Dominican Republic

General	Types of indirect taxes (VAT/GST and other indirect taxes)	**VAT** VAT in Dominican Republic is known as a tax on the transfer of industrialized goods and services (impuesto a la transferencia de bienes industrializados y servicios or ITBIS). As its name suggests, this tax is applicable on the transfer of industrialized goods, whether domestic or imported, imports and the rendering or leasing of certain services as long as these are received within the country. Individuals and corporations engaging in any of the referred economic activities are deemed taxpayers under the scope of the ITBIS law, unless expressly exempted. The aforementioned rule is to be applied regardless of the taxpayer possessing a permanent establishment in the country or lacking registration before the Dominican tax authorities. The Dominican tax code establishes a list of products generally exempted from ITBIS, such as agricultural goods, livestock, certain types of food, fuel, educational materials and medicines. On the other hand, education, culture health care, electricity and financial services, among others, are also exempt from ITBIS. Exports are zero-rated. The taxable base of ITBIS in the transfer of goods, whether at a price or freely disposed, shall be the net transfer or fiscal worth of the item, plus costs of any accessory services in connection thereof, in addition to any applicable excise tax and offset by any offered discounts. In the case of imports, the taxable base shall be the cost, insurance and freight (CIF) price of the imported goods, plus customs duties and the excise tax, if applicable. Concerning the rendering of a service, the taxable base shall be equal to the price charged, whether paid as lump sum or installments, offset by any tip, if applicable.

General (continued)	Are there other indirect taxes?	**Excise Taxes** Excise taxes are levied on the acquisition, consumption or import of certain goods and services as listed by the Dominican tax code. Two main types of excise taxes coexist in the Dominican Republic, namely: the selective consumption tax (impuesto selectivo al consumo or ISC) and the selective ad valorem tax (impuesto selectivo ad valorem). In general, the referred taxes apply to tobacco products, such as cigarettes or cigars, gasoline, alcoholic beverages, telecommunication services, the usage of checks as well as the entering into insurance premiums. Except for telecommunication services, excise taxes shall be accounted toward determining the taxable base of ITBIS. — ISC: This tax burdens principally the transfer of certain domestic goods at the level of the manufacturer, the transfer or import of certain restricted goods and the rendering or leasing of a series of services as described in the Dominican tax code. — Ad valorem: Without prejudice of the ISC levying certain economic activities, the ad valorem functions as a secondary excise tax burdening the consumption or import of certain goods, such as tobacco products, alcoholic beverages, oil products, hydrocarbons and certain others goods considered by law as luxury assets.
	What are the standard or other rates (i.e. reduced rate) for VAT/GST and other indirect taxes?	**VAT** The standard rate is 18%. Please note there is a reduced rate of 13% on selected goods. In 2016, this rate will increase up to 16%. In the case of imports, selected raw materials will be taxed at a reduced rate of 1%. **Selective tax on consumption** Consumption tax is imposed on a series of articles considered as 'luxury items'. Each product is imposed with a percentage determined by law, including: — products derived from alcohol: specific amounts depending on the number of absolute alcohol grade — products derived from tobacco: depending on specific amounts of cigarettes and cigars, 130% — goods for use and final consumption (beers, wines, perfumes, derivatives of tobacco, diamonds, bijouterie, air conditioners, electronics, motor vehicles, guns, etc — benefit from and allocation of communication services of long distance (national and international) rate 10%, insurance with rate of 16% — vehicles with special engines, golf carts 20%.

General (continued)	What are the standard or other rates (i.e. reduced rate) for VAT/GST and other indirect taxes (continued)?	**Ad-valorem** Additional taxes imposed on alcohol and derived from tobacco are established. The levy is 20% for tobacco and 10% on alcoholic drinks on the retail-selling price of these products.
	Who is required to register for VAT/GST and other Indirect taxes?	**VAT** In general, individuals, corporations, look-through entities or an economic unit doing business in the Dominican Republic, whether domestic or foreign, regardless of its legal capacity or place of domicile are considered taxpayers subject to ITBIS to the extent they transfer industrialized goods; import goods; render taxed services; or perform a commercial activity deemed taxable under the scope of the ITBIS´s regulation and general rulings. **Excise Taxes** As with ITBIS, to the extent these produce or manufacture goods burdened by this tax or act as the last party in the chain of production of the good in which the latter is either finished or acquires its individuality, as defined in the tax code; import goods burdened either by the ISC or the ad valorem; and render services levied by the ISC or the ad valorem.
VAT/GST registration	Is voluntary registration for VAT/GST and other indirect taxes possible for an overseas company (e.g. if the annual turnover is below the relevant VAT/GST and other Indirect taxes registration threshold)?	Dominican tax law does not provide a taxable turnover or threshold in connection with the registration of a taxpayer for the purposes of fulfilling its ITBIS liabilities. Therefore, any taxpayer subject thereto shall file its correspondent ITBIS return on a monthly basis following the start of operational or business activities, whether it is a foreign or domestic taxpayer. However, Dominican tax authorities have implemented a new simplified procedure in favor of small- to medium-sized businesses, based in sales or income, whereby the monthly ITBIS liabilities, as well as the amount of returns to be filed, are considerably reduced.
	Does an overseas company need to appoint a fiscal representative?	Dominican tax law requires all companies and taxpayers, whether foreign or domestic, to appoint a legal representative or register a contact person before the tax authorities. Any liability or tax issue that arises may be effectively dealt with by means of a legal representative or an agent.
	Is grouping* for VAT/GST and other indirect taxes possible?	Dominican tax law does not allow the filing of ITBIS´ consolidated returns. However, the tax authorities may either disregard or rule as an economic unit the presence of an individual or several legal entities on certain transactions when used to secure a tax advantage or as a sham.

* By “grouping” we mean: either a consolidation mechanism between taxpayers belonging to the same group (payment and refund are compensated but taxpayers remain distinct) or a fiscal unity for VAT/GST purposes (several taxpayers are regarded as a single taxpayer).

VAT/GST compliance	How frequently are VAT/GST and other indirect tax returns submitted?	**VAT** Each ITBIS return is to be submitted along with the payment on a monthly basis. The deadline is the 20 day of the month following the tax period contained in such. The filing of the ITBIS return is mandatory by law whether or not a liability is due by the taxpayer. **Excise Taxes** Should ISC or ad valorem arise from the transferring of a good or the rendering of a service, any tax returns, along with its corresponding payment, shall be submitted on a monthly basis. The deadline is the 20 day of the month following the tax period contained in such. In the case of imports, any ISC or ad valorem liability that arises shall be paid jointly with the custom duties as set forth in the applicable regulations.
	What are the exchange rate rules in your country?	The Dominican Republic has a free currency exchange market. A foreign company is not required to obtain government approval either to invest or to do business in the country. The Dominican Central Bank, upon requirement of a foreign company through a relatively simple administrative procedure issues a Certificate of Foreign Investment Registration. The latter constitutes the sole requirement for a foreign individual or company to freely buy foreign currency in commercial banks for the purpose of repatriating dividends or profits earned locally.
VAT/GST recovery	Can an overseas company recover VAT/GST and other indirect taxes if it is not registered for VAT/GST and other indirect taxes locally?	Only locally registered taxpayers are allowed to recover ITBIS in the Dominican Republic, whether as a credit or a refund. A recovery is not allowed in any form concerning a tax liability paid in connection with the ISC or the ad valorem.
	Are there any exemptions with the right to recover or deduct input VAT?	Yes. ITBIS and excise taxes incurred by real estate developers, producers of exempted goods and services, registered exporters and for the purposes of renovating industrial machinery may be both offset and registered as costs of the referred business, carried forward or reimbursed, as applicable. The referred fiscal treatment is subject to the taxpayer complying with a set of special regulations in connection therewith.
	Are there any restrictions to the deduction of input VAT?	No.

Invoices	Is a business required to issue tax invoices?	Yes. In Dominican Republic, all companies or business entities charging any sort of taxes to its sales or services must issue tax invoices which shall include: — the official and unique tax number assigned by the tax authorities to every invoice (NCF) — the taxpayer's official identification number — any amount of ITBIS or other indirect tax paid.
	Is it possible/mandatory to issue invoices electronically?	Yes. Invoices may be issued electronically. Be advised that these will also be subject to meeting the same conditions, as mentioned above.
	Is it possible for recipient to issue tax invoices/ self-invoices (self-invoicing)?	No. However, a recipient may act as a tax withholding agent when ordered by law or the Dominican tax authorities.
Audits	Do tax audits take place on a regular basis?	Yes. In the case of large taxpayers, these will usually take place once a year or after a transaction judged important for fiscal purposes by the tax authorities. In any other cases, the chances for being audited will normally rely on the amount of tax deficiencies found by the tax authorities.
	Are there audits done electronically in your country (e-audit)? If so, what system is in use?	Yes. e-audits exceed field tax audits by far. The Dominican tax authorities have developed special tax software, such as the Crossed Information System, among others.
	What penalties can arise from non-compliance?	If a taxpayer does not comply with tax obligations, pecuniary sanctions such as payment of surcharges, legal interest and fines may be applied by the Dominican tax authorities. Fines are usually imposed if a taxpayer uses or attempts to use deceptive means to avoid the paying of its tax debts. Failure to pay the amount of tax due to the Dominican tax authorities before an applicable deadline is subject to surcharges (late fees) at a 10% rate on the first month or a fraction of it as of the applicable deadline and of 4% for each subsequent month or fraction of a month. Jointly, 1.10% of the tax due shall be paid monthly by way of legal interest. The described penalties are not deductible from the income tax.
Special indirect tax rules	In your country, are there any special rules for the sale of a company by a taxpayer to another where VAT is not due on the sale?	Yes. Special rules apply on sales made to a taxpayer exempted by law from paying ITBIS.
	In your country, are there unique, specific indirect tax rules that you would not expect to find in 'standard' VAT jurisdictions?	No.
	Does a reverse charge mechanism apply in your country for goods or services?	No.
	Are there indirect tax incentives available in your country (e.g. reduced rates, tax holidays)?	Yes. Several incentive laws have been enacted which grant total or partial tax exemptions on certain business activities (i.e. tourism, free trade zones, energy, etc.).
Rulings	Are rulings and decisions issued by the tax authorities publicly available in your country?	Tax rulings are publicly available. Nevertheless, decisions addressed to a particular taxpayer are protected under the secrecy provisions of the Dominican Tax Code.