



DOING BUSINESS IN DOMINICAN REPUBLIC

FOREWORD

This guide has been prepared with the purpose of providing basic information to people interested in investing and doing business in Dominican Republic. It does not cover in detail all the requirements and subjects to be considered, but instead it is intended to provide an overall idea of the benefits of doing business in Dominican Republic and the basic taxation requirements.

The guide is intended to be used for informational purposes only and therefore, you should consult a professional tax and business advisor to acquire more information.

The material contained in this guide is based on information and regulations in effect as of May 2020.





ABOUT H&CO

Since 1992, H&CO has been providing international tax and business advisory services to multinational companies, global families and local companies that seek to invest or expand their operations in multiple jurisdictions in Latin America.

By working together with our affiliates in the region, we offer integrated solutions to help companies with all of their cross-border requirements and reporting obligations, from opening a new company abroad, and manage your operations, to helping you create an international tax strategy and repatriation plan.

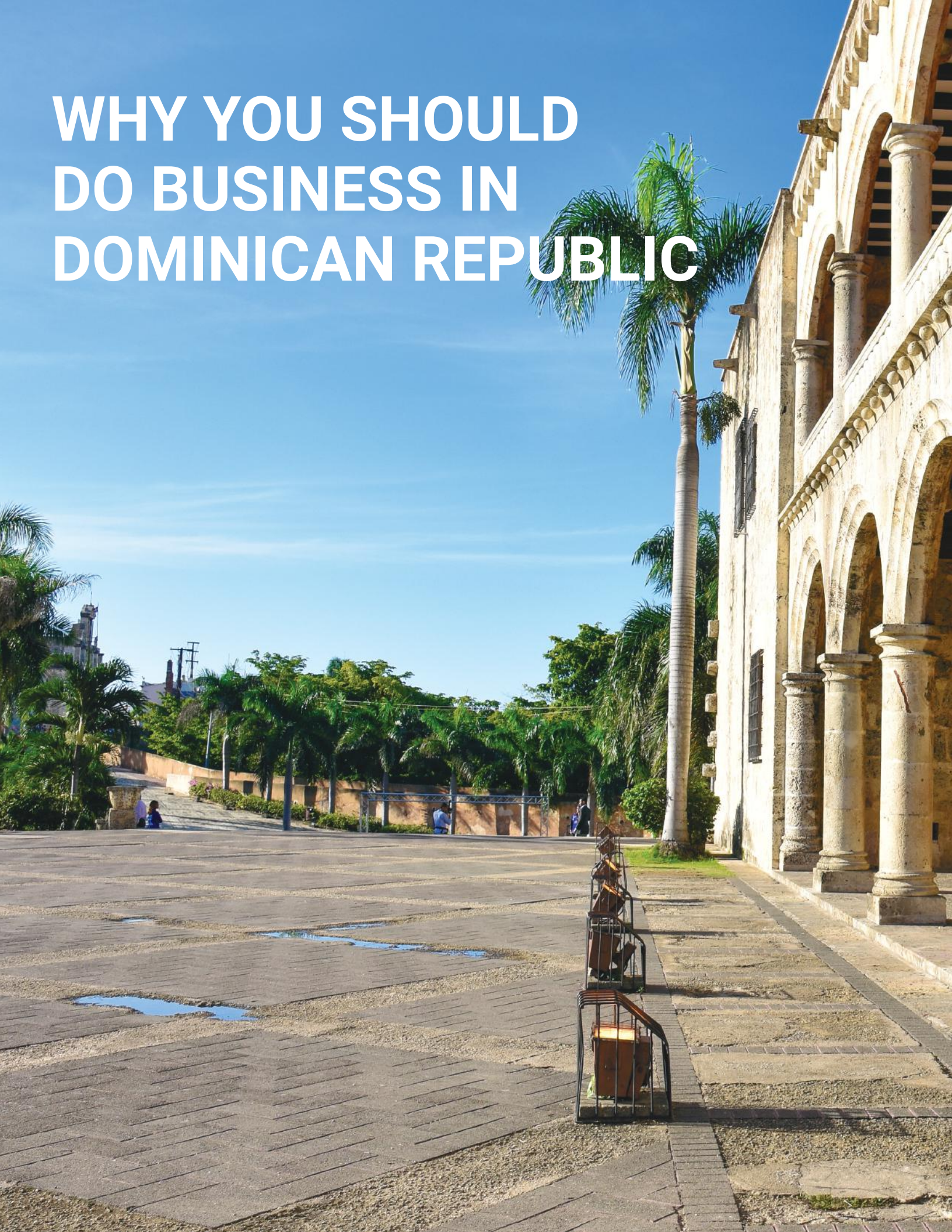
With 3 offices throughout South Florida and partner firms in more than 15 countries in South and Central America, H&CO's primary goal is to be the most trusted service provider of accounting, tax and consulting services for the global community.



COUNTRY ESSENTIALS

Capital city	Santo Domingo
Area and population	48,670 km ² and a population of 10,499,707 people (July 2020 est.)
Language	Spanish
Currency	Dominican peso (DOP) RD\$
International calling code	+809
GDP	\$85.5 billion USD (2018 est.)
GDP per capita	\$8,332 USD (2018 est.)
Exports	\$10.9 billion USD (2018 est.)
Imports	\$20.2 billion USD (2018 est.)
Inflation rate	1.2 % (2018 est.)
Government structure	<p>The Dominican Republic is a representative democracy, with three branches of power: executive, legislative, and judicial. The President heads the executive branch and executes laws passed by the Congress, appoints the Cabinet, and is commander in chief of the armed forces. The national legislature is bicameral, composed of a Senate and the Chamber of Deputies. Judicial authority rests with the Supreme Court of Justice.</p>

WHY YOU SHOULD DO BUSINESS IN DOMINICAN REPUBLIC



STRATEGIC GEOGRAPHIC LOCATION FOR TRADE

The Dominican Republic is located in the heart of the Caribbean. The country serves as a link between the West and the East and constitutes a center of commerce and transportation for the large markets of North America, Central America and South America. In addition, its free trade program has given the country access to over 878 million consumers around the world.

The country is a founding member of the World Trade Organization and has entered into many free trade agreements with its trading partners, including the CAFTA-DR and the Economic Partnership Agreement with the European Union and the CARIFORUM countries.

PROPERTY TAX

The real estate tax rate in Dominican Republic is very attractive. Properties valued under \$5 million Dominican Pesos (about 165,000 dollars) are not subject to property taxes. Properties valued in excess of \$165,000 dollars are taxed at a rate of 1% of the value of the property.

FREE-TRADE ZONES

The Dominican Republic has a highly developed system of industrial free zones and is a pioneer in the use of free zones internationally.

The country offers special free zone status to exporters whose production is located outside of the existing zones. Entities operating in the free zones enjoy complete exemption from all taxes and duties related to production and exports, including income tax, construction tax, asset tax and import duties on raw materials, equipment and amenities for workers within the zones.



Recently, an agreement has been established between 6 public and private institutions focused on designing policies to connect local companies with those of the free zones.

MODERN TRANSPORTATION INFRASTRUCTURE

The Dominican Republic has an efficient transportation system. It enables diligent cargo shipment and travel due to its superlative road systems, 9 international airports, 12 modern shipping ports and several domestic terminals in important trade locations.

It has the second-best transportation infrastructure in all Latin America, with one of the highest levels of asphalted airport runways and paved roads, according to the Global Competitiveness Report. In recent years, the economy of the Dominican Republic has become one of the largest and fastest growing in the Caribbean, and its infrastructure is one of the most modern and extensive in the region.

TOP FOREIGN DIRECT INVESTMENT DESTINATION IN THE REGION

According to the World Bank, and due to its stable political and economic environment, the Dominican Republic is considered the largest and the most important recipient of foreign direct investment (FDI) in the Caribbean in the last years.

The Dominican Republic received \$2,535 million dollars in 2018, representing the country with the largest FDI in the Caribbean. The countries that have brought the most FDI since 2010 have been the United States, Canada, Brazil and Spain.

OPEN ACCESS TO CENTRAL AMERICA AND THE USA

The CAFTA-DR agreement between El Salvador, Guatemala, Honduras, Nicaragua, Costa Rica, the Dominican Republic and the United States was implemented in 2007. The agreement aims to expand and diversify trade between the signatory parties, eliminate barriers to trade and substantially increase investment opportunities. Member countries agreed to progressively reduce and eliminate customs duties for the movement of originating goods within the trade area and to grant each other temporary admission for professional equipment, goods intended for display, commercial samples and goods for sport purposes. Additionally, members agreed not to apply customs duties to goods that are reintroduced into the country after they have been temporarily exported for repair, nor to those that enter the country temporarily for the same reason.



TAXATION





CORPORATE TAXES

The tax code of the Dominican Republic has mainly a territorial basis: income obtained from business activities carried out in the Dominican Republic is taxed regardless of the domicile, residence or nationality of the parties or the contracting location. The same concept applies to income derived from economic rights and property situated in the country.

The corporate tax rate is 27%. This rate applies as a fixed rate at any income level.

TAXES ON CAPITAL GAINS AND DIVIDENDS

Capital gains are taxed as ordinary income at the corporate tax rate.

Dividends received by a Dominican company from which taxes have been withheld at the time of the distribution are exempt from paying taxes. Dividends paid to both residents and non-residents are taxed at 10%.

ESTATE AND GIFT TAXES

Estate and gift taxes apply to all personal and real property located inside or outside the country and to gifts from a deceased person who was a Dominican national or whose last domicile was the Dominican Republic. The estate tax rate is 3%, while the gift tax rate is 25%.

SALES / VAT TAXES

VAT is imposed at a rate of 18% on the sale of goods and services within the Dominican Republic, and the import of goods.

A reduced rate of 16% applies to certain products, while medicines and basic food items are exempt from taxes.

EMPLOYMENT TAXES

Tax withholding from income derived from employment is applicable according to the following rates of contribution:

	Employee	Employer
Healthcare	3.04%	7.09%
Retirement Fund	2.87%	7.10%
Workers Compensation	–	1.00%

For social security, both employer and employee must contribute. Contributions are calculated based on the employee's earnings.

PERSONAL TAXES

The tax code of the Dominican Republic has mainly a territorial basis, although residents are subject to tax on certain foreign investment returns. Non-residents are taxed on Dominican source income only.

An individual is considered a resident if he or she spends at least 183 days of the fiscal year in the country, regardless of continuity. Foreign individuals who obtain resident status are taxed from the third taxable year in which they gained such status.

Individual income tax is levied according to the following progressive rates:

If the income is:	Tax rate:
Up to DOP 416,220.00	0%
DOP 416,220.01 – 624,329.00	15%
DOP 624,329.01 – 867,123.00	20%
DOP 867,123.01 and above	25%

*All values are in Dominican Pesos (DOP).
Rates applicable as of 2020.*

TRANSFER TAXES

The transfer of real property located in the Dominican Republic is taxed at a 3% rate on the price of the property.



ESTABLISHING A BUSINESS



PROCESS TO INCORPORATE A COMPANY

An investor aiming to establish a business entity in the Dominican Republic requires 7 procedures over an average of 16.5 days, a significantly shorter time span than the average of 30 days in Latin America and the Caribbean.

PROCEDURES	TIME TO COMPLETE
Check company name	Less than 1 day (online procedure)
Obtain company name	5 days
* Payment of the incorporation tax	1 day
Register the company in the Chamber of Commerce and obtain the identification number (RNC) online	3 days
File for the National Taxpayers Registry at the Internal Revenue Service (DGII) and apply for fiscal receipts	6 days
Register local employees with the Department of Labor	2 days
* Register employees at the Social Security Office (<i>Tesorería de la Seguridad Social</i> , TNSS)	1 day
Total number of days	16.5 days

Note: Steps marked with an asterisk () may be completed simultaneously.*

REQUIREMENTS TO INCORPORATE A COMPANY





The *Sociedad de Responsabilidad Limitada* (S.R.L.), similar to a Limited Liability Company, is the most common form of incorporation in the Dominican Republic. Shareholders of an S.R.L. are liable only to the value of their shareholding.

COMPANY NAME

Company names in the Dominican Republic must consist of a trade name and must be subject to registration and prior authorization. All Dominican company names must end with the denotation C x A. This notation is used only in the Dominican Republic, and just like the term S.R.L., this indicates that this is a corporation.

REGISTERED OFFICE

An Limited Liability Company registered in the Dominican Republic requires a registered office. This is where the official company correspondence may be served and where financial and reporting documents, company registers and other company documents must be kept.

MANAGEMENT

Management can be composed by one or more individuals or a board of individuals as established in the by-laws. However, it cannot be composed by another company. No management supervisor is required, except in special circumstances.

SHAREHOLDERS

An S.R.L. registered in the Dominican Republic must have a minimum of 2 shareholders, but no more than 50. There are no restrictions on the nationality or residence of the shareholders. Shareholders are required to meet at an Annual Ordinary Meeting once a year within 120 days after the closing of the fiscal year.

MARKET OPPORTUNITIES AND COMMERCIAL SECTORS





BUILDING PRODUCTS

The market for building products and equipment is an integral component of the Dominican Republic's construction industry. As in most global markets, this sector tends to be highly sensitive to demand: a decline or an increase in the number of construction and remodeling projects directly affects imports and local production of building products.

During the last ten years, construction has been the second largest sector of the Dominican economy, with a contribution to GDP in 2018 of 10.6%. The best prospects are found in heavy construction equipment, high-quality aluminum, wood doors and windows, metal structures, paint and cement.



TELECOMMUNICATIONS

With the arrival of new technologies in the country, the telecommunications sector has become a major source of employment and foreign exchange. The Dominican Republic has become one of the best communicated countries thanks to the increase in foreign investment, and currently, 104 operating companies are authorized to offer mobile services, Internet, cable and satellite television. The Central Bank places this sector among those with the highest GDP contribution.



AGRICULTURE

One of the sectors for which the Dominican Republic is known for, is the agricultural sector, which represents 8% of the GDP, 14% of the labor force and 25% of exports, making it one of the main agricultural sources of the countries from the Caribbean.

Among the leading crops are sugar, rice, coffee, cocoa and bananas. The main export destinations are the United States, Haiti, Canada and India.



TOURISM

One of the most important sectors of the Dominican economy and the most important sector within the service sector is tourism, being the largest source of wealth and foreign exchange in the country. There are more than 70,000 rooms that host more than seven million tourists and new hotel projects are announced and started every year. The tourism sector is where the majority of foreign investment resides. More and more tourists are visiting, and this increase has contributed to the economic growth of the country. Many American and European tourists have decided to visit this country for its paradisiacal beaches and its natural beauty.

Despite the increase in tourism and real estate prices, it is still a country with the most affordable homes in the Caribbean, a factor that has created a great business opportunity for investors in the hospitality sector. There are numerous development opportunities for the tourism sector in the Dominican Republic, in view of the development of new tourist destinations and recent public infrastructure investments in more established centers. This sector benefits from attractive tax incentives for its development.

The regions with more tourism in the Dominican Republic are Punta Cana, Santo Domingo, Puerto Plata and La Romana. The main investors in the tourism sector are Spanish. However, there are also Germans, Americans and Italians.





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