

Part III	1. Operating income	(1)	00
	2. Interests	(2)	00
	3. Income from services or commissions	(3)	00
	4. Dividends from corporations: (a) Domestic _____ (b) Foreign _____	(4)	00
	5. Rent	(5)	00
	6. Gain from the sale of capital assets (Short-term _____ Long-term _____)	(6)	00
	7. Miscellaneous income (Submit detail)	(7)	00
	8. Total income (Add lines 1 through 7)	(8)	00
Part IV	9. Compensation to officers	(9)	00
	10. Salaries, commissions and bonuses to employees	(10)	00
	11. Commissions to businesses	(11)	00
	12. Social security tax (FICA)	(12)	00
	13. Unemployment tax	(13)	00
	14. State Insurance Fund premiums	(14)	00
	15. Medical or hospitalization insurance	(15)	00
	16. Insurances	(16)	00
	17. Interests (See instructions)	(17)	00
	18. Rent	(18)	00
	19. Losses from fire, storm, other casualties or theft	(19)	00
	20. Automobile expenses (Mileage _____) (See instructions)	(20)	00
	21. Expenses from other motor vehicles (See instructions)	(21)	00
	22. Meals and entertainment expenses (Total _____) (See instructions)	(22)	00
	23. Travel expenses	(23)	00
	24. Professional services	(24)	00
	25. Contributions to pension or other qualified plans (See instructions. Submit Form AS 6042.1)	(25)	00
	26. Depreciation and amortization (See instructions. Submit Schedule E)	(26)	00
	27. Bad debts (See instructions)	(27)	00
	28. Charitable contributions (See instructions)	(28)	00
	29. Repairs (See instructions)	(29)	00
	30. Deduction for employers who employ handicapped persons (See instructions)	(30)	00
	31. Contributions to educational contribution accounts for the employees' beneficiaries (See instructions)	(31)	00
	32. Utilities (Water, electricity, telephone, etc.)	(32)	00
	33. Materials and supplies	(33)	00
	34. Other deductions (Submit detail) (See instructions)	(34)	00
	35. Total deductions (Add lines 9 through 34)	(35)	00
Part V	36. Total income (From Part III, line 8)	(36)	00
	37. Less: Total deductions (From Part IV, line 35)	(37)	00
	38. Net operating income (or loss) for the year (Difference between lines 36 and 37)	(38)	00

Comparative Balance Sheet

	Beginning of the Year		Ending of the Year	
		Total		Total
Assets				
1. Cash on hand and in banks (1)		00	(1)	00
2. Accounts receivable (2)	00		(2)	00
3. Less: Reserve for bad debts (3)	(00)	00	(3)	(00)
4. Inventories (4)		00	(4)	00
5. Other current assets (5)		00	(5)	00
6. Notes receivable (6)		00	(6)	00
7. Investments (7)		00	(7)	00
8. Depreciable assets (8)	00		(8)	00
9. Less: Reserve for depreciation (9)	(00)	00	(9)	(00)
10. Land (10)		00	(10)	00
11. Other long-term assets (11)		00	(11)	00
12. Total Assets (12)		00	(12)	00
Liabilities and Stockholder's Equity				
Liabilities				
13. Accounts payable (13)	00		(13)	00
14. Accrued expenses (14)	00		(14)	00
15. Other current liabilities (15)	00		(15)	00
16. Long-term notes payable (16)	00		(16)	00
17. Other long-term liabilities (17)	00		(17)	00
18. Total Liabilities (18)		00	(18)	00
Stockholder's Equity				
19. Capital stock				
(a) Preferred stocks (19a)	00		(19a)	00
(b) Common stocks (19b)	00		(19b)	00
20. Additional paid in capital (20)	00		(20)	00
21. Retained earnings (21)	00		(21)	00
22. Reserve (22)	00		(22)	00
23. Total Stockholder's Equity (23)		00	(23)	00
24. Total Liabilities and Stockholder's Equity (24)		00	(24)	00

Reconciliation of Net Income (or Loss) per Books with Net Taxable Income (or Loss) per Return

1. Net income (or loss) per books (1)	00	7. Income recorded on books this year not included on this return (Itemize, use schedule if necessary)	
2. Income tax per books (2)	00	(a) Exempt interest _____	
3. Excess of capital losses over capital gains (3)	00	(b) _____	
4. Taxable income not recorded on books this year (Itemize, use schedule if necessary)		(c) _____	
(a) _____		(d) _____	
(b) _____		Total (7)	00
(c) _____		8. Deductions on this tax return not charged against book income this year (Itemize, use schedule if necessary)	
(d) _____		(a) Depreciation _____	
Total (4)	00	(b) _____	
5. Expenses recorded on books this year not claimed on this return (Itemize, use schedule if necessary)		(c) _____	
(a) Meals and entertainment expenses (amount not claimed) _____		(d) _____	
(b) Depreciation _____		Total (8)	00
(c) Motor vehicles (in excess of the limit) _____		9. Total (Add lines 7 and 8) (9)	00
(d) Vessels, airships and property located outside of P.R. _____		10. Net taxable income (or loss) per return (Subtract line 9 from line 6) (10)	00
(e) _____			
Total (5)	00		
6. Total (Add lines 1 through 5) (6)	00		

DETERMINATION OF TAX FROM SEGREGATED ASSETS PLANS OF AN INTERNATIONAL INSURER

20_____

Taxable year beginning on _____, _____ and ending on _____, _____

Taxpayer's name

Employer Identification Number

Part I Income

1. Operating income	(1)	00
2. Interests	(2)	00
3. Income from services or commissions	(3)	00
4. Dividends from corporations: (a) Domestic _____ (b) Foreign _____	(4)	00
5. Rent	(5)	00
6. Gain from the sale of capital assets (Short-term _____ Long-term _____)	(6)	00
7. Miscellaneous income (Submit detail)	(7)	00
8. Total income (Add lines 1 through 7)	(8)	00

Part II Expenses

9. Compensation to officers	(9)	00
10. Salaries, commissions and bonuses to employees (See instructions)	(10)	00
11. Commissions to businesses	(11)	00
12. Social security tax (FICA)	(12)	00
13. Unemployment tax	(13)	00
14. State Insurance Fund premiums	(14)	00
15. Medical or hospitalization insurance	(15)	00
16. Insurances	(16)	00
17. Interests (See instructions)	(17)	00
18. Rent	(18)	00
19. Losses from fire, storm, other casualties or theft	(19)	00
20. Automobile expenses (Mileage _____) (See instructions)	(20)	00
21. Expenses from other motor vehicles (See instructions)	(21)	00
22. Meals and entertainment expenses (Total _____) (See instructions)	(22)	00
23. Travel expenses	(23)	00
24. Professional services	(24)	00
25. Contributions to pension or other qualified plans (See instructions. Submit Form AS 6042.1)	(25)	00
26. Depreciation and amortization (See instructions. Submit Schedule E)	(26)	00
27. Bad debts (See instructions)	(27)	00
28. Charitable contributions (See instructions)	(28)	00
29. Repairs (See instructions)	(29)	00
30. Deduction for employers who employ handicapped persons (See instructions)	(30)	00
31. Contributions to educational contribution accounts for the employees' beneficiaries (See instructions)	(31)	00
32. Utilities (Water, electricity, telephone, etc.)	(32)	00
33. Materials and supplies	(33)	00
34. Other deductions (Submit detail) (See instructions)	(34)	00
35. Total deductions (Add lines 9 through 34)	(35)	00

Part III Net Income

36. Total income (From Part I, line 8)	(36)	00
37. Less: Total deductions (From Part II, line 35)	(37)	00
38. Net operating income (or loss) for the year (Difference between lines 36 and 37)	(38)	00
39. Less: Exempt amount (\$1,200,000)	(39)	00
40. Net taxable income from the Segregated Assets Plan (Subtract line 39 from line 38)	(40)	00
41. Tax rate	(41)	4%
42. Tax Determined (Multiply line 40 by line 41. Transfer the total to line 6, Part II, page 1 of the return)	(42)	00



Rev. 03.16

4% SPECIAL TAX RETURN OF AN INTERNATIONAL INSURER OR INTERNATIONAL FINANCIAL ENTITY

FORM 480.20(AI)

GENERAL INSTRUCTIONS

WHO MUST FILE THIS RETURN?

Every international insurer and every international financial entity that **does not** operate as a banking unit must file a return to report the income earned during the corresponding taxable year.

International financial entities that operate as a bank's unit must complete the Corporation Income Tax Return (Form 480.20).

WHEN AND WHERE IT MUST BE FILED?

This return must be filed not later than the 15th day of the fourth month following the closing of the taxable year of the international insurer or the international financial entity. For example, if the entity's accounting year ends on December 31, it shall file Form 480.20(AI), for taxable year 2015, on or before April 15, 2016.

The return must be filed at the Department of the Treasury, Returns Processing Bureau, located at 10 Paseo Covadonga, Intendente Ramirez Building in Old San Juan, or sent by mail to the following address:

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

It may also be delivered at the Internal Revenue Collections Office of your municipality.

AUTOMATIC EXTENSION OF TIME TO FILE THE RETURN

A three (3) month automatic extension of time to file the return will be granted if it is requested not later than the due date to file the return. This will be done using Form AS 2644. Item seventeen "c" (17c) of Part IV of the request shall be marked when completing Form AS 2644.

An extension of time to file the return does not extend the time for paying the corresponding tax.

CENTS COLUMN

While completing the return, the cents column will not be used. That way we can expedite its processing. **It is important to remind you that it is not about rounding off, but eliminating the cents. See the following example:**

\$480.90 = \$480

\$475.25 = \$475

TAXPAYER'S ASSISTANCE

For additional information on the technical content of this instructions pamphlet or to clarify any doubts, please call **(787) 722-0216**. You may also obtain information by accessing our webpage: www.hacienda.pr.gov.

SIGNATURE AND OATH OF THE RETURN

The return must be signed and sworn by an officer of the international insurer or the international financial entity for which this income tax return is prepared.

SIGNATURE OF THE RETURN BY THE SPECIALISTS

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 specialist, it must include the registration number and be signed by an authorized person.

Indicate if you paid for the preparation of the return and make sure that the specialist signs the return and includes his/her registration number. THE CODE PROVIDES ADMINISTRATIVE AND CRIMINAL SANCTIONS TO THOSE SPECIALISTS WHO FAIL TO SUBMIT THIS INFORMATION OR WHO DO NOT MEET ANY OTHER STATUTORY REQUIREMENTS.

INSTRUCTIONS TO COMPLETE THE RETURN

HEADING OF THE RETURN

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

NAME, EMPLOYER IDENTIFICATION NUMBER AND ADDRESS

Enter the name of the international insurer or the international financial entity in the space indicated on the return.

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

If the international insurer or international financial entity 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 Treasury using Form AS 4809.

Enter the postal address, the complete address where the business or principal office is located, telephone number, place and date of creation, and email of a contact person.

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

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

PART I - ENTITY INFORMATION

Indicate the type of entity, if it is international insurer or an international financial entity, and the decree number. Also, in the case of international insurers check if your return includes any Segregated Assets Plan and indicate the amount of segregated assets plans that is reported on the return.

PART II

Line 1 – Net Income

Enter the net income of the international insurer or the international financial entity. This amount should be a transfer from line 38 of Part V.

Note that it will not be considered gross income from sources within Puerto Rico, for purposes of Section 1035.01(a)(1) and (2) of the Puerto Rico Internal Revenue Code of 2011, as amended (“Code”), the interests, finance charges, dividends or the share of partnership benefits received from international financial entities duly authorized under the Act 273-2012.

Line 2 – Exempt Amount in the case of an International Insurer

Enter the amount of one million two hundred thousand dollars (\$1,200,000) if the taxpayer is an international insurer. International Financial Entities must include zero on this line.

Line 6 – Tax Determined from Segregated Assets Plans

Indicate the Total Schedules A International Insurer included with this return. The amount of tax reported shall be the sum of line 42 of Part III of all Schedules A International Insurer included with the return.

Every segregated assets plan of an international insurer, other than a Class 5 Authority insurer, is subject to tax on the net income in excess of one million two hundred thousand dollars (\$1,200,000), payable solely from the funds of such plans, as if it were an international insurer separate from the international insurer.

Line 8 – Tax Credits

Enter the total tax credits available. You must submit a schedule with a breakdown of such. You must also submit documents or evidence of such credits.

PART III – INCOME

Enter all income from operations of the International Insurer or the International Financial Entity.

Line 4 – Dividends from Corporations

Enter the sum of the dividends received from both domestic corporations and foreign corporations. The taxpayer must segregate the income between the two categories.

Line 6 – Gains from the Sale of Capital Assets

Enter the sum of capital gains generated during the taxable year. The taxpayer must segregate the income between short-term capital gains and long-term capital gains.

Line 7 – Miscellaneous Income

Enter the income received for which no specific space is provided. **Submit a schedule with the return itemizing such income.**

PART IV - DEDUCTIONS

Enter the deductions related to your operations on lines 9 through 34 of Part IV. Following we provide information regarding some of those deductions.

Line 17 – Interests

Enter the interests paid or accrued during the year.

Line 18 – Rent

Enter the cost for the leasing of structures and equipment, excluding automobile leases. Expenses related to automobile leases must be included on line 26.

Line 20 – Automobile expenses (Mileage)

You may claim a deduction on this line for the expenses related to the use and maintenance of an automobile which are incurred to carry on an industry or business or for the production of income of the international insurer or international financial entity, based on one of the following alternatives:

- the expense determined based on a standard mileage rate of sixty cents (\$0.60) per mile used in the industry or business or for the production of income; or
- the actual expenses incurred for the use and maintenance of an automobile in the industry or business or for the production of income,

including those expenses that are duly documented by the employees under an expense reimbursement plan established by the international insurer or the international financial entity.

Notwithstanding, once an alternative is chosen, you will be required to use the same during the entire taxable period.

Administrative Determination No. 15-01 of January 9, 2015, repealed various articles of Regulation 8297 of December 18, 2012, in connection with the requirements to claim the deduction for expenses paid or incurred for the use and maintenance of an automobile. For additional details, refer to Administrative Determination No. 15-01.

The expenses of automobile use and maintenance includes repairs, insurance, 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 26 and detailed on Schedule E. Also, do not include expenses related to the use of tolls or parking.

For these purposes, the term "automobile" includes any motor vehicle manufactured principally to be used in the public streets, highways and avenues, and design for transporting persons, but 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.

Line 21 – Expenses from other motor vehicles

If you incurred expenses related the use and maintenance of vehicles which are not considered automobiles according to the above definition, you should claim them on this line and submit the details.

Line 22 - Meals and entertainment expenses

You may deduct 50% of the expenses actually paid or incurred, up to 25% of the gross income for the taxable year, for meals and entertainment expenses directly related to the industry or 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 deduction shall be allowed for meals and entertainment expenses considered extravagant or sumptuous.

Line 25 - Contributions to pensions and other qualified plans

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

To claim this deduction for your contributions to any of those plans, you must keep in your records certain information required by regulations. You must complete Form AS 6042.1 and submit it with your return in order to be entitled to the deduction. Said form will be required to determine the tax on nondeductible contributions and excess contributions to qualified retirement plans. This tax must be paid with the filing of this return.

These plans are subject to a periodic investigation to determine if they are in compliance with the applicable dispositions of the Code. If the dispositions are not met, the Secretary can cancel the plan and reject the deduction.

Line 26 – Depreciation and amortization

Submit a detail of the depreciation and amortization on Schedule E – Depreciation.

In the case of automobiles, the depreciation or lease expense (including operating leases) is limited to the smaller of the amount paid or \$6,000 annually for a maximum of 5 years. In the case of automobiles used by sellers, the deductible amount cannot exceed \$10,000 annually for a maximum period of 3 years.

This deduction will be allowed only for that part used in the trade or business, or for the production of income.

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

Also, the Code provides a deduction for amortization of intangible property, other than goodwill, acquired through purchase or developed in taxable years beginning after December 31, 2009. The deduction will be determined using the straight-line method and a useful life of 15 years or the intangible's useful life, whichever is less.

Line 27 - Bad debts

The corporation may claim a deduction for the debts that become uncollectable within the taxable year (direct write-off method). The reserve method to compute the deduction for bad debts used under the Generally Accepted Accounting Principles (GAAP) is not allowed to claim the bad debts expense.

Line 28 - Charitable contributions

You may deduct, subject to certain limitations, the charitable contributions paid during the taxable year to a nonprofit religious, charitable, scientific, literary, educational or museological organizations, or to organizations for the prevention of cruelty or abuse of children, the elderly or disabled, or to animals, organizations for the prevention of domestic violence or hate crimes, or to organizations of war veterans in the United States or Puerto Rico. However, no part of the net earnings of any organization to which you contribute may benefit any private shareholder or individual.

You may also claim a deduction for contributions paid to:

- the Commonwealth of Puerto Rico, the United States Government, or any of its states, territories or possessions, or any political subdivision thereof, or the District of Columbia, when the contributions or donations are used exclusively for public purposes;
- university level accredited educational institutions established in Puerto Rico;
- the José Jaime Pierluisi Foundation;
- the Fund for the Financing of Cultural Affairs of Puerto Rico;
- the Puerto Rico Communitarian Foundation;
- the Corporation of the Symphonic Orchestra of Puerto Rico;
- the Fund for Services Against Remediable Catastrophic Diseases.

The Secretary will publish a list of non for profit entities qualified to receive the contributions.

The allowable deduction is the total amount of the charitable contributions paid, not to exceed 10% of the net income determined without the benefit of said deduction.

The contributions made to a municipality that conducts an activity or event of cultural or historic value, as certified by the Institute of Puerto Rican Culture or the Cultural Center of each municipality, or that makes possible the realization of any cultural or historic work, may be claimed as charitable contributions.

The contributed amount shall be \$50,000 or more, and must be made in connection with the celebration of the centennial foundation of the municipality. The total of said contributions is not subject to the limitations provided by the Code.

Line 29 – Repairs

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

Line 30 - Deduction for employers who employ handicapped persons

Enter \$400 for each severely handicapped person employed for at least 20 hours per week during nine months of the taxable year. The deduction is allowed for a maximum of 5 severely handicapped persons. In force regulations of the Vocational Rehabilitation Program of the Department of the Family will be used to determine the severely handicapped condition.

The employer that claims this deduction must submit with the return the following:

1. a certification indicating that the handicapped person has been employed at least during 9 months of the taxable year for which the deduction is claimed, and
2. a certification issued by the Secretary of the Department of the Family stating that, in accordance to its rules and procedures, the person for whom the deduction is claimed is a severely handicapped person.

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

Enter the amount of contributions to educational contribution accounts for the employees' eligible beneficiaries up to the maximum amount of **\$500 for each beneficiary**, as provided by Section 1081.05 of the Code. Employer's contributions will be considered as ordinary and necessary expenses of the industry or business, and can be deducted as such in the year they are made. This 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 409-2000 and Regulation No. 6419 of March 27, 2002.

Line 34 - Other deductions

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

No deductions will be allowed for expenses related to the ownership, use and maintenance of vessels.

A deduction will neither be allowed for expenses related to the ownership, use and maintenance of aircrafts.

In the same way, no deduction will be allowed for expenses related to the ownership, use, maintenance and depreciation of residential property (located within or outside of Puerto Rico).

PART VI AND VII - COMPARATIVE BALANCE SHEET AND RECONCILIATION OF NET INCOME (OR LOSS) PER BOOKS WITH NET TAXABLE INCOME (OR LOSS) PER RETURN

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

The amount in Part VII, 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 V, line 38 of this return.

If the volume of business of the international insurer or the international financial entity exceeds \$3,000,000, Audited Financial Statements certified by a Certified Public Accountant (CPA) licensed in Puerto Rico must be submitted.

SCHEDULE A – DETERMINATION OF TAX FROM SEGREGATED ASSETS PLANS OF AN INTERNATIONAL INSURER

This schedule must be used to calculate the tax determined from the Segregated Assets Plan of the International Insurer. Also, it is important to remember that for each plan the taxpayer must complete one Schedule A. For example, if in Part I of the return the taxpayer reports two (2) segregated assets plans, then the return must include two (2) Schedules A.

This schedule only applies to segregated assets plans from international insurers. Therefore, international financial entities should not complete and include Schedule A with their return.

The rules that apply to this schedule are the same that apply for Parts III, IV and V of this return.