



Dominican Republic

Investment Guide





Dominican Republic



Content

7

General
Information

10

Overview
of the Legal
System

16

Overview
of the Tax
System

29

Accounting
Regulations

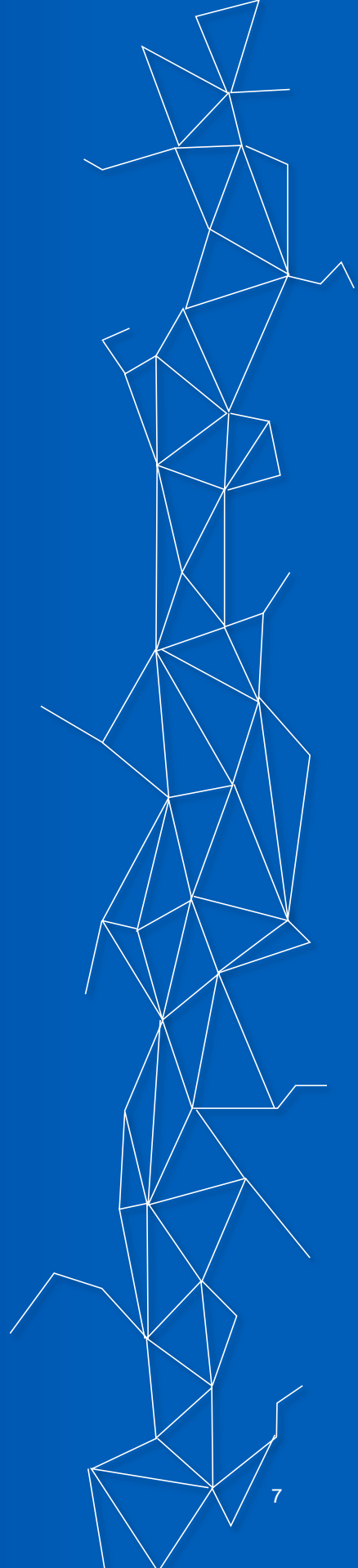
32

Financial
System





General Information



General Information

The Dominican Republic (hereinafter, the "DR", the "Country" or "Dominicana") is located in the eastern part of the island of Santo Domingo or Hispaniola. The country boasts a moderate tropical climate and has the second largest territorial extension of the archipelago of the Greater Antilles, in the Caribbean region. The DR with a territorial extension of 48,442 km² takes up two thirds of this island, with a population of approximately 10.2 million inhabitants.

The country borders to the North with the Atlantic Ocean, to the South with the Caribbean Sea; to the east with the Mona Channel separating the Island from Puerto Rico; and the western territorial portion of the island borders with the Republic of Haiti.

The Dominican Republic is politically divided into 31 provinces and a national district, where the capital city, Santo Domingo de Guzmán is located. According to its Constitution, the DR has an essentially civilian, republican, democratic and representative government, divided into three branches: Legislative, Executive and Judiciary.

The educational system comprises four levels: initial, elementary, secondary (high school) and superior (university). The DR is a secular state; however, it should be noted that Catholicism, Protestantism and other Christian denominations make up the majority of its population.

Spanish is the official language and life expectancy is estimated at 77 and 71 years for

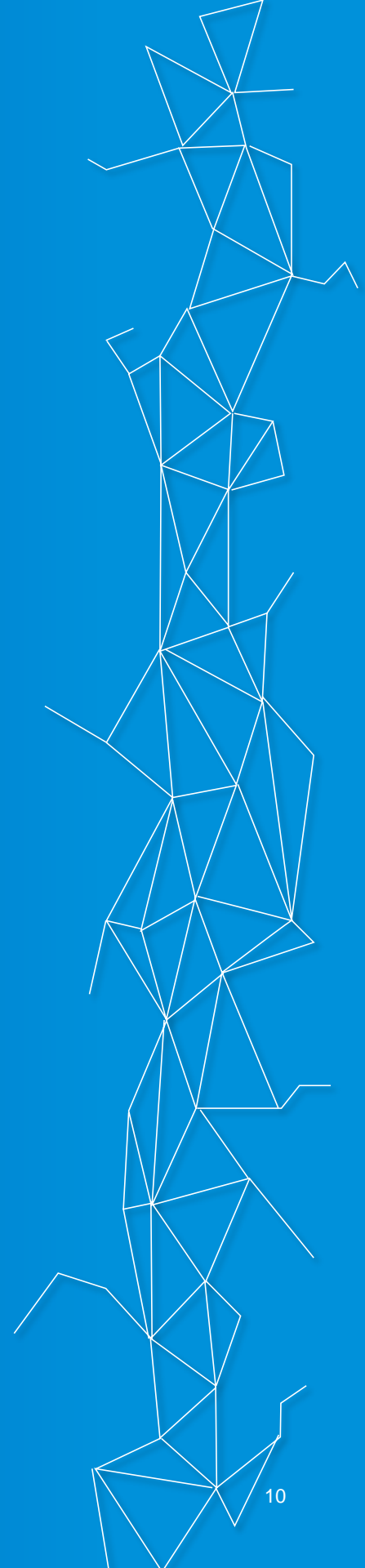
women and men, respectively.

The DR is classified as a middle-income country, its national currency is the Dominican Peso (DOP or RD\$). Local exchange rate system is based on free convertibility. Gross Domestic Product (GDP) growth for 2019 was 5.1%. The following sectors share the highest contribution to the DR's economy:

Sector	Share of GDP (%)
Construction	11.9
Retail	10.1
Other Services	7.3
Hotels, Bars and Restaurants	6.9
Transportation and Storage	5.3
Agriculture	5.0
Financial Services	4.3
Mining and Quarring	3.4
Energy and Water	1.7
Local Manufacturing	10.5



Overview of the Legal System



Overview of the Legal System

Business Entities

Since the entry of the General Law of Commercial Companies and Limited Liability Individual Companies, No. 479-08 (hereinafter “Law 479-08”), the corporate system of the Dominican Republic was updated. This law included new legal instruments and also transformed the existing corporate structures.

Corporate Vehicles	Share (%)
Corporations (“S.A.” per its Spanish acronym)	Large corporations with public or private equity, as well as companies that, due to the nature of their businesses and legal requirements, are deemed to be regulated entities.
Simplified Corporation (“S.A.S.” per its Spanish acronym)	Large and medium-sized corporations, of private equity, that require a certain flexibility in statutory matters.
Limited Liability Corporation (“S.R.L.” per its Spanish acronym)	Small and medium-sized private equity companies, which do not usually require too much flexibility in statutory matters and that are not intended to carry out activities that could be considered of a regulated nature (the latter does not mean that the SRLs are prohibited from carrying out certain regulated activities).
Individual Limited Liability Company (“E.I.R.L.” per its Spanish acronym)	Small and medium-sized companies in which a sole natural person owns the company and their civil liability is limited to the amount of their contributions. It is the ideal corporate form for sole ownership businesses.

It is worth noticing that, under Dominican law, there’s the possibility of opening branches and permanent establishments, as extensions of other foreign entities, both enjoying the same protections and requirements for commercial and tax purposes. Dominican law also recognizes the legal figure of the Joint Venture.

Overview of the Legal System

Procedures and permits required to start a business

In order to properly establish a Corporation or company in the Dominican Republic, the following procedures are needed to complete:

- i. Filing for the registration of the tradename with the National Office of Industrial Property (“ONAPI” per its Spanish acronym);
- ii. Filing the corporate documentation (bylaws, articles of incorporation, list of shareholders) of the entity in formation before the applicable Chamber of Commerce; and
- iii. Applying for registration to the National Taxpayer Registry (“RNC” per its Spanish acronym) before the Local Tax Authority (“DGII” per its Spanish acronym).

Visas and work permits

Foreigners who, due to the nature of their occupation, must remain for a period of more than 30 days in the Dominican territory, in order to perform works on behalf of their employers or occupation, must enter the Dominican Republic with a work visa or a dependency visa, as applicable.

Generally, these visas are granted to individuals with temporary work contracts, duly subscribed by public or private entities established in the country, which may be subject to renewal for the same length of time,

without leaving Dominican territory for the duration of the work contract.

Summary of work system

Employment contracts

In the DR, all matters pertaining to labor relations are governed by Law 16-92, referred to as the Labor Code of the Dominican Republic (hereinafter, the “CT”, per its Spanish acronym). This legal text classifies employment contracts according to: (i) time - (indefinite, for a certain time or, for a specific work or service); (ii) its manner - (verbal or written); and, (iii) according to the nature of the relationship - (individual or collective). The Ministry of Labor (“MIT”, per its Spanish acronym) is the highest governmental authority for labor matters; while, on the other hand, there are specialized courts and courts of appeal in the field of labor law and social security.

Overview of the Legal System

Labor benefits

According to labor regulations, the basic labor benefits that private companies must provide to their employees are:

- a. Salary, paid in cash;
- b. Health and occupational risk insurance;
- c. Christmas salary, equal to one twelfth of the sum of ordinary wages earned during the calendar year;
- d. Share of the company's benefits, exclusively, when the company has earned profits, payable at the end of the applicable fiscal term;
- e. Payment for overtime work;
- f. Annual leave, which may not be less than 14 working days.

Minimum wage

The minimum wage of the Dominican Republic is set by legal-administrative provision of the Ministry of Labor.

Currently, in the Dominican Republic, the minimum wages paid to employees fluctuate depending on the capital or the total assets of the employer, in accordance with the following scale:

Company Capital (USD)	Monthly Minimum Wage (US\$)
37,500.00	200.00
37,500.00 - 75,000.00	240.00
75,000.00 +	330.00

Social security system

Employers have the obligation to contribute to the Social Security System, in accordance with the provisions of Law no. 87-0, that formed the Dominican Social Security System. The previously mentioned system is financed simultaneously through monthly contributions from employers and employees, paid directly to the Social Security Treasury ("TSS"). The aforementioned contributions are calculated on the basis of each employee's salary.

Overview of the Legal System

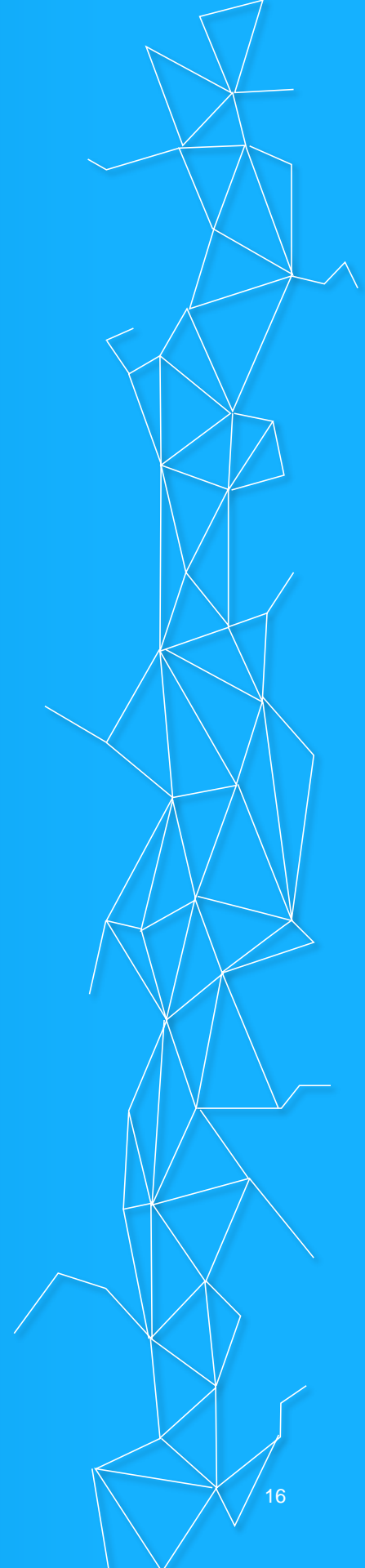
Registration of shareholders and last beneficiaries

To date, the Dominican Republic requires that companies keep a registration of shareholders in the Chamber of Commerce applicable to their jurisdiction and in accordance with Law 155-17, against Money Laundering and Terrorist Financing, they are also required to file a registration of last beneficiaries before the DGII.





Overview of the Tax System



Overview of the Tax System

Income taxes to corporations

Generalities

The Dominican tax system is made up by Law 11-92, which sets forth its Tax Code (hereinafter "CTD"), as well as various complementary laws. Under the aforementioned system, all companies that obtain taxable income from Dominican sources, regardless of their parent company's tax residence, must present a tax return after each fiscal year before the DGII.

Rates

The Individual Income Tax (hereinafter "IIT") for individual taxpayers, employs a progressive scale based on the income of each taxpayer, ranging between 15% and 25%. As of 2015, Corporate Income Tax (hereinafter "CIT") has been set at a fixed rate of 27% to the net taxable income earned.

Filing

Companies' filing of their CIT return is done at the end of the company's fiscal year, not exceeding 120 calendar days, after closing of the tax period; under penalty of incurring in violation of certain formal duties set forth in the CTD, and payment of late fees and surcharges.

Alternative income tax system

In the Dominican Republic, the Asset Tax ("ISA" per its Spanish acronym) works as an alternative minimum tax in lieu of CIT. It is equivalent to 1% of the company's assets, excluding: stock investment in companies; land in rural areas; real estate for livestock and agriculture and payment of advance taxes, from the its tax base. Depreciation, amortization expenses and bad debts may be deducted from total assets, for this purpose.

Overview of the Tax System

Dividends

Taxable Event

According to article 291 of the CTD, dividends are the benefits allocated or credited on account by a company to its shareholders or partners, regardless of the manner in which they are paid and based on their respective participations. The referred treatment is extensive to the benefits repatriated by Permanent Establishments or Subsidiaries in Dominican territory.

Filing

Dividend payments made from Dominican sources must be declared and Dividend Withholding Taxes (“WHT”) must be paid before the DGII, the month following their distribution, by the company making the paying entity, as a withholding agent, through the WHT return (“IR-17 Form”). Nevertheless, taxpayers who are not required to pay Dividend WHT, must also submit the aforementioned tax return, presenting the aforementioned form with a zero (0) balance.

Rates

Dividend payments from Dominican sources are subject to a single and definitive WHT of 10%. Those dividends from foreign sources are considered financial gains and are taxed at a rate of 27% for companies and 25% for individuals.

Overview of the Tax System

Withholding of payments abroad

Taxable Event

The event that generates the withholding of payments abroad is the accreditation in the account or the effective fulfillment of the payment. Detailed below are rates and concepts related to this withholding.

Payment recipient (%)	Dividends (%)	Interest (%)	Royalties (%)	Technical Assistance (%)	Other Services (%)
Not signatory Government	10	10	27	27	27
Canada	10	18	18	27	27
Kingdom of Spain	0-10	0-10	0-10	10-27	10-27

Filing

Withholding on remittances from Dominican sources must be declared and paid to the DGII, on a monthly basis, by the originator of the payment and established as a withholding agent by the CTD, through the aforementioned IR-17 Form, presenting a balance of zero (0), in case no withholding is required.

Rates

Payments abroad, from a Dominican source, are generally subjected to a withholding rate of 27%.

Overview of the Tax System

Payroll Tax

Taxable Event

The taxable event for payroll tax is the payment made in favor of the employee, whether in cash or in kind. Besides the withholding of personal income tax, the employer must pay the following contributions:

Tax / Entity	Employees contribution percentage (%)	Employer contribution percentage (%)	Total contribution (%)
Labor Risk Insurance	0	1.10-1.30* of the salary. *fluctuates depending of the risk involved in the task performed by the employee	1.10-1.30 of the salary
Health Insurance	3.04 of the salary.	7.09 of the salary.	10.13 of the salary.
Pension Fund	2.87 of the salary.	7.10 of the salary.	9.97 of the salary.
Training Tax / National Institute of Professional Technical Training (INFOTEP)	1 of the company's monthly payroll.	0.5 of the salary, applicable to the employee.	N/A

Additionally, employers must also pay a Fringe Benefit Tax (hereinafter "IRC") of 27%. The IRC taxes any service, good or benefit paid in kind, provided by the employer to its employees, aside from the employee's salary.

Overview of the Tax System

Filing

The employer and employee salary contributions are mainly paid via monthly withholdings made by the employer, directly, to the Social Security Treasury and to INFOTEP.

On the other hand, the IRC, must be filed and paid, on a monthly basis, to the DGII, through IR-17 Form.

Rates

Salaries are taxed in accordance with the 15% to 25% range used for IIT, while the INFOTEP contribution equals 1%, calculated on the employee's regular salary. The IRC rate is 27%.

Likewise, employers must contribute 1.2% of the employee's salary to an occupational risk insurance administrator. Basic health insurance contributions are paid at 7.09% by the employer and 3.04% is withheld from the employee's salary.

Expat tax treatment

A natural person shall be considered a resident, for fiscal purposes, of the Dominican Republic, after remaining in the Dominican territory for a period exceeding one hundred eighty-two (182) days, consecutive or not, during a fiscal year; from which, the individual will be treated equally as a Dominican national, for tax purposes.

Foreigners who become residents of the Dominican Republic are subject to paying the same taxes as natural persons residing in the country (i.e. IIT, contributions to Social Security and IRC).

Overview of the Tax System

Individual Income Tax

Taxable Event

Natural persons residing in the country, producing taxable income through the provision of independent services, or as employees, are required to pay taxes on their income from Dominican sources, and from sources outside the Dominican Republic, coming from investments or financial gains.

Filing

Filing and payment of IIT for natural persons must be made no later than the thirty-first (31) day of March of each year, through the IIT Return (hereinafter, "IR-1 Form").

It should be noted that natural persons producing income solely through payroll, due to their work in a dependency relationship, should not submit IR-1 Form. The employer must deduct and pay every month the applicable withholding, according to the scale described in the following section, and enter it at the DGII, together with any applicable IRC, through the IR-17 Form.

Rates

The IIT rate is calculated progressively, according to a scale adjusted annually by the DGII. For the year 2020, the rates applicable to IIT are as follows:

Yearly Income (USD\$)	IITRate
0 - 6,829	Exempt
6,830 - 11,744	15%
11,745 - 16,311	20%
Upwards to 16,312	25%

Overview of the Tax System

Capital Gain Taxes (Incomes, Gains and Losses)

Taxable Event

Capital Gains Taxes (“IGC” per its Spanish acronym) are levied on the transfer or sale, either directly or indirectly, of capital assets (e.g. shares and land) located in the Dominican Republic.

IGC, therefore, will apply to any transaction involving the transfer of shares that are directly or indirectly linked to assets located in the Dominican Republic, as well as merger and spin-off transactions, entailing any change of beneficial owners in the corporate chain. However, it should be noted that the CTD establishes an exemption from the IGC, or fiscal neutrality, for certain corporate reorganization processes, subject to prior approval by the DGII.

It is also necessary to note that, in cases of sales of shares or social quotas, if the buyer is a resident in the DR for tax purposes, he/she will have the obligation to retain 1% of the total sale price, as payment on account to the DGII of a potential IGC, paid either in cash, kind, or a combination of both.

Filing

The IGC can be declared through the CIT Return (“IR-2 Form”) applicable to the fiscal year in which the transaction is made. In the case of non-residents, and even residents, the IGC return and payment can be made, via a ruling requested to the DGII.

The aforementioned 1% withholding must be reported by the buyer through IR-17 Form, no later than the tenth (10th) day of the month after the month in which the seller rendered the payment.

It should be noted that a seller may request the DGII to be released from this withholding, providing documentation guaranteeing that there will be no capital gain, or when both parties to the transaction are not Dominican tax residents.

Overview of the Tax System

Rates

IGC rate is 27% for companies and 25% for individuals. In determining capital gain or loss, the fiscal cost (i.e.: the acquisition cost, adjusted for inflation, on the date the transfer occurred) will be deducted from the price or disposal value of the respective capital asset or good. Subtracting any accumulated accounting losses from the tax basis, if the taxpayer were a company.

IVA/ITBMS/Sales Tax

Overview

The Tax on Transfer of Industrialized Goods and Services ("ITBIS" per its Spanish acronym) is a value-added type tax, applicable to the transfer and import of industrialized goods and services, although certain exemptions established by law are applicable.

ITBIS is applicable to transactions related to transfers of goods and to the provision of local services. To date, the DGII has not required the application of ITBIS to payments abroad for services provided from the Dominican Republic or from abroad to a Dominican taxpayer. Import of goods into Dominican territory is subject to ITBIS payment, along with any selective tariffs or taxes on consumption, payable at customs.

Taxable Event

ITBIS taxes: (i) the transfer of industrialized goods; (ii) import of industrialized goods; and, (iii) the provision of taxed services.

Filing

Filing and payment of ITBIS must be made during the first twenty (20) days of the month following the taxable event, through IT-1 Form. As for the ITBIS corresponding to the import of products, this is paid together with customs duties or taxes.

Rate

The ITBIS rate is 18% and is transferred to the final consumer. However, a reduced rate of 16% is determined for certain products specified by the CTD.

Overview of the Tax System

Fiscal Credits

Taxpayers may request the DGII to reimburse or offset the balance in favor generated by ITBIS when they: (i) reflect credits for advance tax on goods and services acquired for their production process or; (ii) overpayments or incorrect payments have been made.

If the taxpayer is an exporter, the taxpayer may also offset this balance against taxes payable to the General Customs Direction ("DGA" per its Spanish acronym).

Both actions are highly bureaucratic processes, usually entailing a prior taxpayer's inspection by the DGII and almost always, when appropriate, ITBIS is reimbursed via credits for ITBIS payable at customs.

Real Property taxes and Transfer of real property taxes

In the Dominican Republic, properties belonging to individuals are subject to payment of Real Estate Property Tax ("IPI" per its Spanish acronym). This tax equals 1% of the total value of the non-built properties or plots, provided that the total value of said property exceeds US\$ 144,613.00. This tax is paid yearly, in two (2) installments directly to the DGII, on the excess of the aforementioned amount.

In a similar manner, ownership of real estate by companies is part of the ISA base, equal to 1% of the company's assets; in the event that

the company's ISR is less than the ISA of a specific year.

Regarding real estate transfers, they are subject to a 3% single tax on the property the, according to DGII records.

Other taxes

Dominican tax system also includes the Excise Tax ("ISC" per its Spanish Acronym). This tax is levied on the transfer and import of certain goods (such as alcoholic beverages, cigarettes, and jewelry), as well as the provision of some services (such as telecommunications and insurance). The applicable rate to this tax is not general, as it fluctuates depending on the type of taxable good or service.

Overview of the Tax System

Other compliance regulations

Transfer pricing

Transfer pricing regulations in the DR are applied to entities performing transactions between: i) related parties and individuals (including entities with which there is concentration of expenses, an exclusivity contract or coincidence of directors) or ; ii) entities domiciled or located in states with preferential tax regimes or low or no taxes (including free zones).

Companies that have completed transactions subject to transfer pricing regulations must submit an Informative Declaration of Operations between Related Parties (“DIOR” per its Spanish acronym). DIOR is made directly to the DGII, within one hundred eighty (180) days after the end of the fiscal year.

Tax Audit

Conducting tax audits by the Taxpayer is not mandatory in the Dominican Republic.

Information exchange and double taxation treaties

The Dominican Republic is a signatory to several international information exchange agreements. These include the Fiscal Compliance of Foreign Accounts Act (FATCA), signed with the United States of America; as well as others of the same nature signed with several countries.

Currently, the Dominican Republic is a signatory to two double taxation treaties, subscribed with the Kingdom of Spain and Canada. These are: the “Agreement between the Kingdom of Spain and the Dominican Republic to avoid double taxation and prevent tax evasion” and the “Agreement between the Dominican Republic and Canada to avoid double taxation and prevent tax evasion with respect to taxes on income and wealth”.

Both agreements emphasize the tax treatment of income subject to Income Tax (ISR), payments abroad, the distribution of dividends, among others.

Overview of the Tax System

Available tax incentives and special business areas

The Special Regimes are different regulations aimed at economic segments that, due to their nature or activity, require incentives for their operations. These incentives are granted through exemptions after fulfilling certain tax obligations.

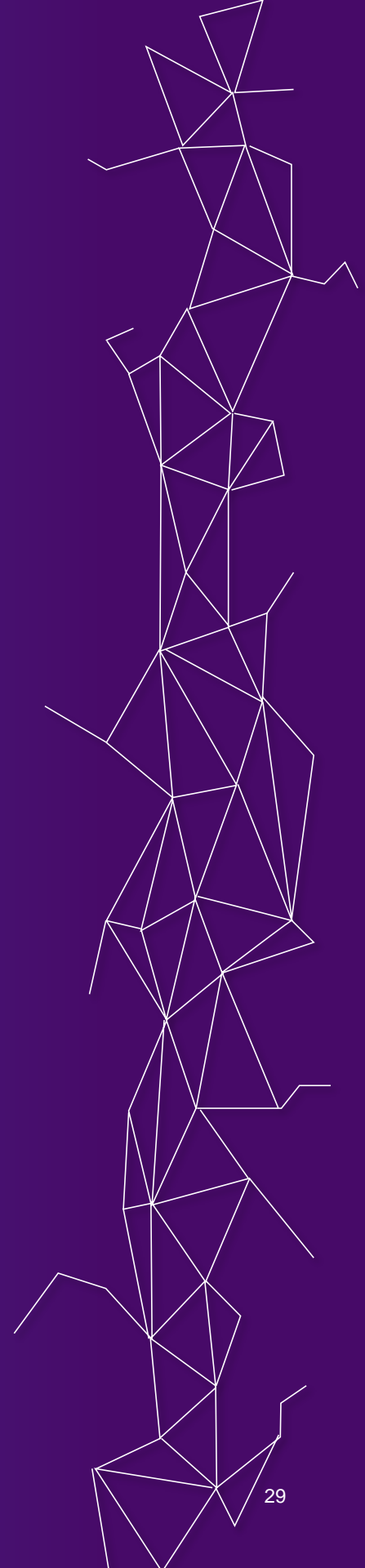
Currently the following entities and business segments, enjoy tax incentives:

- Free Export Zones;
- Duty Free Stores (Airports / Hotels);
- Non-Profit Associations;
- Producer of Exempt Goods;
- Agriculture;
- Exports;
- Companies protected under the Border Development Law;
- Companies perform cinematographic activities;
- Tourism;
- Renewable energy;
- Textile industry;
- Foreign Embassies and Consulates; and,
- Construction.





Accounting Regulations



Accounting Regulations

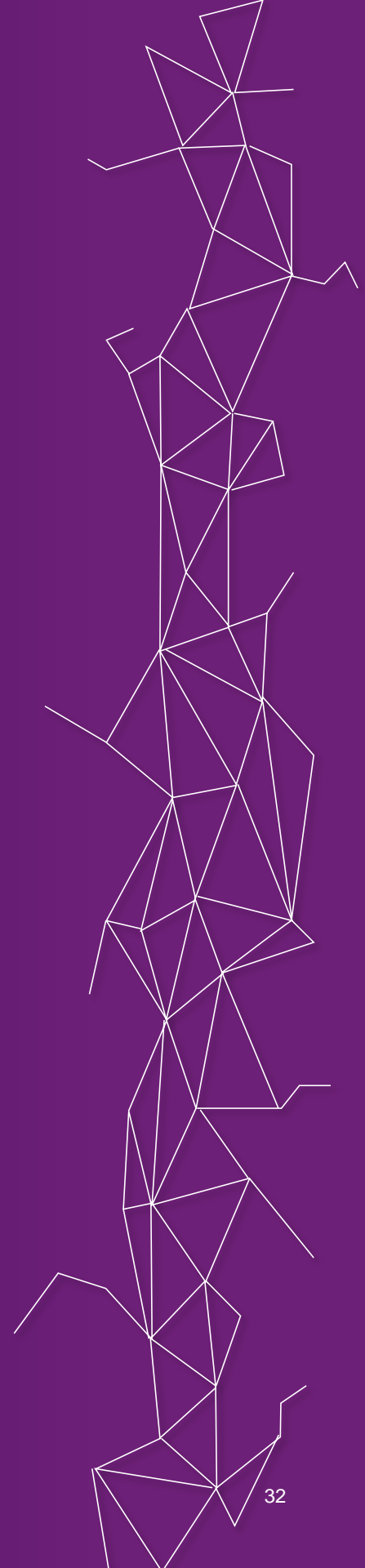
Applicable rules

Accounting regulations applied in the Dominican Republic are the International Financial Reporting Standards (NIIF) and, to certain taxpayers who do their invoicing in United States Dollars (USD), the DGII allows the use of the Generally Accepted Accounting Principles (US GAAP).





Financial System



Financial System

Overview

Currently, the Dominican financial system reflects good solvency, profitability and low delinquency rates. This has contributed to the arrival of ample foreign investment in the country.

The Dominican Republic's financial services segment is wide and varied; with the participation of all kind of intermediation entities categories such as multiple banks, savings and credit banks, credit corporations, savings and loans associations, savings and credit cooperatives, exchange agencies, brokerage houses and more.

Under the protection of Dominican laws, regarding incorporation and daily operations all foreign intermediation organizations enjoy the same treatment as national ones.

Structure and supervision of the banking and securities system

The Monetary and Financial Administration is comprised by the Monetary Board ("JM" per its Spanish acronym), the Central Bank, the Banks Superintendence, and the Stock Market Superintendence. The Monetary Board is the hierarchical superior of the other entities. As per Law 183-02, the Monetary and Financial Law from November 21, 2002 (hereinafter LMF) grants functional, organizational and budgetary autonomy to the Monetary and Financial Administration for the fulfillment of

their duties.

The powers conferred to the Monetary Administration are not renounceable, therefore, in accordance with the provisions of the aforementioned LMF, they may only be carried by the referred Monetary Administration.

Financial System

Requirements for the operation of financial and banking entities

According to the Monetary and Financial Law, the authorization for Multiple Banks and Credit Institutions to start operations will require the presentation of the opinion of the Superintendence of Banks to the Monetary Board, supported by the documentation submitted by the requesting entity verifying the following:

- The consolidated equity of the requesting shareholders is equal to or greater than the amount of the minimum capital required for the entity's incorporation;
- Demonstrable previous experience of the founding partners in financial matters. In any case, founding partners must form a team of managers and officials experienced in managing the different areas of a financial institution;
- There are not provisions in the bylaws and required incorporation documents that may be considered illegal, abusive covenants and stipulations or that in any way seriously injure the rights of minority shareholders or contain excessive limitations on decision control; and,
- The partners have fully complied with the requirements established in Law 183-02, as well as with any other requirement provided for in the general legislation which is the

entity's responsibility or is required as per the regulations of the Monetary Board

Conditions for currency management

Regarding foreign exchange, the Central Bank of the Dominican Republic authorizes exchange in accordance to the principle free convertibility.

Financial System

Credit availability

Currently, the Dominican financial segment enjoys favorable conditions, reflected in a fixed interest rate of up to 9% and a term of up to 6 years for productive activities and also 6 years term for the acquisition of new homes, according to the conditions established by the Monetary Board.

Available banking incentives

Under current Dominican legislation, there are no tax incentives for banking. However, the monetary and financial authorities usually grant administrative and regulatory incentives to the Dominican banking system.





KPMG Dominicana, S.A.

Torre Acrópolis Suite 1500, Av. Winston Churchill,
Santo Domingo, República Dominicana

T: 809-566-9161

E: mmanuelos@kpmg.com

kca.kpmg.com

© 2021 KPMG Central America S.A. (KCA), a Panamanian corporation and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The information contained herein in this publication is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

KPMG Central America (KCA) is the coordinating unit for the KPMG member firms in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and Dominican Republic. KCA does not provide client services.

KPMG is a global organization of independent professional services firms providing Audit, Tax and Advisory services. We operate in 146 countries and territories and in FY20 had close to 227,000 people working in member firms around the world. Each KPMG firm is a legally distinct and separate entity and describes itself as such. KPMG International Limited is a private English company limited by guarantee. KPMG International Limited and its related entities do not provide services to clients.