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Dominican Republic

Tax

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This country-specific Q&A provides an overview of tax laws and regulations applicable in Dominican Republic.

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Dominican Republic: Tax

1. How often is tax law amended and what is the process?

The Tax Code is amended by Legislative Action although the Tax Administration has regulatory authority as derived from the prerogatives granted to it under the Tax Code, which allow such Tax Administration to issue General Norms of mandatory nature as related to procedural issues, requirements for compliance with tax obligations, manner in which certain tax norms shall apply.

Main Significant Amendments to the Tax Code Include:

- Law No. 147-00 (year 2000): It is known as the "Tax Reform of the year 2000". It had an impact on several articles of the code, modifying, for example, article 19 on the compensation of tax debts.
- Law No. 288-04 (2004): Known as the "Tax Reform Law". This law modified several aspects of the code, including the Income Tax (ISR) scale for individuals and the Real Estate Property Tax.
- Law No. 495-06 (2006): Also known as the "Tax Rectification Law". It introduced important modifications, such as the elimination of paragraphs of Article 54, the modification of Articles 55, 56, 139 (contentious tax appeal) and 243 (penalties).
- Law No. 139-11 (2011): Its main objective was to increase tax revenues in order to allocate more resources to education, which implied modifications in various tax laws.
- Law No. 253-12 (year 2012): This law is notable for the elimination of certain exemptions from Income Tax.
- Law No. 32-23 (year 2023): This Electronic Invoicing law marked a milestone in the modernization of tax administration. It is part of a broader plan by the General Directorate of Internal Taxes (DGII) to modernize the system.
- Law No. 25-24 (year 2024): This law amended Article 11 of the Tax Code, expanding the list of "jointly and severally liable" tax liability and establishing new rules on joint and several liability.

Note that the DR entered the Inclusive Framework for the Implementation of BEPS on 2018. In such regards, it assumed a series of minimum standard obligations (mainly 4) which are the ones that the DR is currently implementing referring to documentation and information

regulations as related to transfer pricing and MNEs activities (either directly when headquartered locally or through related entities). As indicated, the recent introduction of reporting obligations, including Master Report and Country by Country Report are deemed as the groundwork (information) of identifying MNE Groups in the scope of the OECD's Pillar 2 Rules (GloBE Rules), although Pillar 1 and Pillar 2 actions are yet to be implemented as they require passing a law adjusting in the Tax Code.

Although there was a highly unpopular effort to overhaul the Tax Code through a Tax Modernization Bill introduced in 2024, which was summarily rejected by the general public and ended up being withdrawn from consideration, given the Dominican Republic international commitments (as indicated above), the need for modernization of the tax system, and economic constraints, a tax reform will be likely introduced in the short term. The extent of such reform is yet to be determined.

2. What are the principal administrative obligations of a taxpayer, i.e. regarding the filing of tax returns and the maintenance of records?

The administrative obligations of a taxpayer in the Dominican Republic are the formal duties that must be fulfilled before the General Directorate of Internal Taxes (DGII) to ensure the correct declaration and payment of their taxes. Failure to comply with these obligations may result in penalties, fines, or surcharges.

The main administrative obligations are detailed below:

• Registration in the National Taxpayers Registry (RNC)

Any individual or entity engaged in income-generating economic activities must register with the RNC. This registry is the main tax identification mechanism in the country.

• Issuance of Tax Receipts (NCF)

Taxpayers must issue invoices with Tax Receipt Numbers (NCF) for the transfers of goods and the provision of services they provide. The NCFs are a series of codes that validate transactions and allow their control by the DGII.

• Filing (Tax Returns)

The taxpayer is required to file periodic tax returns (monthly, quarterly, or annually) of their economic activities, even if they have no income in a given period ("zero return"). Some of the most common forms are:

- **IR-1 (Annual Income Tax Return for Individuals):** For liberal professionals, service providers and people with multiple incomes.
- **IR-2 (Annual Income Tax Return for Legal Entities):** For companies and partnerships.
- **IT-1 (ITBIS Monthly Tax Return):** For the Tax on the Transfer of Industrialized Goods and Services (ITBIS or VAT).
- **IR-3 (Salaried Withholding Return):** To report Income Tax withholdings to employees.
- **IR-17 (Declaration of Other Withholdings and Complementary Remuneration/Fringe Benefits):** For withholdings from third parties and other benefits in kind.
- **Advance Payments**

Businesses and, in some cases, individual taxpayers, must pay Income Tax advances throughout the tax year. These payments are made to advance a portion of the annual tax, which is settled at the end of the tax period.

- **Records and Document Preservation**

Taxpayers have the duty to keep, in an orderly manner, their accounting books, records, payment vouchers and other relevant documents for a period of ten (10) years, to allow their verification by the Tax Administration.

- **Provision of Information and Collaboration with the DGII**

It is an obligation of the taxpayer to provide the information required by the DGII, either through forms or forms, and to allow inspections and audits to verify compliance with their tax duties.

- **Update of the National Taxpayers Registry (RNC)**

The DGII must be notified of any change in the taxpayer's data (address, economic activity, closure of operations, etc.) that modifies their situation before the tax administration.

These obligations are deemed essential for the functioning of the DR Tax System, for transparency and efficiency's sake, and thus closely monitored by the Tax Administration.

3. Who are the key tax authorities? How do they engage with taxpayers and how are tax issues resolved?

According to the Tax Code of the Dominican Republic, the main entities that make up its Tax Authority are:

- **General Directorate of Internal Taxes (DGII):** It is the main body of the internal tax administration. Its mission is the collection and administration of most national taxes, such as the Income Tax (ISR), the Tax on the Transfer of Industrialized Goods and Services (ITBIS/VAT), taxes on motor vehicles, among others. The DGII has broad powers of supervision, investigation and sanctioning.
- **General Directorate of Customs (DGA):** It is responsible for the collection of taxes related to foreign trade (imports and exports), such as tariffs and ITBIS on imports. In addition to its collection role, the DGA has a fundamental role in national security and border control to prevent smuggling and trafficking of illicit goods.

In addition to the administrative bodies, there are entities that supervise and resolve tax disputes:

- **Ministry of Finance:** It is the governing body of the fiscal and financial policy of the Dominican State. Although it does not collect directly, it supervises the DGII and the DGA.
- **Superior Administrative Court (TSA):** It is the judicial instance that is responsible for hearing and ruling on conflicts that arise between taxpayers and the Tax Administration. The taxpayer may appeal to the TSA if they disagree with an administrative decision of the DGII or the DGA.

The relationship between tax authorities and taxpayers is governed by a series of mechanisms and platforms, designed to facilitate compliance with tax obligations and to resolve disputes:

- **Physical Offices and Taxpayer Services:** Both institutions maintain a network of offices to serve taxpayers in person, provide them with guidance, receive documents and process procedures.
- **Virtual Office (OFV) of the DGII:** It is the main tool for digital interaction. Through it, taxpayers can register with the RNC, file tax returns, pay taxes, request certifications and carry out a variety of procedures electronically, 24/7.
- **Oversight and Auditing:** The DGII, in particular, has the power to carry out audits to verify the correct compliance with tax obligations, which implies requesting information, auditing the accounts and, if

necessary, applying penalties.

- **Remedies/Recourses:** The taxpayer has the right to challenge the decisions of the tax administration. This can be done first at the administrative level before the DGII or DGA itself, and later, at the judicial level, by appealing to the Superior Administrative Court. The decision of the Superior Administrative Court might also be subject to recourse before the Supreme Court and Revision by the Constitutional Court.

4. Are tax disputes heard by a court, tribunal or body independent of the tax authority? How long do such proceedings generally take?

Any tax dispute might be subject to recourse *vis a vis* the Tax Authority (reconsideration) or the Superior Administrative Court. A Taxpayer may file its complaint directly to the Superior Administrative Court without filing for reconsideration before the Tax Authority; in the understanding that pursuant to the Tax Code, a reconsideration recourse shall suspend (as of the date of its filing) the obligation to comply with a tax payment and the determined surcharges while such recourse is being reviewed. This suspension applies regardless of the outcome of the proceedings (whether or not the resolution of reconsideration is in favor of the taxpayer).

However, when reaching the Superior Administrative Court, the tax obligation is not suspended unless the court grants (as per taxpayer's request) a suspension of the same as a precautionary measure, when certain conditions are met. The filing for the Request for Precautionary Measure shall also stall the tax obligation and surcharges, until the court decides on such measure. If not granted (the suspension of the tax obligations), the tax obligation shall accrued penalties and surcharges until a definitive decision in connection with the same is issued (it may reach the Supreme Court).

Reconsideration Recourses are typically decided within 3 to 6 months as of their filing. Administrative Recourses before the Administrative Court, may take 1 to 2 years to be resolved. At the Supreme Court level, the issue may take the same period in the understanding that if the Supreme Court revokes the Administrative Court's decision, the case will go back for decision to such Administrative Court (different Courtroom/judges).

5. What are the typical deadlines for the payment of taxes? Do special rules apply to disputed amounts of tax?

The deadlines for declaring and paying taxes in the

Dominican Republic vary depending on the type of tax and the category of the taxpayer (natural or legal person). Below are the typical deadlines for the most common taxes:

Annual Taxes

- **Personal Income Tax (ISR) (IR-1):** The deadline for declaration and payment is March 31 of each year, corresponding to the previous fiscal year.
- **Income Tax (ISR) of Legal Entities (IR-2):** The term depends on the fiscal closing date of the company, which can be:
 - December 31: No later than April 30 of the following year.
 - March 31: No later than July 29 of the same year.
 - 30 June: No later than 28 October of the same year.
 - 30 September: No later than 28 January of the following year.
- **Asset Tax (ACT):** The declaration and payment is made within the same deadlines as the ISR declaration for legal entities, that is, no later than 120 days after the tax closing date.

Monthly Taxes

- **Tax on the Transfer of Industrialized Goods and Services (ITBIS/VAT):** The declaration and payment (Form IT-1) must be made no later than the 20th of each month, for the operations of the previous month.
- **Withholdings of ISR to Salaried Employees (IR-3) and other Withholdings (IR-17):** The deadline for the declaration and payment is the 10th of each month, for the withholdings made in the previous month.

Tax on Checks and Wire Transfers: Filing and payment are weekly, and the deadline is Friday of each week.

It is important to note that if the due date falls on a holiday or weekend, the deadline is automatically moved to the next business day.

Disputed amounts are nonetheless due as taxpayers may ask for a refund if due. However, note that if the dispute is under reconsideration recourse the compliance of the obligation is suspended until such recourse is decided.

6. Are tax authorities subject to a duty of confidentiality in respect of taxpayer data?

Pursuant to Article 47 of the Tax Code DGII is bound to confidentiality as related to information about a Taxpayer. It may release general information, but not info about petitions, rulings, procedures, financial information,

etc.. as related to a particular Taxpayer.

Such provision states that the information that Tax Administration obtains from taxpayers, responsible parties and third parties by any means, in principle, will be confidential and may only be used for the purposes of said administration and in the cases authorized by law.

The foregoing shall not apply in cases where such obligation becomes an obstacle to promoting the transparency of the tax system, as well as when the delivery of such information is established by law, or ordered by courts in proceedings on taxes, compulsory collection of the same, criminal trials, proceedings on alimony, family or dissolution of the matrimonial regime. Exceptions shall also be made for the publication of statistical data which, due to their generality, do not allow the individualization of statements, information or persons.

7. Is this jurisdiction a signatory (or does it propose to become a signatory) to the Common Reporting Standard? Does it maintain (or intend to maintain) a public register of beneficial ownership?

The Dominican Republic is a Participating Jurisdiction for the purposes of the Common Reporting Standard, contained in schedule 1 of the Mutual Legal Assistance (Tax Matters) Act, 2003 as amended by Act No. 17 Of 2015.

The country does not maintain a public record of Beneficial Owners, but does requires the information in such regards to be delivered (and updated) to the Tax Authority. As a matter of fact is a mandatory section of yearly Income Tax Returns as well as other returns, such as the RC-02 Form on the inscription or updating of the Tax Payer Registry of entities.

8. What are the tests for determining residence of business entities (including transparent entities)?

The determination of tax residency is a principal component of the tax framework. For individuals, a person is considered a tax resident after spending more than 182 days, whether consecutive or not, within the Dominican Republic during a 12-month period. Once an individual obtains resident status, they become subject to the same tax obligations as a Dominican national, including the tax on foreign financial income after the three-year grace period.

For corporations, residency is defined by one of two criteria: either the company is incorporated under the laws of the Dominican Republic, or the country is the place where the entity primarily conducts its activities, or where its main business headquarters or effective management is located. The concept of "effective management" is a critical anti-avoidance tool. It grants the tax authority, the Dirección General de Impuestos Internos (DGI), the legal authority to assert taxing rights over a foreign-incorporated company that is, in reality, managed and directed from the Dominican Republic. This prevents the use of "paper" or "shell" companies incorporated in low-tax jurisdictions from avoiding Dominican tax obligations.

There is also the permanent establishment criterion, pursuant to which a local operation of a foreign entity (not domiciled in the DR) will be subject to taxation over its income of Dominican Source. A permanent establishment is defined as fixed place of business in which a foreign legal entity carries out all or part of its activity, such as: headquarters, offices, branches, commercial agencies, factories, workshops, oil or gas wells, quarries or any other place of extraction of natural resources, including supervision activities thereof; construction or supervision activities derived from the sale of machinery or equipment when their cost exceeds 10% of the sale price of said goods, business consulting services provided they exceed six months within an annual period, or has dependent representatives or agents, when the latter carry out all or almost all of their activities on behalf of the company. In order to assess whether there is a permanent establishment the Tax Administration has the authority to request documents that include proof of residence, like service agreements, corporate documents, invoices, among other documents. A permanent establishment shall be registered and taxed for income generate locally; shall be obligated to keep separate books from those of its' parents; and shall essentially have same obligations (and treatment) as a local entity.

9. Do tax authorities in this jurisdiction target cross border transactions within an international group? If so, how?

In principle, unless tax residency is asserted, local subsidiaries and permanent establishments of foreign entities are tax over their income of Dominican Source. Local investments of foreign entities (unless subjected to an special tax regime), are subject to withholding taxes over interest, dividends, etc...

Given the nature of the Dominican Republic tax system

(territorial) speaking cross border transactions within an international group are not targeted by the Tax Authority unless the transaction affects assets, investments, etc... located or utilized in the Dominican Republic.

Such is the case of Capital gains as might be derived from the sale of assets, immovable property or shares are included in gross income and are subject to the standard corporate income tax rate of 27%.

Pursuant to the terms of Article 289 of the Tax Code, transfer of assets (including stocks) is in principle subject to capital gains taxes related provisions. Furthermore, for the purpose of capital gain taxes, it shall be reputed that assets and rights located or used in the Dominican Republic have been transferred, pursuant to the transfer of shares in the company that holds such assets when such company has been incorporated abroad.

The foregoing means that if a foreign individual or entity holds assets or rights located or used in the DR, upon the transfer by its shareholders of its shares in said entity, capital gain taxes might be levied pursuant to such transfer. Such capital gains are calculated based on a transfer value considering the "transaction price" for the shares of the company holding the assets or rights and the proportional value of such assets or rights, vis a vis the company's entire patrimony.

Note that in principle, for capital gain taxes to apply it does not matter if the transfer is of an onerous nature or "free of charge" or if such transfer occurs directly in the local branch or subsidiary or indirectly, through a change of control (change of the Ultimate Beneficiary).

10. Is there a controlled foreign corporation (CFC) regime or equivalent?

A classic CFC regime is a feature of a worldwide income tax system designed to combat the artificial deferral of tax. It is a mechanism intended for countries that tax their residents on their global income. Under these rules, a domestic person or entity who is a shareholder of a foreign corporation that is "controlled" by domestic shareholders must currently include their share of the CFC's income in their taxable income, even if the profits have not been distributed as dividends.

The Dominican Republic's tax system does not possess a rule that requires a Dominican parent company to currently include the undistributed profits of a foreign subsidiary in its taxable base. The primary tax event for a foreign parent's share of a Dominican subsidiary's profits is the withholding tax that is levied upon the distribution

of dividends. This is the fundamental difference between the Dominican approach and a classic CFC regime. While the Dominican system taxes foreign financial income of residents, it does not mandate the current inclusion of a foreign subsidiary's full range of income, such as passive royalties or related-party sales income, which are typically the focus of a classic CFC regime.

11. Is there a transfer pricing regime? Is there a "thin capitalization" regime? Is there a "safe harbour" or is it possible to obtain an advance pricing agreement?

The Dominican Republic has comprehensive transfer pricing rules, which are a critical tool for preventing profit shifting between related parties. The tax code mandates that all transactions between related parties must be carried out in accordance with the arm's-length principle. A related party is generally defined as one in which there is at least a 25% direct or indirect participation in the management, control, or capital of the other party.

Companies are required to file an annual information return with the DGII on all transactions subject to transfer pricing rules. These rules are particularly relevant for transactions with companies located in jurisdictions with preferential tax systems or those that appear on blacklisted jurisdictions.

In connection with Thin Capitalization rules, they are aimed at limiting the deduction of interest. The deductible amount may not be higher than the result from multiplying the total amount of interest accrued in the fiscal period by three times the annual average balance of equity divided by the annual average balance of all of the taxpayer's interest-bearing debt. After applying the annual permitted interest deduction, excess interest may be carried forward for deduction in the following three fiscal years (subject to the same limitation). Interest paid to resident individuals and entities is not subject to the interest deduction limitation.

The Dominican Republic's tax code does not appear to have specific, legislated safe harbor rules that define a set price, margin, or markup for certain types of transactions (e.g., a 5% markup for routine services) that, if followed, would automatically relieve a taxpayer from the need for a full transfer pricing study. However, there is the possibility of negotiating and executing an **Advance Pricing Agreement (APA)**. Taxpayers can request an APA from the tax authorities to establish the prices or methodologies they will use for transactions with related parties. This provides certainty for a specific period (typically 18 to 36 months) and can reduce the risk of

future audits and disputes.

Likewise, for certain economic sectors with strong ties between parties, the tax authorities have the power to determine a minimum price or profit margin. This is a form of industry-wide simplification that can be seen as a type of safe harbor (albeit not statutory), as it sets a clear benchmark for taxpayers in that sector.

12. Is there a general anti-avoidance rule (GAAR) and, if so, how is it enforced by tax authorities (e.g. in negotiations, litigation)?

The Dominican Tax Code includes a general anti-avoidance provision that is based on the "substance over form" doctrine. This provision grants the DGII the authority to "ignore the existence of legal entities or certain transactions if used to secure an unwarranted tax advantage".

The GAAR is a broad and incisive tool that allows the tax authorities to look beyond the legal form of a transaction to its underlying economic reality. It is a "last resort" provision that is intended to combat tax avoidance and abuse of the legal system. While the tax administration bears the burden of proving that a transaction is abusive, this provision introduces a significant element of risk for aggressive tax planning.

While the DR System does not have specific CFC rules, a taxpayer may not assume that income not caught by the foreign financial income exception is safe from scrutiny. The GAAR provides a legal basis for the tax authorities to challenge any structure that lacks a clear business purpose beyond tax optimization. The DGII could argue that a foreign subsidiary's primary function is to secure an unwarranted tax advantage by retaining profits offshore and could use the GAAR to disregard the legal entity and assess tax on the underlying income.

13. Is there a digital services tax? If so, is there an intention to withdraw or amend it once a multilateral solution is in place?

The country is aiming towards digital taxation and have made efforts in such regards. However, it is yet to pass the regulations that would allow for the same.

What has been discussed is a new tax like the one that has already been successfully implemented in other jurisdictions, such as Colombia and Peru; although it would represent a great challenge for the Dominican Republic, due to the insufficiency of regulations that allow

its immediate application. In other words, it is necessary to adapt domestic legislation to the development of digital trade, to the extent that it allows our country to apply the tax to companies that do not necessarily have a presence in the country, or require it, in order to carry out their activities.

In principle, it would likely be a tax comparable to those applied to telecommunications services (VAT or ISC), to be withheld by the intermediary of the payment of the services (i.e. processors of electronic transfers/payments); although there is still no definition of the type of tax or processes related to the collection or payment of the same.

14. Have any of the OECD BEPS recommendations, including the BEPS 2.0 two-pillar approach been implemented or are any planned to be implemented?

The DR entered the Inclusive Framework for the Implementation of BEPS on 2018. In such regards, it assumed a series of minimum standard obligations (mainly 4) which are the ones that the DR is currently implementing referring to documentation and information regulations as related to transfer pricing and MNEs activities (either directly when headquartered locally or through related entities).

The BEPS recommended changes already implemented have most notably to do with transfer pricing (Actions 8-10) albeit not fully implemented. There have been efforts with respect to taxation of Digital Services (Action1), but the most recent overture towards the same was withdrawn for congressional consideration as the tax overhaul proposed by the government including such provision was rejected by most economic sectors and the general public. Limits to interest deductions consistent with BEPs action No. 4 were also introduced albeit subject to further adjustments. There are also reporting obligations imposed that are consistent with BEPs Action 13, most notably the ones most recently introduced regarding Master Report and Country by Country Report which may set the groundwork (information) for identifying MNE Groups in the scope of the OECD's Pillar 2 Rules (GloBE Rules) which foresee, the possibility of a minimum global tax. However, actions in such regards are yet to be implemented as they require passing a law adjusting in the Tax Code in a context of a currently unpopular tax overhaul.

15. How has the OECD BEPS program impacted

tax policies?

As of 2011 it is obvious the growing incidence of the OECD and the BEPS Plan in local regulations in addition to the fact that, the Dominican Republic have been part of the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes since 2013. The Tax Authorities Institutional Strategic Plan 2014-2017 was aimed at bringing the Tax Authority closer to the OECD's best practice guidelines, prioritizing the improvement of the service provided to taxpayers and the quality of information.

Dominican Republic assumed commitments towards the implementation of BEPS. The growing incidence of the OECD and the BEPS Plan in local regulations is evident in areas such as transfer pricing, reporting obligations, limits to interest deductions (albeit subject to further adjustments, as well as recently introduced regulations regarding Master Report and Country by Country Reporting closely related to OECD's Pillar 2 rules.

It is expected that because of the international commitments assumed, the Dominican Republic, continues to introduced BEPs related adjustments to its tax system, albeit also trying to maintain competitive tax policies to attract investments.

16. Does the tax system broadly follow the OECD Model i.e. does it have taxation of: a) business profits, b) employment income and pensions, c) VAT (or other indirect tax), d) savings income and royalties, e) income from land, f) capital gains, g) stamp and/or capital duties? If so, what are the current rates and how are they applied?

The Dominican Republic's tax framework is a territorial system as articulated under Law 11-92, commonly known as the Tax Code. This principle dictates that resident corporations, branches, and permanent establishments (PEs) are subject to corporate income tax (Impuesto Sobre la Renta, or ISR) solely on their Dominican-sourced income or income derived from activities conducted within the country. The standard corporate income tax rate is a flat 27%.

This territorial approach applies to all forms of business entities, including shareholding companies, limited liability entities, and branches of foreign entities, which are all taxed in a similar manner. A foreign entity operating through a local subsidiary is not, by that fact alone, considered to have a local permanent establishment for tax purposes. Its income is taxed only

through the withholding tax on dividends distributed by the local entity. A branch of a foreign entity, conversely, is considered a permanent establishment and is required to register, keep separate books, and pay the 27% tax on its locally generated income.

This system is specifically designed to claim taxing rights on all economic activity that takes place within the country's borders, regardless of the nationality of the entity or individual. The distinction between a foreign parent company and a local operating subsidiary is therefore critical, as the former's income is typically not taxed, while the latter's local income is fully subject to the 27% corporate tax rate. The primary gateway for taxation of the foreign parent is the withholding tax on profit remittances.

Main Tax Rates are as follows:

- **Resident or branch corporations** (or consortiums) are subject to Dominican Corporate income tax (ISR) on their local income (only) or income coming from activities within the country. Income Tax Rate is 27%.
- **Non-resident companies** also pay ISR on income sourced in Dominican territories when an absence of a permanent business. The Resident Corporation in the Dominican Republic will withhold 27% of the payment made to such non resident entities, for services, including publicity, royalties, technical assistance, etc.
- The **withholding tax on dividends** paid to a resident or a nonresident is 10%. The same withholding tax applies to dividends or benefit remittances by free trade zone entities (under a special tax regime).
- **Withholding taxes to non resident lenders** are 10% over interest payable to such lenders.
- **Capital gains** derived from the sale of assets, immovable property or shares are included in gross income and are subject to the standard corporate income tax rate of 27%.
- Also 1% asset tax applies to the value of a corporation's total assets according to the company's financial statements. The asset tax, which is paid in two installments, is considered a minimum tax payable when it is higher than the company's corporate income tax liability. Certain assets are excluded from the taxable base.
- **Capital duty** is levied on the formation of a corporation or on a capital increase, at a rate of 1% of the capital amount. Note that Individual Limited Liability Entities pay similar taxes, except that they do not pay Assets Tax or Capital duty Tax .
- **VAT (Value Added Tax or ITBIS):** Applicable to the transfer of industrialized goods and services. Exceptions and exemptions apply. Regular rate is 18%. On imported goods, VAT is liquidated along customs

duties at customs. VAT charged for goods sold or services rendered, have to be declared and paid to the Tax Authority within the first 20 days of the month following the one in which the obligation to pay VAT arose.

- **Selective Excise Tax ("Impuesto Selectivo al Consumo"- "ISC"):** Charge over import or "first sale" of certain products. It might be set as a fixed amount or ad-valorem
- **Individual Rates** are lower than corporate rates, and they are established by income brackets with 25% being the higher rate (Corporate Income Tax rate is 27%).

There are also more rules and restrictions such as to deductions to gross income to determine an Individual Taxable income. Employees, whose sole source of income results from payments from such employees' employer (salary, commissions, bonus, etc.) do not file tax returns and the applicable taxes are deducted by the employer (to further conveyance to the Tax Authority) from the amounts paid to the employee, based on the employees' tax bracket (as determined by such employees' annual income) and the rules to apply such withholdings as provide for the regulations.

17. Is business tax levied on, broadly, the revenue profits of a business computed in accordance with accounting principles?

Corporate tax is levied on the net aggregate of various sources of business income, including capital gains derived from the transfer of capital assets (generally land and shares). Certain items of investment income derived by resident corporate taxpayers from foreign sources also are subject to Dominican tax, including dividends; interest on loans and bank savings; and income from banking or financial operations, bonds, shares in capital companies, bills of exchange and other movable capital or securities on the capital markets.

To determine the net taxable income, the necessary expenses incurred to obtain, maintain and conserve the gross income will be subtracted from the same, as provided by the Tax Code. In the event of a loss, it can be used against the profits generated in the following five years. Accepted deductions for businesses are in principle: Interest, Taxes and Fees Insurance Premiums, Extraordinary damages, Depreciation, Depletion, Amortization of Intangible Assets, Uncollectible Accounts, Donations to Institutions of Public Welfare, Research and Experimentation, Losses, Contributions to Pension and Retirement Plan, among others. Personal Expenses. Withdrawals or salaries of shareholders to profit

accounts, Losses from Illicit Operations, Income Tax, surcharges, fines and interest on any tax debt, Inheritance and Gift Taxes, among others, are not deductible.

Particular rules apply to losses carry over, interest deductions, among others

18. Are common business vehicles such as companies, partnerships and trusts recognised as taxable entities or are they tax transparent?

There are no true transparent entities. Generally regarded transparent entities such as partnerships and trust are recognized as taxable entities under DR Regulations. However, trusts incorporated in accordance to the Law No. 189-11 for the Development of the Mortgage Market and Trust Funds in the Dominican Republic are subject to a special tax regime.

19. Is liability to business taxation based on tax residence or registration? If so, what are the tests?

Business taxation is based both on tax residence and registration as explained in item 8 above. The main issue has to do with the Territorial nature of the system in which both corporations and individuals (either foreign or national) are taxed over Income of Dominican Source, being residents and permanent establishments been also taxed for income of foreign source derived from financial investments abroad. For further information refer to item 8 above.

20. Are there any favourable taxation regimes for particular areas (e.g. enterprise zones) or sectors (e.g. financial services)?

The DR has competitive tax policies mostly consistent of tax incentives law and regimes that in certain cases (and circumstances) provide for 100% general tax exemptions and other benefits.

Such are the cases of:

- **Free Zone Regime** (under Law 8-90), which provides a custom sterile environment whereby manufacturing and services could take place for export purposes. Entities located within Free Zone Parks, authorize to operate as such, are generally exempted from income taxes, value added tax, import duties as related to machinery and inputs required for its operations, among other exemptions and benefits.

- Border Integral Development Zone (Law 12-21) which provides incentives to companies located at an especially designated areas comprise of Dominican Provinces located at the Haiti border. This law provides for similar incentives that the Free Zone Law 8-90, however, they are for a limited time.

The Dominican Republic has also granted certain incentives to various sectors, ranging from investment credits to tax exemptions. Among the most important tax incentive laws are:

- Promotion of Cinematographic Activity International Financial Zones in the Dominican Republic,
- Incentive for Books and Libraries Incentives to sectors belonging to the textile chain,
- Incentive for Renewable Energies and Special Regimes
- Special Incentives for Pensioners and Rentiers from Foreign Sources,
- Competitiveness and Industrial Innovation,
- Promotion of Tourism Development and Foreign Investment Incentives.

There are also more focused tax benefits such as:

- A holding company's income tax obligation is limited to the filing of the annual tax return, provided all of its income has been subject to withholding tax by the companies in which it has investments. Dividends distributed by a holding company to its shareholders are not subject to withholding tax
- Deduction of investment in research and experimentation from gross income to assess taxable income

21. Are there any special tax regimes for intellectual property, such as patent box?

The Dominican Republic does not have a specific "patent box" or "knowledge box" tax regime that offers a preferential tax rate on income derived from intellectual property (IP), such as patents and copyrights. Generally, the Dominican Republic does not have a separate tax framework dedicated to incentivizing IP-related income.

The above does not necessarily means there are no tax benefits or incentives related to intellectual property, since some of the special tax regimes and incentives cited in item 22 above, may indirectly benefit companies that develop or hold IP. That is the case of the Free Trade Zones regime, The Industrial and Innovation Incentives Law and the Tourism Incentive Law (among others).

22. Is fiscal consolidation permitted? Are groups of companies recognised for tax purposes and, if so, are there any jurisdictional limitations on what can constitute a tax group? Is there a group contribution system or can losses otherwise be relieved across group companies?

The Dominican Tax regulations recognize the existence of economic groups when a person or company, or group of people, whether or not they are domiciled in the Dominican Republic, carry out their activity through companies or companies and the operations of both are related and are controlled or financed by them. In this case, the Tax Administration may attribute, allocate or assign gross income, deductions, credits among such organizations or companies if it determines that such distribution, allocation or allocation is necessary to prevent tax evasion or to clearly reflect the income of any of the aforementioned organizations or companies

In accordance with the foregoing, when the transfer of interest/shares is part of a reorganization of entities in the same economic group, the results that may arise as a consequence of the reorganization will not be taxed, provided the previous authorization from the Tax Authority for tax neutrality is obtained.

There are also rules on the transfer of tax attributes from one entity to another is possible in the context of a merger or spin off as approved by the Tax Authorities.

23. Are there any withholding taxes?

The Dominican Republic's primary mechanism for taxing foreign individuals or entities that generate income of Dominican Source, is through a definitive system of withholding taxes (WHT). This system is also used to collect taxes of salaries and payments to independent contractors (individuals), among other. As a matter of fact, the DGII has the authority to designate withholding agents pursuant to certain transactions to assure correct liquidation and collection of taxes due pursuant to certain transactions.

Main withholding taxes are levied as follows:

- **Dividends** – The withholding tax on dividends paid to a resident or a nonresident is 10%. The same withholding tax applies to dividends or benefit remittances by free trade zone entities.
- **Interest** – The withholding tax on interest paid to a resident individual or a nonresident (individual or entity) is 10%. No tax is withheld on interest paid to a

resident legal entity.

- **Royalties** – The withholding tax on royalties paid to a nonresident is 27% (i.e. based on the corporate income tax rate).
- **Technical service fees** – Technical service fees paid to a nonresident are subject to a 27% withholding tax (i.e. based on the corporate income tax rate), regardless of where the services are provided.
- **Branch remittance tax** – A permanent establishment of a foreign company must withhold 10% on cash dividends paid to its head office.
- **Other** – A final withholding tax may be levied on other payments (e.g. management fees) made to nonresidents, at a rate of 27%

24. Are there any environmental taxes payable by businesses?

In essence, while the Dominican Republic does not have a comprehensive, single-purpose “environmental tax” that applies to all businesses in a direct way, companies are subject to environmental taxes and regulations through a combination of:

- Fuel and energy-related taxes that act as a form of carbon pricing.
- Mandatory environmental permits and assessments for projects that could impact the environment.
- Incentive-based laws that encourage green investments and provide tax relief for sustainable practices.

There is also a “contribution” for the management and co-processing of Solid Waste (CRS) established in Law 225-20, to be made by entity, public or private institution, domiciled in the national territory, whether they have operations or not, based on their income, regardless of whether or not they receive benefits. Such contribution is established as a lump sum depending on the yearly income of the entity. The contribution goes from DOP 500 to DOP 260,000 (*approximate exchange rate USD 1 x DOP 62*). This contribution is paid along with the yearly income tax return.

Companies should be aware of these taxes and regulations, as non-compliance can result in substantial fines and penalties.

25. Is dividend income received from resident and/or non-resident companies taxable?

Yes, the Withholding tax applicable is 10% over such dividends. See item 23 for further information

26. What are the advantages and disadvantages offered by your jurisdiction to an international group seeking to relocate activities?

The country's tax system is primarily founded on the principle of territoriality, which generally limits the taxation of resident corporations and permanent establishments to income generated from sources within the Dominican Republic.

This system is often perceived as a significant advantage for multinational corporations, as it is specifically designed to claim taxing rights on mainly the economic activity that takes place within the country's borders, regardless of the nationality of the entity or individual. It also generally distinguishes between a local branch or subsidiary of foreign entities, the parent only reached when receives income of Dominican Source (i.e. dividends paid by such local branch or subsidiary or sale of assets located or used within the country).

Aside from the core Tax System, The Dominican Republic has a very welcoming environment for foreign investors, and the government offers a range of tax incentives to encourage investment, particularly in key sectors like tourism, free zones, and renewable energy. These incentives are a major reason for the country's economic growth and strong foreign direct investment.

In addition to the special tax regimes and incentives already discussed herein, there are other benefits worth mentioning such as:

- Residence by Investment..
- Low Property Taxes
- Strong Economic Growth and Stability.
- Strategic Geographic Location
- Access to Large Markets.
- Diversified Economy.

There are also vulnerabilities or disadvantages to contest with mainly having to do with:

- Bureaucracy.
- Vulnerability to Natural Disasters.
- Infrastructure Gaps.
- Political and Economic Dependence (to major source countries such as the USA):

At this time, the Dominican Tax System is due an overhaul, mainly to comply with international commitments which excerpt pressure in the implementation of OCDE directives (mostly BEPS related) and it seems that such overhaul will arrive in the short to mid-term. However, it does not seem likely that the

referred overhaul will completely do away with the competitive tax policies of the Dominican Republic (based on tax incentives and special regimes for certain

investments) as they have been at the core of the country's economic growth for at least the past 20 years. Thus, the country should remain as an attractive investment target.

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