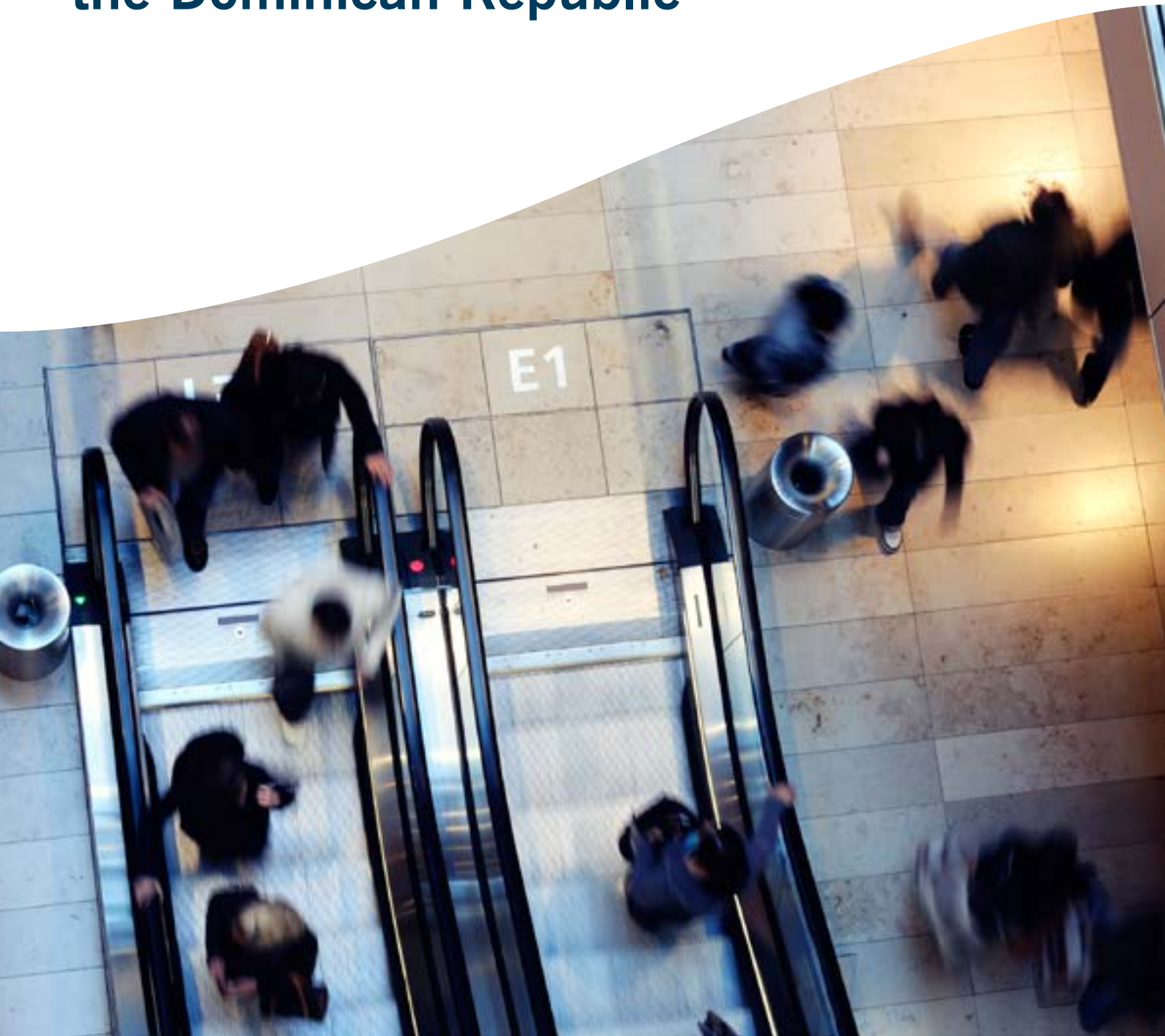


Doing Business in the Dominican Republic





Preface

This guide has been prepared by Baker Tilly República Dominicana, an independent member of Baker Tilly International. It is designed to provide information on a number of subjects important to those considering investing or doing business in the Dominican Republic.

Baker Tilly International is the world's 8th largest network of independent accounting and business advisory firms by combined fee income, and is represented by 154 firms in 133 countries and 27,000 people worldwide. Its members provide high quality accounting, assurance, tax and specialist business advice to privately held businesses and public interest entities.

This guide is one of a series of country profiles compiled for use by Baker Tilly International member firms' clients and professional staff. Copies may be downloaded from www.bakertillyinternational.com.

Doing Business in the Dominican Republic has been designed for the information of readers. Whilst every effort has been made to ensure accuracy, information contained in this guide may not be comprehensive and recipients should not act upon it without seeking professional advice. Facts and figures as presented are correct at the time of writing.

Up-to-date advice and general assistance on Dominican Republic matters can be obtained from Baker Tilly República Dominicana, contact details can be found at the end of this guide.

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1 Fact Sheet

Facts and figures as presented in sections 1 through 4 are correct as at 2 April 2015.

Geography

Location:	Caribbean
Area:	48,670km ²
Land boundaries:	Haiti
Coastline:	Caribbean Sea and the North Atlantic Ocean
Climate:	Tropical maritime with little seasonal temperature variation and seasonal variation in rainfall
Terrain:	Rugged highlands and mountains with interspersed fertile valleys
Time zone:	GMT -4

People

Population:	10.4 million (January 2014 estimate)
Religion:	Roman Catholic 95%, other 5%
Language:	Spanish is the official language

Government

Country name:	Dominican Republic
Government type:	Democratic republic
Capital:	Santo Domingo
Administrative divisions:	10 regions

Political situation

The bicameral National Congress (*Congreso Nacional*) consists of the Senate (*Senado*) with 32 seats, and the House of Representatives (*Camara de Diputados*) with 183 seats. The Head of State and the Head of Government is the President, who is elected by popular vote for a term of four years. The President nominates the Cabinet.

Economy

GDP – per capita:	US\$5,879 (2013)
GDP – real growth rate:	4.6% (2013)
Labour force:	4,712,893 (2013)
Unemployment:	14.9% (March 2014)
Currency (code):	Dominican Peso (DOP)

2 Business Entities and Accounting

The main company forms in the Dominican Republic are the limited liability company, the corporation and the simplified corporation. Other business forms include partnerships, branches and individual limited liability companies.

2.1 Companies

2.1.1 Limited liability companies

A limited liability company may be formed by two or more natural and/or legal persons. The maximum number of members is 50. The minimum capital requirement is generally DOP100,000, which is divided into equal and indivisible parts of no less than DOP100. The capital may not be represented by negotiable instruments. The liability of members is generally limited to their contributions.

Limited liability companies are administered by the annual general meeting, and are managed by one or more managers who must be natural persons.

2.1.2 Corporations

A corporation may be formed by two or more natural and/or legal persons. The minimum authorised capital requirement is generally DOP30m, which is represented by shares. The minimum nominal value of each share is DOP1. The liability of members is generally limited to their contributions. Corporations may offer their shares to the public.

Corporations are administered by the general meeting of the shareholders, and are managed by a board of directors consisting of at least three directors. Corporations that list their shares on the stock market are required to appoint one or more external auditors.

2.1.3 Simplified corporations

A corporation may take the form of a simplified corporation if this is expressly stated in the company's articles of association. As with a corporation, a simplified corporation may be formed by two or more natural and/or legal persons, and the liability of members is generally limited to their contributions. The minimum authorised capital requirement is generally DOP3m, which is divided into registered shares. Simplified corporations may not offer securities to the public.

Simplified corporations are administered by the general meeting of the shareholders, and are managed by the president of the simplified corporation. An external auditor must be appointed if private debt securities are issued. In other cases, one or more external auditors may be appointed if this is provided for in the articles of association.

2.1.4 Company names and registration

The company name must be immediately preceded or followed by the company's organisational form or relevant abbreviation, and the name must be registered with the National Office of Industrial Property (*Oficina Nacional de la Propiedad Industrial* (ONAPI)).

Companies must be registered in the Commercial Register (*Registro Mercantil*), and become separate legal entities upon registration.

2.2 Partnerships

2.2.1 General partnerships

A general partnership may be formed by two or more partners. Partners are jointly and severally liable to an unlimited extent for the debts and obligations of the partnership.

2.2.2 Limited partnerships

A limited partnership consists of one or more general partners and one or more limited partners. General partners are jointly and severally liable to an unlimited extent for the debts and obligations of the partnership. The liability of limited partners is generally limited to their contributions. Limited partners may not take part in the management of the partnership. If they do so, they may become liable for the debts and obligations of the partnership resulting from their management as if they were general partners.

2.2.3 Partnerships limited by shares

A partnership limited by shares consists of one or more general partners and at least three limited partners. General partners are jointly and severally liable to an unlimited extent for the debts and obligations of the partnership. The liability of limited partners is generally limited to their contributions. The capital of the partnership is divided into shares.

2.2.4 Partnership registration

Partnerships must be registered in the Commercial Register (*Registro Mercantil*), and become separate legal entities upon registration.

2.3 Branches

A foreign company may generally conduct business activities in the Dominican Republic through a branch or other permanent establishment (PE). A branch or PE may undertake activities that are within the parent company's corporate purpose.

Branches and PEs must be registered in the Commercial Register (*Registro Mercantil*), and must also register with the National Register of Taxpayers (*Registro Nacional de Contribuyentes* (RNC)) if the activities carried out in the Dominican Republic generate tax obligations and if registration is required by legislation.

2.4 Individual Limited Liability Companies

An individual limited liability company may be formed by an individual. An individual limited liability company is a separate legal entity. The liability of the owner is generally limited to their capital contribution. The company is managed by the founder or by an appointed manager.

Individual limited liability companies must be registered in the Commercial Register (*Registro Mercantil*).

2.5 Joint Ventures

A contractual joint venture is formed by two or more persons. The profits and losses of the joint venture are divided between the members as agreed in the contract. A joint venture is not a separate legal entity and is not subject to registration requirements.

2.6 Auditing and Accounting Requirements

Companies are required to prepare financial statements that show (i) the financial position of the company, (ii) the results of the company's operations, (iii) changes in equity, and (iv) cash flows. Companies are also required to prepare an annual management report.

Financial statements must generally be prepared in accordance with the International Financial Reporting Standards (IFRS). Large and medium-sized companies (as defined) whose securities do not trade in a public market, and micro-sized entities (as defined), are generally required to prepare their financial statements in accordance with the IFRS for SMEs.

Accounts and records must be kept in Spanish.

The following companies are required to have their financial statements audited:

- Companies that use credit from financial intermediary entities
- Companies that issue securities, and
- Companies whose gross annual income exceeds 100 times the public sector minimum wage.

Accounting records and documentation must generally be kept for a period of 10 years.

3 Finance and Investment

3.1 Exchange Control

Legislation provides that national and foreign currencies can be freely converted.

Anti-money laundering legislation requires supervised entities, including banks, investment fund managers, pension fund administrators, insurance companies, leasing companies, casinos, and notaries, to report suspicious transactions and transactions in cash exceeding USD10,000 or equivalent to the Financial Analysis Unit (*Unidad de Análisis Financiero* (UAF)).

3.2 Banking and Sources of Finance

The Central Bank of the Dominican Republic (*Banco Central de la República Dominicana*) is responsible for (amongst others) monetary policy, financial stability, and payment systems.

The Superintendency of Banks of the Dominican Republic (*Superintendencia de Bancos de la República Dominicana* (SB)) is responsible for supervising banks, financial institutions and financial intermediaries.

Commercial banks operating in the Dominican Republic provide the majority of financial services.

There are generally no restrictions on foreigners opening bank accounts in the Dominican Republic (certain documentation and a minimum deposit may be required), or on accounts containing foreign currency.

The Stock Market of the Dominican Republic (*Bolsa de Valores de La República Dominicana*) provides a marketplace for listing and exchanging securities.

Private equity and venture capital investors provide investment in the Dominican Republic.

3.3 Investment Incentives and Restrictions

For business related incentives, see 5.7.

There are generally no restrictions on foreign business investment in the Dominican Republic. However, investments are not permitted in toxic waste, hazardous waste and radioactive waste not produced in the Dominican Republic, activities affecting public health or the balance of the environment, or the production of material and equipment directly relating to defence or national security (unless authorisation is granted by the Executive).

4 Employment Regulations

For employment tax considerations, see 5.3.

4.1 General Employment Matters

4.1.1 National employment standards

Legislation provides minimum rights and conditions of employment in the Dominican Republic (certain exclusions apply), including maximum daily and weekly working hours, rest periods, annual paid leave entitlement, and maternity leave rights.

A contract of employment may be concluded orally or in writing. A contract for a fixed duration or for particular work or a particular service must be concluded in writing.

A written employment contract must include:

- Names, nationality, age, sex, marital status, domicile and residence of the parties
- Services to be performed
- Working hours and work location
- Details about wages and the time and place of payment
- An indication of the work or service to be performed if the contract is for a specified duration
- Other terms agreed by the parties in accordance with legislation, and
- Signatures of the parties.

Working terms and conditions may also be determined by a collective agreement.

A contract of employment may be terminated in certain circumstances, including (i) by mutual consent, (ii) where the contract has been completed, (iii) where it is impossible for the contract to be performed, (iv) where one party terminates the contract with notice but without a reason, (v) where the employee is dismissed by the employer, or (vi) in cases of resignation. An employee is entitled to severance pay where the contract is terminated by the employer with notice but without a reason. The amount of severance pay depends on the length of continuous employment. An employer may dismiss an employee in certain circumstances, including where the employee has misled the employer in relation to his/her knowledge or skills, where the employee is incompetent or inefficient at their job (this reason is only available within the first three

months of employment), or where the employee leaves work during working hours without permission and without informing the employer or relevant representative.

At least 80% of employees in an enterprise must generally be Dominican. Exemptions from this rule apply in certain circumstances, including in respect of technical employees that require specific scientific knowledge.

4.1.2 Pensions and other benefits

Social security contributions (see 5.3.3) generally provide associated benefits.

4.2 Visas

Citizens of certain countries (including Argentina, Chile, Ecuador, Israel, Japan, Peru, South Korea, and Uruguay) do not require a tourist visa or a tourist card in order to visit the Dominican Republic. Citizens of other countries (including the United States, Canada, and European Union member states) generally require a tourist card in order to visit the Dominican Republic. Citizens of other countries generally require a tourist visa for short term visits to the Dominican Republic.

Other visas available for entry into the Dominican Republic include:

- Residence visa
- Student visa
- Business visa
- Business visa for employment purposes
- Diplomatic visa
- Official visa
- Courtesy visa, and
- Dependent visa.

There are generally no restrictions on foreigners acquiring and owning real property in the Dominican Republic.

4.3 Trade Unions

Trade unions may be by business, profession or industry, and may not have less than 20 members. Unions of employers may not have less than three members. One or more trade unions may negotiate and conclude collective agreements on working conditions with one or more employers or one or more unions of employers.

5 Taxation

Facts and figures as presented in section 5 are correct as at 2 April 2015.

5.1 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 5.6.1). 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.

5.2 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 5.1).

5.3 Employment Related Costs and Taxes

5.3.1 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.

5.3.2 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.

5.3.3 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

5.3.4 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.

5.3.5 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.

5.4 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.

5.5 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.

5.6 Other Taxes

5.6.1 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 5.1).

5.6.2 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.

5.6.3 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.

5.6.4 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.

5.7 Tax Incentives for Businesses

5.7.1 Research and development (R&D) expenditure

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

5.7.2 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.

5.7.3 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%.

5.7.4 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.

5.7.5 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.

5.7.6 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.

Member Firm Contact Details

Baker Tilly República Dominicana
www.bakertillyrd.com

Pedro Chalas
pedro.chalas@bakertillyrd.com

#8A, Fernando Escobar Hurtado
Ensanche Serralles
Santo Domingo
Dominican Republic.

T: +1 809 621 3306
F: +1 809 732 7018

Global Office
Juxon House
100 St Paul's Churchyard
London EC4M 8BU
United Kingdom

T: +44 (0)20 3102 7600
F: +44 (0)20 3102 7601

info@bakertillyinternational.com

www.bakertillyinternational.com

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