

Country Tax Guide





Dominican Republic

International Tax Contact

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Corporate Income Taxes

Resident legal persons, which are legal persons incorporated under the law of the Dominican Republic, and legal persons whose place principal place of business or place of effective management is in the Dominican Republic, are generally subject to tax on their Dominican source income. Foreign source income from investments and financial gains is also generally subject to tax.

Non-resident legal persons are generally subject to tax on their Dominican source income, subject to the terms of any relevant tax treaty.

The standard corporate income tax rate is 27%. An alternative minimum tax in the form of an asset tax applies to legal persons and individuals that operate a business. The asset tax is 0.5% of the taxable value of assets (as defined). Asset tax is set to be abolished from 1 January 2016 and instead, real estate owned by legal persons is set to be subject to real estate tax (see "Other Taxes"). Qualifying resident individuals may apply a simplified tax regime in respect of their business income. Entities undertaking certain activities, including transportation, insurance, communications, film production/distribution, and farming and forestry, may be subject to presumed income provisions.

Dividends received by resident companies from other resident companies are generally subject to withholding tax at the rate of 10%.

Taxable income must generally include any taxable capital gains. Unutilised capital losses can generally be carried forward indefinitely for offset against future capital gains.

Unutilised operating losses can generally be carried forward for up to five years for offset against future profits (restrictions apply in certain circumstances, such as in cases of reorganisation). Legal persons making a loss in their first fiscal year may deduct losses against up to 100% of taxable income in their second fiscal year. Any remaining unutilised losses may be carried forward in accordance with the rules applicable to other legal persons. Other legal persons may deduct up to 20% of losses for each of the five years following the loss. The 20% deduction may only be offset against up to 80% of taxable income in the fourth year, and against up to 70% of taxable income in the fifth year. Taxpayers may request a total or partial exemption from the percentage limits. The tax authority may grant the request in cases of force majeure, or where there are extraordinary circumstances that justify the request. There are no provisions for the carry back of losses.

Group tax consolidation is not available in the Dominican Republic; consequently losses cannot be offset against the profits of another company in the same group.

The tax year ends on 31 December. Companies may use an alternative tax year end of 31 March, 30 June or 30 September. Once chosen, the tax year end date cannot be changed without express permission from the tax authority.

Tax returns are generally due for filing within 120 days following the tax year end. An extension of 60 days may be granted by the tax authority upon request.

Legal persons are generally required to make monthly advance payments of corporate income tax. Taxpayers with a significant reduction in income in the current period may request a total or partial exemption from advance payments. The tax authority may grant the request in cases of force majeure, or where there are extraordinary circumstances that justify the request. Any remaining corporate income tax due is payable with the submission of the corporate tax return. If the advance payments exceed the actual corporate tax liability, the excess may be offset against future taxes or refunded at the taxpayer's request.

Taxpayers operating under the simplified tax regime are required to file their tax returns by the last working day of February following the tax year end. Advance payments are not required; instead, corporate income tax is payable in two instalments by the tax return filing date and by the last working day of August.

Personal Taxes

Resident individuals are generally subject to tax on their Dominican source income. Foreign source income from investments and financial gains is also generally subject to tax. In the case of individuals that become resident of the Dominican Republic, such foreign source income is subject to tax from the third year following residency. Non-resident individuals are generally subject to tax on their Dominican source income, subject to the terms of any relevant tax treaty.

Resident individuals are generally subject to tax on their taxable income at the following rates:

Taxable Income	Tax Rate
Up to DOP399,923	Exempt
Over DOP399,923 – DOP599,884	15% on the amount exceeding DOP399,923
Over DOP599,884 – DOP833,171	DOP29,994, plus 20% on the amount exceeding DOP599,884
Over DOP833,171	DOP76,652, plus 25% on the amount exceeding DOP833,171

Non-resident individuals are generally subject to tax at the rate of 27%.

Taxable income must generally include any taxable capital gains. The first DOP500,000 received from the disposal of the taxpayer's primary residence held for at least the last three years is not subject to tax.

Inheritance and gift taxes generally apply at the rate is 3% for taxable inherited property and at the rate of 25% for taxable gifts. Inheritance tax exemptions include the first DOP500 (DOP1,000 for relatives in direct line), family property, life insurance of the deceased, and bequests to certain charities and public bodies. Gift tax exemptions include gifts of less than DOP200, gifts to certain charities and public bodies, and gifts made to create or improve family property.

There is no wealth tax. However, asset tax generally applies to individuals that operate a business (see “Corporate Income Taxes”).

Employment Related Costs and Taxes

Fringe benefits

The taxable value of benefits-in-kind provided to employees is generally subject to tax at the rate of 27%, payable by the employer.

Payroll tax

Employers and employees are generally required to make contributions to the Technical Institute of Professional Training (*Instituto de Formación Técnico Profesional* (INFOTEP)). The rate for employers is 1% of monthly wages. The rate for employees is 0.5% of profit sharing and bonuses received by the employee.

Social security costs

Employers and employees are generally required to make the following social security contributions (subject to salary ceilings):

Contribution Category	Employer Rate	Employee Rate
Pension insurance	7.10%	2.87%
Health insurance	7.09%	3.04%
Occupational hazards insurance	Varies depending on activity	N/A

Profit sharing

Employers are generally required to share 10% of annual net profits with employees. Exemptions from profit sharing apply to farming, industrial, agricultural, forestry and mining enterprises during the first three years of operations, agricultural enterprises whose capital does not exceed DOP1m, and enterprises in a free zone.

Christmas bonus

Employers are generally required pay a Christmas bonus to employees in December of each year. The bonus should equal one twelfth of ordinary salary paid to the employee during the year.

Withholding Taxes on Payments Abroad

The rates of withholding tax on the following payments made abroad by companies are generally:

	Rate
Dividends	10%
Interest	10%
Royalties and fees for technical services	27%

For payments made to recipients in countries with which the Dominican Republic has a double tax treaty, the rates of withholding tax may be reduced under the terms of the treaty.

Value Added Tax (VAT)

VAT is generally levied on the supply of goods and services in the Dominican Republic, and on the importation of goods.

The standard VAT rate is 18%. For 2015, a reduced rate of 13% applies to certain supplies, including certain dairy products, coffee, edible fats, sugar, cocoa, and chocolate. The 13% VAT rate is set to be increased to 16% from 1 January 2016. A 0% rate applies to exports. Certain supplies are VAT exempt, including certain live animals, meat, dairy products, vegetables, plants, certain fuels, medicines, books and magazines, financial services, insurance services, health services, and educational services.

There is no VAT registration threshold. Legislation permits the Executive to establish special VAT provisions for small taxpayers.

Traders can generally recover the VAT with which they themselves are charged on their purchases of goods and services, subject to conditions and possible exceptions.

Other Taxes

Real estate tax

Real estate tax at the rate of 1% is generally levied on taxable real estate owned by individuals with a value exceeding DOP6,752,200, subject to exemptions. From 1 January 2016, real estate owned by legal persons is set to be subject to real estate tax (in lieu of asset tax, see “Corporate Income Taxes”).

Real estate transfer tax

Transfers of real estate are generally subject to tax at the rate of 3% of the value of the property, subject to exemptions.

Capital duty

Legal persons are generally subject to capital duty at the rate of 1% of authorised capital upon formation, and on authorised capital increases.

Excise taxes

Excise taxes (*Impuesto Selectivo al Consumo*) are imposed on certain goods and services, including alcohol, alcoholic beverages, tobacco products, telecommunication services, insurance services and certain money transfers.

Tax Incentives for Businesses

Research and development (R&D) expenditure

Qualifying R&D expenditure may be deducted from taxable income with the consent of the tax authority.

Free zones

Qualifying enterprises established in a free zone in the Dominican Republic benefit from incentives, including exemptions from income tax, the capital duty, import duties, and VAT.

Renewable energy incentives

Incentives are available for qualifying investments in the development of renewable energy sources. The incentives include a tax exemption for all taxes in relation to equipment, machinery and accessories imported for the production of energy from renewable sources, and an income tax exemption for a period of 10 years from commencing operations (up to 2020 at the latest) in respect of income from the generation and sale of electricity, hot water, steam, power, biofuels or synthetic fuels generated from renewable energy sources, and in respect of income from the sale and installation of qualifying equipment, parts and systems produced in the Dominican Republic with a value increase of at least 35%.

Tourism incentives

Natural or legal persons domiciled in the Dominican Republic that promote or invest capital in eligible tourism activities are eligible for incentives and benefits, including an income tax exemption in respect of income from eligible tourism activities, and import tax and VAT exemptions in respect of equipment, materials and furniture required to equip and operate eligible tourism activities. The tax exemptions are available for a period of 10 years from the date of completion of the project.

Film industry incentives

Tax incentives are available to qualifying natural or legal persons who administer, promote or develop films and other audiovisual works. Legal persons who invest in companies whose sole purpose is to produce Dominican Republic films previously approved by the General Directorate of Film (DGCINE) may deduct 100% of the investment from their taxable income in the year of investment, subject to a maximum 25% of tax payable. The income of producers, film distributors located in the Dominican Republic or abroad, and exhibitors, which is capitalised or reserved to develop new productions or investments in the film industry, is exempt from income tax. Natural or legal persons who invest in the construction of cinemas in the Dominican Republic benefit from a 15 year income tax exemption in respect of revenue generated by the cinema. The income tax exemption is 50% for cinemas constructed in the National District and in the city of Santiago de los Caballeros, and 100% for cinemas constructed in other areas.

Special border development zone incentives

Qualifying enterprises, including industrial enterprises, agribusinesses, and those involved in agriculture, metallurgy, tourism, metallurgy, or energy, that are located in the special border development zone benefit from incentives, including a 100% income tax exemption and customs and excise duty exemptions for a period of 20 years.

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