 4883 Support Activities for Water Transportation
- 4884 Support Activities for Road Transportation
- 4885 Freight Transportation Arrangement
- 4889 Other Support Activities for Transportation
- 4911 Postal Service
- 4921 Couriers
- 4922 Local Messengers and Local Delivery

51 Information

- 5111 Newspaper, Periodical, Book, and others Publishers
- 5112 Software Publishers

5121 Motion Picture and Video Industries
5122 Sound Recording Industries
5131 Radio and Television Broadcasting
5132 Cable Networks and Program Distribution
5133 Telecommunications
5141 Information Services
5142 Data Processing Services
52 Finance and Insurance
5221 Depository Credit Intermediation
5222 No Depository Credit Intermediation
5223 Activities Related to Credit Intermediation
5231 Securities and Commodity Contracts Intermediation and Brokerage
5239 Other Financial Investment Activities
5241 Insurance Carriers
5242 Agencies, Brokerages, and Other Insurance Related Activities
5251 Insurance and Employee Benefit Funds
5259 Other Investment Pools and Funds
53 Real Estate and Rental and Leasing
5311 Lessors of Real Estate
5312 Offices of Real Estate Agents and Brokers
5313 Activities Related to Real Estate
5321 Automotive Equipment Rental and Leasing
5322 Consumer Goods Rental
5323 General Rental Centers
5324 Commercial and Industrial Machinery and Equipment Rental and Leasing
5331 Lessors of Non-financial Intangible Assets (except Copyrighted Works)
54 Professional, Scientific, and Technical Services
5411 Legal Services
5412 Accounting, Tax Preparation, Bookkeeping, and Payroll Services
5413 Architectural, Engineering, and Related Services
5414 Specialized Design Services
5415 Computer Systems Design and Related Services
5416 Management, Scientific, and Technical Consulting Services
5417 Scientific Research and Development Services
5418 Advertising and Related Services
5419 Other Professional, Scientific, and Technical Services
55 Management of Companies and Enterprises
5511 Management of Companies and Enterprises
56 Administrative and Support and Waste Management and Remediation Services
5611 Office Administrative Services
5612 Facilities Support Services
5614 Business Support Services
5615 Travel Arrangement and Reservation Services
5616 Investigation and Security Services
5617 Services to Buildings and Dwellings
5619 Other Support Services
5621 Waste Collection
5629 Remediation and Other Waste Management Services
61 Educational Services
6111 Elementary and Secondary Schools
6112 Junior Colleges
6113 Colleges, Universities, and Professional Schools
6114 Business Schools and Computer and Management Training
6115 Technical and Trade Schools
6116 Other Schools and Instruction
6117 Educational Support Services
62 Health Care and Social Assistance
6211 Offices of Physicians
6212 Offices of Dentists
6213 Offices of Other Health Practitioners
6214 Outpatient Care Centers
6215 Medical and Diagnostic Laboratories
6216 Home Health Care Services
6219 Other Ambulatory Health Care Services
6221 General Medical and Surgical Hospitals
6222 Psychiatric and Substance Abuse Hospitals
6231 Nursing Care Facilities
6232 Residential Mental Retardation, Mental Health and Substance Abuse Facilities
6233 Community Care Facilities for the Elderly
6239 Other Residential Care Facilities
6242 Community Food and Housing, and Emergency and Other Relief Services
6243 Vocational Rehabilitation Services
6244 Child Day Care Services
71 Arts, Entertainment, and Recreation
7111 Performing Arts Companies
7112 Spectator Sports
7113 Promoters of Performing Arts, Sports, and Similar Events
7114 Agents and Managers for Artists, Athletes, Entertainers, and Other Public Figures
7115 Independent Artists, Writers, and Performers
7121 Museums, Historical Sites, and Similar Institutions
7131 Amusement Parks and Arcades
7132 Gambling Industries
7139 Other Amusement and Recreation Industries
72 Accommodation and Food Services
7211 Traveler Accommodation
7212 Recreational Vehicle Parks and Camps
7213 Rooming and Boarding Houses
7221 Full-Service Restaurants
7222 Limited-Service Eating Places
7223 Special Food Services
7224 Drinking Places (Alcoholic Beverages)
81 Other Services (except Public Administration)
8111 Automotive Repair and Maintenance
8112 Electronic and Precision Equipment Repair and Maintenance
8113 Commercial and Industrial Machinery and Equipment Repair
8114 Personal and Household Goods Repair and Maintenance
8121 Personal Care Services
8122 Death Care Services
8123 Dry-cleaning and Laundry Services
8129 Other Personal Services
8131 Religious Organizations
8132 Grant making and Giving Services
8133 Social Advocacy Organizations
8134 Civic and Social Organizations
8139 Business, Professional, Labor, Political, and Similar Organizations
8141 Private Households



GOVERNMENT OF PUERTO RICO
DEPARTMENT OF THE TREASURY
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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.