

TAXES IN DOMINICAN REPUBLIC

1. CONTRIBUTIONS.

In accordance with the Constitution of the Dominican Republic, every Dominican has a fundamental duty to contribute in proportion to their ability to contribute to the public charges Dominican government.

1.1. Tributes.

1.1.1 Taxes

Taxes are unilateral obligations mandated by a law, compliance with which causes a direct payment to the taxpayer by the state, but by the same actions, lies in one form or another for the general benefit. Among these you can find:

Internal:

- a) Income tax
- b) Tax on the Transfer of Industrialized Goods and Services (IVA) (ITBIS)
- c) Excise Tax
- d) Inheritance and gift tax
- e) Tax on real estate
- f) Tax on motor vehicles
- g) Tax on Casino Games and Slot Machines
- h) Tax on Assets

Foreign trade:

- a) Customs taxes

1.1.2 Contributions

- a) Social Security Contribution.
- b) Contribution to Technical and vocational Training Institution (INFOTEP)

1.1.3 Fees

The tax rates are set by law, whose obligation is event for the effective delivery of public services individualized to the taxpayer, such as fees for processing administrative procedures.

Here are the main features of the most relevant contributions:

2. INCOME TAX OF CORPORATIONS AND PERMANENT ESTABLISHMENTS IN THE DOMINICAN REPUBLIC OF CORPORATIONS ABROAD.

2.1. Obligors entities.

The obligors are:

2.1.1 Legal entities, on its income from dominican sources.

2.1.2 Undivided, on its income from dominican sources.

2.1.3 Permanent establishments in Dominican Republic entities residing abroad, on its income from Dominican

2.2 Residence.

Are considered resident in the Dominican Republic, for tax purposes, people who remain there more than 182 days, continuously or discontinuously, in the fiscal year.

2.3 Determination of the taxable income or loss.

The tax is calculated on net taxable income, to determine this will be subtracted from gross income the expenses necessarily incurred to obtain, maintain and preserve it. In case of loss, it can be utilized against profits generated in the following five years.

Are considered deductible expenses included in the income from business activities, the following:

- Interests.
- Taxes and fees.
- Insurance premiums.
- Extraordinary damages.
- Depreciation.
- Eshaustion.
- Amortization of Intangibles Assets.
- Doubtful Accounts.
- Donations to public welfare Institutions.
- Expenditure on research and Experimentation.
- Losses.
- Contributions to pension and Retirement Plans.
- Provisions to be made by banks and financial entities to cover high-risk assets, according to authorize or impose banking and financial authorities of the country.

The expenses shown below will not be considered in determining the net taxable income:

- Personal expenses.
- Withdrawals and Salaries shareholder profits accounts.
- Loss of Illicit Operations.
- The income tax, penalties, fines and interest on any tax debt, inheritance and gift taxes.
- Expenses without tax receipts.
- Expenses paid in cash over RD\$50,000 (approximately US\$1,250)
- Remuneration of Persons or agencies acting from outside.
- Benefits for Reservations or capital increases.

2.4 Rate or aliquot

The tax rate applied to income is 29% for 2012 and 2013, 28% by 2014 and 27% by 2015.

2.5 Statements, payment and tax procedures.

2.5.1 Statements.

Taxpayers of this tax their income charged to fiscal year beginning January 1st. and ends on December 31st.

Entities who by the nature of their activities prefer to establish the close of its fiscal year on a date other than December 31st., can choose from the following closing dates: March 31st., June 30th. and September 30th. After choosing a closing date can not be changed without the express permission of the Administration, upon request, made at least one month before the closing date requested change.

Companies obliged to declare, that start operations after a fiscal year started, statutes must state their closing date within the options set in this regard for the purposes of the affidavit and payment of taxes.

2.5.2 Payments.

Tax paid for the period, are deducted from the advances paid during the tax year, tax credits retained dividends approved, credits from investments in sectors of incentive, compensation authorized, payments to accounts and balances in favor of previous years.

If the result of this is a credit, you generate a new credit balance for the current period, should generate a tax liability must be paid within 120 days after the end of the fiscal year.

The taxpayers of income tax that may be legal persons and sole business owner, whose effective tax rate is less than or equal to 1.5% pay their corresponding advances on the basis of twelve equal monthly installments, resulting from applying 1.5% to gross income declared in the previous fiscal year. Legal persons and single owner businesses whose effective tax rate is greater than 1.5% paid monthly in advance twelfth of the tax paid in the previous statement.

2.5.3 Tax procedures.

The Directorate General of Internal Revenue has distributed local administrations in strategic geographical areas that are responsible for meeting the formalities of taxpayers, and to monitor compliance with their tax obligations.

2.6 Dividends paid or credited.

Whoever pays or credits into account dividends from Dominican sources to natural or legal persons resident or domiciled in the country or abroad, must withhold and pay to the tax on 10% of these amounts.

2.7 Gains on sales of fixed assets and shares.

Gains on disposal of shares and land are considered capital gains and are determined by deducting from the sale price or value of the respective asset, the acquisition or production cost adjusted for inflation.

Gains on sales of depreciable assets is determined by deducting the cost of acquisition or production at the cost of disposal. If at the end of the fiscal year a joint account contains no good, then the difference between the capital account and the amount collected during the fiscal year by the transfer of assets previously included in the joint account, shall, as appropriate, as income or loss.

2.8 Tax Incentives.

The National Congress of the Dominican Republic, has given certain incentives to various sectors, ranging from investment credits to exemptions in the payment of taxes. Among the laws of major tax incentives include:

- Promoting the film industry
- International Financial Zones in the Dominican Republic
- Incentive to Book and Library
- Sectors belonging to the textile chain
- Renewable Energy Incentives and Special Regimes

- Pensioners Special Incentives and Foreign Source Beneficiaries
- Competitiveness and Industrial Innovation
- Border Development Special Zone
- Tourism Development
- Foreign Investment
- Development of Free Zones

3. INCOME TAX OF INDIVIDUALS NATIONALS.

3.1 Obligors.

The obligors are individuals resident in the Dominican Republic on its income from Dominican sources.

3.2 Residence.

Are considered resident in the Dominican Republic, for tax purposes, people who remain there more than 182 days, continuously or discontinuously, in the fiscal year.

3.3 Determination of the taxable income or loss.

Individual taxpayers, except those employees who perform various business activities, are entitled to deduct from its gross income from such activities proven expenses necessary to obtain, maintain and retain taxable income, as established in the regulations.

The tax base is determined by considering the taxable income and allowable deductions provided by law, for each of the following activities:

- a) Wages and salaries.
- b) Business and professional activities.
- c) Leasing of buildings.
- d) Disposal of property.
- e) Acquisition of assets.
- f) Interests.
- g) Dividends or benefists distribuit.
- h) Others.

Additionally, the deductions that apply to each activity can be carried out the following personal deductions:

- a) Fees
- b) Wages paid
- c) Cost of sales
- d) Interests
- e) Insurance premium.
- f) Educational expenses.
- g) Other expenses and supplies.

When an individual makes use of previously itemized deductions, on the occasion of its business activities, it can not make use of the tax exemption

3.4 Rate or aliquot.

Natural persons resident or domiciled in the country will pay on the net taxable income of the fiscal year, such sums as may progressively applying the following scale, for the period from January 1st, 2013 and December 31st, 2015:

Income up to RD\$399,923.00, exempt;

In excess of RD\$399,923.01 to RD\$599,884.00, 15%;

The surplus of RD\$599,884.01 to RD\$833,171.00, 20%;

The surplus of RD \$ 33,171.01 on, 25%.

3.5 Statements, payment and tax procedures.

3.5.1 Statements

Taxpayers of this tax their income charged to fiscal year beginning January 1st. and ends on December 31st.

3.5.2 Payments

Tax paid for the period, are deducted from the advances paid during the tax year, deductions, allowances authorized payments to accounts and balances of previous years.

If the result of this is a credit, you generate a new credit balance for the current period, should generate a tax liability is payable March 31st. each year.

For individuals, the advance of taxes will be calculated on the basis of 100% of the tax paid in the previous year and paid in the months following percentages: 50% sixth month, ninth month and twelfth month 30% 20%.

3.5.3 Tax procedures

Applies as indicated in section 2.5.3.

3.6 Dividends and distributed profits.

Whoever pays or credits into account dividends from Dominican sources to individuals resident or domiciled in the country or abroad, must withhold and pay to the tax on 10% of these amounts.

This dividend withheld, is part of the exempt income of the person who receives them.

3.7 Gains on sales of fixed assets and shares.

Gains on disposal of shares and land are considered capital gains and are determined by deducting from the sale price or value of the respective asset, the acquisition or production cost adjusted for inflation.

Applies only to business activities in accordance with the provisions in Section

3.8 Tax incentives.

Applies only to business activities in accordance with the provisions in Section 2.8.

4. INCOME TAX FOR ABROADS.

4.1 Obligors.

The foreign residents are liable to pay income tax in the Dominican Republic for the income obtained from Dominican sources for capital, assets or rights located or economically used in the Dominican Republic.

4.2 Taxable income.

Apply as shown in section 4.1.

4.3 Tax conventions and international agreements.

Until August 2012, the Dominican Republic, only has entered into an agreement to avoid double taxation and prevent tax evasion in Canada. In other words, has an agreement to exchange tax information with the United States of America

4.4 Foreigners without a permanent establishment.

Foreigners who do not have permanent establishment will be taxed on their income from Dominican sources for each separate income subject to tax

5. SIMPLIFIED TAX PROCEDURE

5.1 Obligors.

The entities, individuals or single owner businesses residing in the country without organized accounting, with revenues more than 50% of sales of exempt goods or services ITBIS (IVA) with ITBIS (IVA) retained in 100%, and whose gross income not exceed six million pesos (RD\$6,000,000 pesos) adjusted for inflation index published by the Central Bank of the Dominican Republic.

5.2 Residence.

Applies as indicated in section 2.2. (For corporations) and section 3.2 (for individuals)

5.3 Determination of the tax base or tax credit.

The tax base is determined by subtracting the income subject to this procedure for 40%, subtracting the exemption for approved educational expenses and the annual tax exemption.

5.3.1 Income subject to the procedure.

Are considered taxable income to sales revenue procedure, fees, rents and other income.

5.4 Rate or aliquot.

The tax rate applicable is that of Section 3.4.

5.5 Statements, payment and tax procedures.

5.5.1 Statements.

Taxpayers of this tax their income charged to fiscal year beginning January 1st. and ends on December 31st.

5.5.2 Payments.

Tax paid for the period, are deducted from the advances paid during the tax year, deductions, allowances authorized payments to accounts and balances of previous years.

If the result of this is a credit, you generate a new credit balance for the current period, should generate a tax liability must be paid in two installments, the first installment on 28 February 28th and the second on August 31st of each year.

This scheme does not generate tax advances.

5.5.3 Tax procedures.

Applies as indicated in section 2.5.3.

6.0 VALUE ADDED TAX (IVA) (ITBIS).

6.1 Obligors.

The individuals and corporations or foreign national performing transfer of industrialized goods, importing manufactured goods or provide services subject to this tax.

6.2 Determination of tax or credit balance.

The tax is calculated by subtracting the tax invoiced, the tax creditable, withholding tax may decrease the taxpayer himself and balances for prior periods.

In case the creditable tax is greater than the tax transferred, the difference is considered favorable balance for the following periods.

The exporters that advance tax credits reflect on goods and services purchased for the production process, are entitled to seek reimbursement or compensation thereof within a period of six (6) months.

6.3 Rates, aliquots and exemptions.

6.3.1 Rates or aliquots.

The stated rate is 16% for local trade, and taxes the transfer of goods, imports of industrial goods and provision of services and location, and exports are taxed at zero rate (0%).

This rate is 18% for the years 2013 and 2014, and met the goal of the Dominican state tax burden, it will reduce to 16% from 2015.

Similarly, there is a reduced rate of ITBIS for dairy products, coffee, edible animal or vegetable fats, sugar, cocoa and chocolate, which will progressively from 8% to 16%, applicable from 2013 to 2016.

6.3.2 Exemptions.

Are exempt certain goods specified in the law identified by their tariff. The following services are exempt from this tax:

- Education, including cultural services: theater, ballet, opera, dance, folk groups, symphony or chamber.
- Health Services.
- Financial services, including insurance.

- Services pension and retirement plans.
- Land transport services for people and cargo.
- Electricity, water and garbage collection.
- Services dwelling.
- Personal care services.

6.4 Statements, payment and tax procedures.

6.4.1 Statements.

Taxpayers of this tax declared its operations beginning on the first day of each month and ends on the last day of the calendar month.

6.4.2 Payments.

Liquidated tax payable, taxes are deducted in advance payments to suppliers of goods and services and imports, compensation authorized payments to accounts and balances of previous years.

If the result of this is a credit, it creates a new balance in favor profitable next month, should generate a tax liability must be paid within 20 calendar days after the end of the declared month.

6.4.3 Tax procedures.

Applies as indicated in section 2.5.3.

7.0 TAX ASSETS.

7.1. Obligors.

Obligors are such as follows:

- 7.1.1 Entities.
- 7.1.2 Individuals with single business owners.

7.2 Determination of the taxable base

The tax is calculated on taxable asset, this is the total value of assets in books, not adjusted for inflation, net of depreciation, amortization, and provision for doubtful accounts. This amount is deducted from equity investments, land located in rural properties by nature of farms and taxes or advances developed.

Unlike commercial enterprises, financial institutions, the National Development Bank of Housing and Production, the Pension Fund Administrators, intermediary companies stock market, fund managers and investment securitization companies and electricity utilities as generation, transmission and distribution, the tax paid on the basis of their total assets, net of depreciation, as shown on its balance sheet.

7.3 Rate or aliquot

The tax rate applied to taxable assets is 1% for the years 2012, 2013 and 2014, while 2015 will be 0.50% and from 2016 will be removed, if the goal of tax pressure is reached.

7.4 Statements, payment and tax procedures.

7.4.1 Statements.

Taxpayers of this tax will have the same fiscal closing used for income tax.

7.4.2 Payments.

Tax paid for the period, are deducted from the payments made by the taxpayer accounts, and temporary exclusions, exemptions and credits allowed by the Tax Administration.

If the amount paid by way of tax on income is equal to or greater than the tax payable on assets, is considered extinguished the obligation to pay tax assets. If it is paid in respect of assets the difference, and must be paid in two installments, one with the maturity of the affidavit and the second six months later.

7.4.3 Tax procedures.

The Directorate General of Internal Revenue has distributed local administrations in strategic geographical areas that are responsible for meeting the formalities of taxpayers, and to monitor compliance with their tax obligations.

8.0 Dominican Social Security System (SDSS).

8.1 Institution responsible for the provision of services.

The Social Security Treasury (TSS) is the institution responsible for the provision of social security benefits to insured workers. Aims to regulate and develop the rights of citizens to protect the public against the risks of old age, disability, unemployment due to old age, survivors, sickness, maternity, childhood and Safety.

8.2 Branches of insurance.

The branches of insurance are: Old-age insurance, disability and survival (HDSS), family health insurance (SFS), occupational risk insurance (SRL) for the health system.

8.3 Fees employers, labor fees and state fees

	Old-age, Disability and Survivor(SVDS)	Family Health Insurance	Occupational Risk
Contributable salar (Wages, salaries, commissions and vacations)			
AFFILIATE	2.87%	3.04%	-
EMPLOYER	7.10%	7.09%	Fixed 1%, and 0.10% to 0.30% additional according to established business activity

9.0 CONTRIBUTIONS TO INFOTEP.

9.1 Responsible Institution.

Technical and Vocational Training Institution (INFOTEP) is the institution responsible for training and advise human resources and the promotion of vocational training institutions to develop increased business productivity Dominican.

9.2 Resources Technical and Vocational Training Institution (INFOTEP)

Employers are required to make contributions equivalent one percent (1%) of the wages of their workers and the zero point fifty percent (0.50%) of bonus payments.