



Investment in Central America

Dominican Republic







Dominican Republic



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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.
- It is a middle-income country whose national currency is the Dominican Peso (DOP or RD\$). Its exchange rate regime is based on free convertibility. In 2024, the Dominican economy experienced a growth of 5.0% in its Gross Domestic Product (GDP). Among the activities that have contributed the most to this economic growth, the following stand out¹:

Sector	Growth rate (%)
Agriculture	4.9
Local Manufacturing	4.3
Free Trade Zones	4.3
Construction	2.1
Commerce	5.5
Energy and Water	7.0
Hotels, Bars and Restaurants	9.6
Transportation and Storage	5.7
Financial Services	8.3
Real Estate Activities	4.4

¹ Preliminary figures from the Central Bank of the Dominican Republic





Overview of the Legal System



Overview of the Legal System

Business Entities

With the enactment of the General Law on Commercial Companies and Limited Liability Individual Enterprises, No. 479-08 (hereinafter “Law 479-08”), the corporate system of the Dominican Republic was updated. This law introduced new legal structures and also transformed pre-existing corporate vehicles.

Below is a list of the most commonly used corporate vehicles in the Dominican Republic:

Corporate Vehicle	Description
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. It has been specifically designed to structure organizations that demand the highest standards of control within their corporate governance framework.
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 noting that, under Dominican legislation, it is possible to create 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 concept of De Facto partnerships, which serve as the basis for Joint Ventures.

Overview of the Legal System

Procedure for the incorporation of a business entity

For the proper incorporation of a commercial company or business in the Dominican Republic, the following procedures must be completed:

- I. Request the registration of a trade name with the National Office of Industrial Property (“ONAPI” per its Spanish acronym);
- II. Register the corporate documentation (bylaws, articles of incorporation, list of shareholders) of the entity being formed with the corresponding Chamber of Commerce and Production; and,
- III. Enroll in the National Taxpayer Registry (“RNC” per its Spanish Acronym) of the Local Tax Authority (“DGII” per its Spanish acronym).

Visas and work permits

Foreigners who, due to the nature of their stay, must remain in Dominican territory for more than 30 days to carry out work related to their company or profession must enter the Dominican Republic with a work visa or a dependent visa, as applicable. Foreigners holding a work visa may apply for a work permit (temporary labor residency), which is valid for one (1) year. Generally, these permits are granted to individuals with fixed-term contracts signed with public or private companies established in the country. Temporary residencies can be renewed for the same period without the need for the individual

to leave Dominican territory, provided the respective contract remains in effect.

Summary of labor system

• Employment contracts

In the Dominican Republic, labor relations are governed by Law No. 16-92, which establishes the Labor Code of the Dominican Republic (hereinafter, “CLD”, per its Spanish acronym), along with its complementary regulations.

The CLD classifies employment contracts primarily based on their duration, with the most common types being:

- a) indefinite-term contracts;
- b) fixed-term contracts; and
- c) contracts for a specific job or service.

• Regarding labor matters, the highest governmental authority is the Ministry of Labor (“MIT” per its Spanish acronym). Additionally, there are specialized courts and appellate courts for labor law and social security matters.

Overview of the Legal System

Labor benefits

In accordance with labor regulations, the basic benefits that companies must provide to their employees are:

- a. Salary;
- b. Health insurance and occupational risk coverage;
- c. Christmas bonus, equivalent to one-twelfth of the total ordinary wages earned during the calendar year;
- d. Participation in the Company's profits, exclusively in cases where the employer has obtained profits at the end of the corresponding fiscal period;
- e. Compensation for overtime work;
- f. Annual vacation, which may not be less than 14 working days.

Minimum wage

The minimum wage in the Dominican Republic is set through a legal-administrative provision issued by the National Salary Committee ("CNS" per its Spanish acronym), which is part of the Ministry of Labor.

Currently, minimum wages vary depending on the economic sector to which the company belongs, with the main sectors being the non-sectorized private sector, the public sector, free trade zones, and the hotel sector. The non-sectorized private sector is subdivided based on the company's annual gross sales or the number of active employees, dividing employers accordingly.

Category	Monthly Minimum Wage (USD)
Large company	~477.92
Medium-sized company	~438.10
Small company	~293.58
Microenterprise	~270.82

Social security system

Employers are required to make contributions to Social Security in accordance with the provisions of Law No. 87-01, which establishes the Dominican Social Security System. This system is jointly funded by employers and employees through monthly contributions, paid directly to the Social Security Treasury ("TSS" per its Spanish acronym). These contributions are calculated based on each employee's salary.

Overview of the Legal System

Registration of shareholders and ultimate beneficiaries

As of today, the Dominican Republic requires commercial companies to maintain a shareholder registry with the Chamber of Commerce corresponding to their jurisdiction, as well as to report their ultimate beneficial owners to the Tax Authorities, in accordance with Law No. 155-17 on Anti-Money Laundering and Counter-Terrorism Financing.





Overview of the Tax System



Overview of the Tax System

Corporate Income Tax

Overview

The Dominican tax system is governed by Law No. 11-92, which establishes the Tax Code (hereinafter “DTC” per its Spanish acronym), along with various complementary laws. Under this system, all companies that earn taxable income from Dominican sources, regardless of the tax residence of their parent company, must file a tax return after each fiscal year with the General Agency of Internal Taxes (DGII).

Rates

The Income Tax (“CIT”) for companies has a fixed rate of 27% on the net taxable income earned.

Filing

The filing of the CIT Return is carried out once the company’s fiscal year has ended and must be submitted no later than 120 calendar days after the fiscal year closing; otherwise, the company will be in violation of the formal obligations established in the DTC and subject to late payment surcharges and compensatory interest.

Advance payments

Advance payments are installments on account of the CIT that taxpayers are

required to make, in accordance with Article 314 of the DTC. These advance payments are calculated based on the higher amount between the tax settled for CIT in the previous fiscal year or 1.5% of the reported income. They are paid in 12 equal monthly installments, starting from the filing of the CIT tax return that generates them.

Alternative income tax system

In the Dominican Republic, the Asset Tax (hereinafter, “ISA” per its Spanish acronym) functions as an alternative minimum tax to the CIT. It amounts to one percent (1%) of the company’s assets, excluding from the taxable base: investments in shares of other companies; land located in rural areas; real estate intended for livestock and agriculture; and advance tax payments. It is allowed to deduct from total assets: depreciation, amortization expenses, and uncollectible debts.

Overview of the Tax System

Dividends

Taxable event

In accordance with Article 291 of the DTC, dividends correspond to the profits distributed or credited to the account by a company to its shareholders or partners, regardless of the form in which they are paid and based on their respective ownership interests. This treatment also extends to profits repatriated by Permanent Establishments or Subsidiaries within Dominican territory.

Filing

The withholding on dividends of Dominican source must be declared and paid to the DGII in the month following their distribution by the company making the distribution, acting as the withholding agent, through the sworn statement and/or payment of other withholdings and complementary compensations using Form IR-17.

Rates

Dividends from Dominican sources are subject to a single and definitive withholding of 10%. Dividends from foreign sources are considered financial gains and are taxed at a rate of 27% in the case of legal entities.

Overview of the Tax System

Withholding tax on payments abroad

Taxable event

Payments abroad are subject to withholding for income tax purposes. The taxable event is either the crediting to the account or the actual execution of the payment. The applicable rate may vary depending on the recipient country. Currently, the Dominican Republic has signed Double Taxation Avoidance and Tax Evasion Prevention Agreements (“DTA”) with Canada and Spain. Below, we detail the corresponding rates and concepts.

Withholding of payments abroad			
Concept	General rate (%)	Spain’s DTA (%)	Canada’s DTA (%)
Payments abroad	27	10	18
Business income in general	27	0	0
Interest	10	10	10
Dividends	10	10/0	10
Technical/professional services	27	10/0	18
Royalties	27	10	18

Filing

The withholding on remittances of Dominican source must be declared and paid to the DGII on a monthly basis by the issuer of the payment, who is designated as the withholding agent by the Tax Code (DTC), using the aforementioned the Other Withholdings and Complementary Compensation Tax Return (“Form IR-17”).

Overview of the Tax System

Payroll tax

Taxable event

The taxable event for the various payroll-related taxes is the payment made to the employee, whether in cash or in kind. In addition to the withholding of personal income tax (IIT), the employer must make the following contributions:

Tax / Institution	Employee Contribution (%)	Employer Contribution (%)	Total Contribution (%)
Risk insurance	0	1.10-1.30 of salary <i>*Varies depending on the risk of the activity of the company</i>	1.10-1.30 of salary
Health insurance	3.04 of salary	7.09 of salary	10.13 of salary
Pension fund	2.87	7.10	9.97
Training tax / National Institute for Technical and Professional Training (“INFOTEP” per its Spanish acronym)	1 of the company’s monthly payroll	0.5 of salary corresponding to the employee	N/A

Additionally, the employer must also pay a Tax on Complementary Compensation or Fringe Benefit Tax (hereinafter, “IRC” for its Spanish acronym) amounting to 27%. The IRC applies to any service, good, or benefit in kind provided by the employer to its employees, apart from the monetary compensation received by them.

Filing

Employer and employee salary contributions are mostly made through a monthly withholding carried out by the employer directly to the Social Security Treasury and INFOTEP. The IRC, on the other hand, must be declared and paid monthly to the DGII through the Form IR-17.

Overview of the Tax System

Individual income tax

Taxable event

Individuals residing in the country who generate taxable income through the provision of services independently or as employees are subject to income tax on their Dominican-source income, as well as on income from outside the Dominican Republic derived from investments or financial gains, starting from their third year as Dominican tax residents.

Filing

The filing and payment of the Individual Income Tax (“IIT”) for individuals must be completed no later than March 31st of each year through the Annual Income Tax Return for individuals (hereinafter, “Form IR-1”).

It is important to note that individuals who earn income exclusively through payroll, due to their employment relationship, are not required to file Form IR-1. This is because their employer must apply the corresponding monthly withholding according to the scale described in the following section and remit it to the DGII, along with the IRC, via Form IR-17.

Rates

For individuals, the IIT rate is calculated progressively according to a scale adjusted annually by the DGII. For the year 2025, the applicable IIT rates are as follows:

Annual income (USD)	Rate (%)
0 – 6,423	Exempt
6,424 – 9,634	15
9,635 – 13,381	20
13,382 en adelante	25

Expat tax treatment

An individual will be considered a resident for tax purposes in the Dominican Republic after remaining in Dominican territory for a period exceeding one hundred eighty-two (182) days, whether consecutive or not, during a fiscal year; from that point onward, they will be treated the same as a Dominican national for tax purposes.

However, even if an individual is not considered a tax resident, they may still be subject to Dominican taxation if they generate Dominican-source income, as Dominican tax rules apply based on the source of the income, regardless of the taxpayer’s residency status.

Foreigners who become residents in the Dominican Republic are subject to the same taxes as individuals residing in the country (i.e., individual income tax, Social Security contributions, and IRC).

Overview of the Tax System

Capital Gains tax

Taxable event

The Capital Gains Tax (hereinafter, “IGC”) applies to the transfer or sale, whether direct or indirect, of capital assets (e.g., shares and land) located in the Dominican Republic.

Therefore, the IGC 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 mergers and spin-offs that result in a change of ultimate beneficiary within the corporate chain. However, it is important to note that the Tax Code provides an exemption from the IGC, or tax neutrality, for certain corporate reorganization processes, subject to prior approval by the DGII.

In cases of sales of shares or equity interests, the buyer is required to withhold and remit to the DGII one percent (1%) of the total sale price as an advance payment toward a potential IGC, whether the payment is in cash, in kind, or a combination of both.

Filing

The IGC can be declared through the Annual Corporate Income Tax Return (“Form IR-2”) corresponding to the fiscal year in which the transaction takes place. In the case of non-residents, or even residents, the declaration and payment of the IGC may be made through a ruling requested from the

DGII. Additionally, a seller may request to be released from the 1% withholding mentioned above by providing documentation proving that no capital gain will be generated.

Rates

The IGC rate is 27% for companies and non-residents and progressive up to 25% for individuals.

To determine the capital gain or loss, the fiscal cost is deducted from the sale price or transfer value of the respective asset. The fiscal cost consists of the acquisition cost adjusted for inflation. In the case of share transfers, other items are considered in calculating the fiscal cost, such as capital increases/decreases, legal reserve, accumulated profits/losses, and profits/losses for the period in which the transaction occurred.

Overview of the Tax System

ITBIS

Overview

The Tax on the Transfer of Industrialized Goods and Services (hereinafter, "ITBIS") is a value-added tax applicable to the transfer and importation of industrialized movable goods and services, although certain exemptions established by law apply.

ITBIS applies to transactions related to the transfer of goods and the provision of local services. To date, the DGII has not required the application of ITBIS for services from abroad to a Dominican taxpayer. The importation of goods into Dominican territory is subject to ITBIS payment, along with any applicable customs duties or selective consumption taxes, payable at customs.

Taxable event

ITBIS applies to: (i) the transfer of industrialized goods; (ii) the importation of industrialized goods; and (iii) the provision of taxable services.

Filing

The filing and payment of ITBIS must be completed within the first twenty (20) days of the month following the taxable event, through Form IT-1. Regarding ITBIS applicable to the importation of goods, it is paid together with customs duties or other import taxes.

Rate

ITBIS is passed on to the final consumer, and its standard rate is 18%. However, a reduced rate of 16% applies to certain products specified by the Tax Code (DTC).

Fiscal credits

Taxpayers may request from the DGII a refund or compensation of the ITBIS credit balance when: (i) they reflect tax credits for advance payments on goods and services acquired for their production process; or (ii) excess or undue payments have been made.

If the taxpayer is an exporter, they may also offset the credit balance against taxes payable to the General Directorate of Customs (hereinafter, "DGA").

Both cases involve highly bureaucratic processes, which usually require a prior audit by the DGII, and almost always, when applicable, ITBIS is refunded through credits applied to ITBIS payable to the DGA.

Overview of the Tax System

Other compliance regulations

Real estate transfers

In the Dominican Republic, properties owned by individuals are subject to the Real Estate Property Tax (hereinafter, "IPI"). This tax amounts to one percent (1%) of the total value of real estate or undeveloped lots, provided that the total value of such properties exceeds USD 182,168.48 (subject to annual indexation). This tax is paid annually in two (2) installments directly to the DGII, on the amount exceeding the threshold mentioned above.

On the other hand, real estate owned by companies forms part of the taxable base for the Asset Tax (ISA), which amounts to one percent (1%) of their assets, in cases where the CIT is lower than the ISA for a given year.

Regarding real estate transfers, these are subject to a single tax of three percent (3%) on the property value, according to DGII records, or contract value, whichever is higher.

Tax audit

In the Dominican Republic, taxpayers are not required to conduct tax audits.

Information exchange and double taxation treaties

The Dominican Republic is a signatory to several international agreements for the exchange of information. Among these, the Foreign Account Tax Compliance Act

(FATCA), signed with the United States of America, stands out.

As mentioned previously, the Dominican Republic is a signatory to two treaties aimed at avoiding double taxation, signed with the

Kingdom of Spain and Canada. These are: the "Convention between the Kingdom of Spain and the Dominican Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion" and the "Convention between the Dominican Republic and Canada for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital."

Both conventions emphasize the tax treatment of income subject to Income Tax, payments made abroad, dividend distributions, 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 benefit from special tax treatments/benefits:

- Free Trade Zones;
- Duty Free Stores (Airports / Hotels);
- Non-Profit Organizations;
- 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

The accounting standards applied in the Dominican Republic are the International Financial Reporting Standards (IFRS). In cases where an accounting matter is not addressed by IFRS, the Institute of Public Accountants of the Dominican Republic allows the application of the Generally Accepted Accounting Principles in the United States (US GAAP).





Financial System



Financial System

Overview

Currently, the Dominican financial system shows strong indicators of solvency, profitability, and a low delinquency rate. This has contributed to a significant inflow of foreign investment into the country.

The financial services sector in the Dominican Republic is broad and diverse, comprising all categories of intermediary institutions, including multiple banks, savings and loan banks, credit corporations, savings and loan associations, savings and credit cooperatives, exchange agencies, brokerage firms, and more.

Under Dominican law, all foreign intermediary institutions enjoy the same treatment as domestic ones with respect to incorporation and day-to-day operations.

The powers granted to the Monetary Administration are non-transferable and, therefore, may only be exercised by it, in accordance with the provisions of the MFL.

Structure and Oversight of the Banking and Securities System

The Monetary and Financial Administration is composed of the Monetary Board (hereinafter, "MB"), the Central Bank, the Superintendency of Banks, and the Superintendency of the Securities Market, with the Monetary Board being the hierarchical authority over the latter entities. The Monetary and Financial Administration enjoys functional, organizational, and budgetary autonomy for the fulfillment of the functions established by Law No. 183-02, the Monetary and Financial Law, dated November 21, 2002 (hereinafter, "MFL").

Financial System

Requirements for the operation of financial and banking entities

In accordance with the Monetary and Financial Law, authorization for Multiple Banks and Credit Entities to commence operations requires the submission to the Monetary Board of an opinion from the Superintendency of Banks, based on the documentation provided by the applicant entity, verifying the following:

- That the consolidated equity of the requesting shareholders is equal to or greater than the minimum capital required for the establishment of the institution;
- That the founding partners demonstrate prior experience in financial matters. In any case, they must form a team of executives and officers experienced in managing the different areas of a financial institution;
- That the required bylaws and incorporation documents do not contain illegal or abusive provisions, or any stipulations that seriously harm the rights of minority shareholders, nor impose excessive limitations on decision-making control; and,
- That they have fully complied with the requirements established in this Law, as well as any others provided for in the general legislation applicable to them or in the regulations of the Monetary Board.

Conditions for currency exchange

Regarding foreign currency, the Central Bank of the Dominican Republic allows its exchange under the principle of exchange freedom.

Incentives Available for Banking

Under current Dominican legislation, there are no tax incentives specifically granted to the banking sector. However, financial services are exempt from the ITBIS. Likewise, the monetary and financial authorities often grant administrative and regulatory incentives to the Dominican banking system.





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