

**DOING
BUSINESS
IN**

Dominican Republic



HLB

**Santo Domingo, D.R.
Auditores & Consultores**

*doing business
in Dominican Republic*

foreword

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general information

FACTS ABOUT DOMINICAN REPUBLIC

Official name	Dominican Republic
Total area	48,442 square Km.
Population (2016)	10,834,826 (Economic and Social Affairs Department of the United Nations)
Capital	Santo Domingo
Language	Spanish
Currency	Dominican Pesos (RD\$ o DOP)
Constitution	Democratic Government
Independence	February 27, 1844
Time Zone	GTM-0400 (Atlantic Standard Hour)
GDP per capita	7,393 USD (World Bank)
Principal industries	Telecommunications, Free Zones, Tourism, Mining, Agriculture, Construction, Bank.

LOCATION AND CLIMATE

Dominican Republic shares the territory of Hispaniola with Haiti. It is located in the eastern part of the island and occupies two thirds of it. It is the second largest island of the Greater Antilles in the Caribbean, after Cuba. Its land area is 48,442 square kilometers, including its adjacent islands. Among its most famous outlying islands are Saona, Beata, Catalina and Alto Velo.

The country is in the Tropic of Cancer. in the archipelago of the Antilles and is bounded on the north by the Atlantic Ocean on the south by the Caribbean Sea, on the east by the Mona Channel, which separates it from the island of Puerto Rico and on the west by the Republic of Haiti. Its geographical coordinates are 17° 36'- 19° 58' North latitude and 68° 19'-72° 01' West latitude.

The Dominican terrain is very rugged. 50% of the territory is occupied by five mountain ranges including three major mountain ranges, among them, the Central Mountain Range, where the highest point in the Antilles, The Pico Duarte, is located 3.187 meters. The rest of the surface of the lands consists of four large valleys, the principal being The Cibao Valley.

Its hydrography is composed of various lakes, ponds and rivers, some of which are of great interest to tourists, such as Lago Enriquillo.

The climate of the Dominican Republic is tropical, with annual average temperatures between 25 ° and 31 ° C. The coldest season is during the months of December to February, and the warmest, between May and October.

POPULATION

In the Dominican Republic, according to the last population census conducted in the country in 2010, there live about 9.5 million people, of whom 4,739,038 are men and 4,706,243 are women. The Economic and Social Affairs' Department of the United Nations registers a total of 10,834,826 for 2017, which is an increase of 12% compared to 2010.

The ethnic composition of the Dominican population is 73% mixed race, mostly mulatto, 16% white, and 11% black. The multiracial population is primarily a mixture between Europeans and Africans, but there is also a Taino element in the population. In addition, there are major foreign communities as Haitians and North Americans, but there are other foreign groups such as Puerto Ricans, Italians, Colombians, Chinese, Venezuelans, and others.

RELIGION

The official religion is Roman Catholicism, but there is absolute freedom of religion. Other religions and beliefs coexist harmoniously including Judaism, Buddhism and Islam.

LANGUAGE

The official language of the Dominican Republic is Spanish. However, due to constant and diverse immigration, in the country reside Haitian communities (French and/or Patois speaking), English-speaking and Chinese communities, among others. The English language is usually spoken in business and it is used as a second language in some educational institutions.

CURRENCY

The national currency is the Dominican Peso, which is divided into one hundred equal parts called cents. However, the cent coin is no longer in circulation.

The US dollar is used in almost all business transactions of the Dominican Republic. Of course, other currencies are accepted such as the Canadian (CAD) dollar and the euro (EUR), especially in tourist areas.

The issuance of the national currency, as stipulated in the Constitution, is the responsibility of a single autonomous entity: the Central Bank of the Dominican Republic, owned by the Dominican State. The current rate ranges around US\$ 1.00 = RD\$ 48.1930 for purchases and US\$ 1.00 = RD\$ 48.2993 for sales.

CAPITAL CITY

The city of Santo Domingo is the capital. It is the oldest city in the New World and as such has among other firsts: the first street, the first cathedral, the first university and the first hospital in the Americas.

However, Santo Domingo is a cosmopolitan city with boutique hotels located in old cobbled streets, avant-garde international cuisine and modern hotels overlooking the Caribbean Sea between traditional houses.

In 2010, the city was selected as the American Capital of Culture.

As a result of this, seven (7) treasures of the material cultural heritage of Santo Domingo, were chosen: El Alcázar de Diego Colón, La Catedral Primada América, La Fortaleza Ozama, El Museo de las Casas Reales, El Jardín Botánico , El Malecón y el Palacio de Bellas Artes.

TIME

The standard time of the Dominican Republic is UTC / GMT-0400, which corresponds to the Atlantic Standard Time (AST).

EDUCATION

Basic education is compulsory in the Dominican Republic, for the age group of six to fourteen (6-14) years and lasts for eight (8) years, organized in two (2) cycles of four (4) years each.

GASTRONOMY

Typical Dominican cuisine is quite similar to that of other Latin American countries; and predominantly it is a mixture of Spanish, Taino and African cultures.

TELECOMMUNICATIONS

The Dominican Republic has a good developed infrastructure, both for mobile telephony and fixed line telecommunications. Mobile telephony is used by 55% of the population (about 5.8 million) through the various phone companies in the country.

The cable internet and DSL are available in most parts of the country. Many Internet service providers offer 3G, 4G or LTE wireless Internet service.

The regulatory body for telecommunications in the country is the Dominican Telecommunications Institute (INDOTEL) (its acronym in Spanish). In September 2017, there were about 9,950,440 telephone usages. The Internet use decreased by 1.46% in compared to August of the same year.

ROAD INFRASTRUCTURE

- Highways: The Dominican Republic has five (5) major highways that link all the country's main cities. The main three (3) are the DR-1, in the northern region; DR-2 and DR-3, in the Southwest and East, respectively.

- Roads: The State has built regional and interregional highways to link tourist areas to urban centers and services areas.

- Ports: In the Dominican Republic There are twelve (12) ports scattered in the north, south and east of the country for economic and tourism business.

- Airports: The country has fourteen (14) international airports located all over the country.

TOURISM

The Dominican Republic has many tourist attractions that are visited by millions of tourists every year, from the United States, Canada, Europe, and Latin America.

The main tourist areas are Punta Cana, Bávaro, Uvero Alto, Puerto Plata, Bayahibe, Sosúa, Cabarete, Río San Juan, Samaná, Las Terrenas, Santo Domingo, Juan Dolio, Boca Chica, Jarabacoa, Constanza, La Romana, Bahía de las Águilas (Pedernales), Barahona, among others.

GOVERNMENT

The Dominican government system is based on the principles of democracy. It is a republican and presidential representative democratic system, as stated in the Constitution of the Republic. The President, Vice President and legislators are chosen by direct vote in elections held every four years. All Dominican citizens over 18 years have the right to vote.

The powers of the Dominican State are:

- The Executive power: this power is exercised by a President, a Vice President, and his Cabinet, which is composed of the Ministers of State chosen by the President.
- The Legislative power: it is exercised by a Parliamentary Congress composed of the Senate and House of Representatives.
- The Judicial power: is represented by the Supreme Court, the Appeal Courts, the Land Tribunals, the Courts of First Instance and the Justice Courts of Peace.

LEGAL SYSTEM

The Dominican Republic uses the Roman Civil system which is applicable in all countries of Latin origin. The system is based on the Constitution, codes and specific laws regulating different areas: civil, commercial, criminal, administrative, etc.

WEIGHTS AND MEASURES

The Dominican Republic uses the Metric System of Measurement.

BUSINESS HOURS

Normally, business offices open at 8:00 AM and stay open till 5:00 or 6:00 PM, with one (1) hour or two (2) of lunch. Working days are from Monday to Friday. National statutory holidays are as follows:

- January 1st/ New Year
- January 6st/ Three Wise Men
- January 21st/ Our Lady of Altigracia
- January 26st/ Juan Pablo Duarte's Birthday
- February 27st/ Independence day
- March-April/ Easter
- May 1st/ Labor day
- August 16st/ Restauration of Independence day
- September 24st/ Our Lady of Mercedes day
- November 6st/ Constitution day
- December 24st/Christmas eve
- December 25st/ Christmas day
- December 31st/ New Year eve

ECONOMIC INDICATORS

The main economic indicators for 2017 are reproduced below:

GDP 2017	75.4 Billions USD
GDP Growth Rate	4.5%
GDP per capita	7,3932 USD
Inflation rate	4.20%

investment factors

GOVERNMENT POLICY

According to the World Bank the economic growth of the Dominican Republic has been one of the strongest in Latin American & Caribbean (LAC) in the last twenty-five (25) years. During the first quarter of 2017, the economy expanded by 5.2%, after an average annual growth of 7.1% between 2014 and 2016. This strong growth has occurred within a framework of a clear macroeconomic equilibrium and responsibility economic and policies.

The Dominican Republic has experienced economic development in recent years, and today has a highly diversified, vibrant and modern economy. It offers an extraordinary opportunity for profitable and successful businesses, including a solid judicial system, political, social and economic stability. It also has a highly productive and highly competitive infrastructure, attractive government incentives and excellent human resources.

The Dominican Republic is one of the six (6) countries in the world with free trade agreements and preferential market entry of the United States (DR-CAFTA) and the European Union (EPA) with very flexible rules of origin. It has preferential access to more than 876 million consumers worldwide.

Our country has laws that offer attractive incentives for foreign investment in the country, in the framework of the Foreign Investment Law, No. 16-95, which provides equal treatment to foreign and Dominican investors, free repatriation of

capital and transfer of technology considered to be an investment.

The Export and Investments Center of the Dominican Republic (CEI-RD) is the official agency responsible for the promotion of international trade and foreign direct investment (FDI). All foreign investments must be registered at CEI-RD. Foreign investors must notify the CEI-RD within 180 days of placing an investment in the country, and will then automatically obtain a Certificate of Foreign Investment Registration.

Some laws that offer attractive incentives are: Law No. 57-07: Incentives for renewable energy and special regime establishes the basic regulatory framework, to be applied throughout the nation, to encourage and regulate development of and investment in projects that develop renewable sources of energy and seek to benefit from such incentives; Law No. 8-90: Development of free trade zone export incentives Grants free zone companies a 100% exemption of ITBIS (IVA) and others, for a 15-year period; Law No. 171-07: Retirees and annuitants of foreign sources Establishes certain benefits and exemptions for foreign retirees and self-supporting foreigners who wish to reside permanently in the DR, provided that they meet the requirements and conditions set by this law

The Dominican Republic has become a regional center for attracting Foreign Direct Investment (FDI), which amounted to US \$ 17.6 billion in the last nine years.

The UN Economic Commission for Latin America and the Caribbean (ECLAC) said that the Dominican Republic received 49 percent of all Foreign Direct Investment (FDI) in the Caribbean region during 2016.

INVESTMENT MARKET:

Dominican Republic offers to investors:

- Several integration agreements with large markets that facilitate international trade.
- Constant economic growth based on exports, investment and services.
- Lower risk, compared with other countries in the region, based on the economic growth.
- Investment opportunities in various sectors of the national economy.

LEGAL ENVIRONMENT:

The legal framework for foreign investment in the Dominican Republic experienced a major change with the enactment of Law 16-95 on Foreign Investment, in November 20, 1995, and its implementing regulations contained in Presidential Decree 380-96, then modified by Presidential Decree 163-97. The addition of this new legislation has allowed the Dominican Republic to have a legal framework that offers greater benefits and security to the foreign investor.

INVESTMENT SECTORS

Dominican Republic offers investment opportunities at all levels: from a beach bar to a five-star hotel, from a small pasta factory to a textile company, from a garage to a nickel mine.

Policies promote the attraction of foreign investment through a legal framework that does not discriminate against foreign or national investors. There are no

restrictions on foreign ownership or mergers, acquisitions or joint ventures.

The main sectors of investment are:

• Mining:

International mining publications describe the Dominican Republic as follows: "Premier Mining Destination-Dominican Republic". The Dominican Republic is host to world-class gold and base metal mines and deposits. In 2016 the biggest exports were of Gold, which represented 18.8% of the total exports of the Dominican Republic

• Free Trade Zones:

The Dominican Republic has about sixty-eight (68) industrial parks and about six hundred and forty-five (645) companies which contribute significantly to the national economy providing one hundred and sixty thousand employment posts.

• Tourism

According to the Ministry of Tourism of the Dominican Republic, 6,200,000 non-resident visitors traveled to the country in 2017. In 2016, most of the flights landed at the Punta Cana airport, that is, 52.74% of all air traffic; Santo Domingo was the second destination, with 27.57%, followed by Santiago, with 10.26%; Puerto Plata, with 6.69%; La Romana, with 1.59% and Samaná with 0.97%. The country has around 737 hotels and 75,030 rooms.

• Other strategic investment sectors

In addition to the above mentioned sectors, the following are highlighted as strategic sectors for investment call centers, shoe industry, renewable energy, film and agricultural production. Dominican Republic offers zero tax rates to investors in agricultural production.

economy

PRICES

According to statistics of the Central Bank of the Dominican Republic, during the past five years, the country has enjoyed a steady growth of its Gross Domestic Product (GDP) combined with price index (CPI) stable.

COMMERCIAL AGREEMENTS

The Dominican Republic benefits from preferential programmes granted by several countries, among which are the United States, Canada and the European Union. These programmes are unilateral, i.e. granting tariff preferences for Dominican products without requiring the same treatment to products from these countries when entering Dominican territory.

The following are the trade and tariff programmes from which the Dominican Republic benefits:

- Generalized System of Preferences (GSP):

The advantage of these preferential trading schemes is that products are granted free entry without quantitative or other barriers.

- Free Trade Agreements:

The Dominican Republic benefits from free trade agreements it has signed with the countries of Caribbean Community, Central America, Panama, the United States and the European Union.

- Free Trade Agreements signed by Dominican Republic :

a) Free Trade Agreement between Dominican Republic and Caribbean Community (ALCRD CARICOM).

b) Free Trade Agreement between Dominican Republic and Central America (ALC RD - Centro America).

c) Partial Agreement between Dominican Republic and Panamá (AAP RD - Panamá).

d) Free Trade Agreement between the US, Central America and the Dominican Republic (DR-CAFTA).

e) Economic Partnership Agreement between the countries of the European Union and the countries of Cariforum (EPA)

- (DR-CAFTA):

The Dominican Republic has signed the Central American Free Trade Agreement (DR-CAFTA). It is a free trade agreement whose primary aim is to create growth and diversification of trade in the region; to eliminate trade barriers and to improve the

movement of goods and services to create an environment of fair competition in the free trade area, to expand investment opportunities and to enforce intellectual property rights.

regulatory agencies

FINANCIAL SYSTEM

The Dominican financial system is administered by the Monetary and Finance Board, which is made up of the Central Bank of the Dominican Republic (CBDR) and the Superintendence of Banks.

It is the function of the Monetary Board to determine the monetary, exchange and financial policies of the nation. The central bank's function is to execute the monetary, exchange and financial policies determined by the Monetary Board.

The Superintendence of Banks has the responsibility for carrying out, with full functional autonomy, the supervision of financial intermediaries.

The Dominican financial system traces its origins to 1947 with the enactment of a package of monetary and banking laws.

Currently, the Dominican financial system is composed of ten (10) Savings and Loans Associations, one (1) State Bank, Twelve (12) Credit Corporations, eight-teen (18) Savings and Loan Banks, and eight-teen (18) Commercial Banks.

International participation is represented by branches of Bank of Nova Scotia (Canada) and Citibank (United States), in addition to the Savings and Credit Promérica Banks (Panama) and Bancamérica, Banesco and Activo (Venezuela).

The share of Dominican companies in the Financial System is 93% , indicating that the financial sector is clearly in Dominican hands.

STOCK EXCHANGE OF THE DOMINICAN REPUBLIC

Law 35-53 of 1953 established the National Stock Exchange and the National Securities Commission. The presence of a developed and dynamic capital market is one of the main manifestations of a growing economy, as it reveals the presence of an active pathway for channeling savings into investment in productive areas.

During the past five years Dominican Republic has been taking firm steps towards the consolidation of a market with sufficient vitality and independence. Every day the value of quoted securities increases and are validated in the operations market with more innovative instruments.

The supervisory structure of the Stock Exchange of the Dominican Republic is composed of the Securities Market and the National Securities Council.

The Superintendence of Securities is responsible for the dissemination of information concerning the market, which leads to a public register of issued securities, issuers and all market participants.

The National Securities Council is a collegiate organ, to which can be appealed administrative decisions of the Securities Superintendence. It acts as a superior organ.

FOREIGN CURRENCY EXCHANGE AGENTS

The country had forty-five (45) Exchange Agents as at December 2017.

FOREIGN CURRENCY EXCHANGE CONTROL

Market operations to buy, sell and exchange currency are regulated by the Superintendence of Banks of the Dominican Republic, which is responsible for supervising and monitoring foreign exchange operations and ensuring that operations are framed within the principles of convertibility and transferability, which allow greater efficiency and competition in the exchange market, consistent with a free-floating exchange rate regime.

There are no restrictions to the free convertibility and exchange of foreign currencies.

Laws and Dominican regulations on exchange transactions in foreign currency require that any transaction that exceeds the amount of US\$15,000.00 (fifteen thousand USD) for the purchase, sale or exchange of currency must be reported to the Financial Analysis Unit (UAF) by the agent or institution that handles the transaction.

labor law

Labor relations in the Dominican Republic are governed by Law No. 16-92 of May 29, 1992, commonly known as the Labor Code of the Dominican Republic, as amended, as well as its implementing regulations No. 258-93. The Ministry of Labor is the body responsible for implementing labor standards.

- **Wages:**

The amount of the salary is that which has been agreed upon in the work contract. Cannot be less than the minimum wage legally established.

- **Working Hours:**

The normal duration of the working day is that determined in the contract. It may not exceed eight hours per day or forty-four hours per week. The weekly working day ends at twelve o'clock on Saturday.

Daytime work is that between seven (7:00AM) in the morning and nine (9:00PM) at night. Night work is that between nine (9:00PM) in the evening and seven (7:00AM) in the morning. A mixed day is that which includes periods of the day and night, provided that the night period is less than three (3) hours; otherwise it is considered a night shift.

COMPOSITION OF THE WORKFORCE

At least Eighty percent (80%) of the total number of workers in a company should be Dominicans. Likewise, the wages earned by Dominican workers of a company should amount, together, at least, to eighty percent, of the value of the payment of all staff. Administrators, managers, directors and other persons exercising management functions will preferably be Dominicans.

LABOR RIGHTS

Every employer is obliged to pay employees, not later than December 20 of each year, a Christmas salary, namely twelfth of the salary earned by an employee in the calendar year.

It is mandatory for all companies to grant a share equivalent to 10% of annual net profits or benefits to all employees. However, this contribution may not exceed the equivalent of forty-five (45) days of salary for workers who have served for less than three (3) years and 60 days of salary for employees with more than three years.

The employer is required to grant the employee leave with pay in the following cases: a) Marriage: five (5) days; b) Death of father, mother, grandfather, son, spouse or partner(s): three (3) days; c) birth of a son or daughter: two (2) days.

MATERNITY LEAVE

A pregnant worker is entitled to a mandatory rest or maternity leave during the seven (7) weeks preceding the expected date of delivery and seven (7) weeks that follow the delivery.

VACATIONS

Employers are obliged to grant every worker a vacation period of fourteen (14) working days with pay, according to the following scale:

- After a continuous work of not less than one (1) year nor more than five (5), fourteen (14) days of ordinary salary;
- After continuous work of not less than five (5) years, eighteen (18) days of ordinary salary.

TYPES OF EMPLOYMENT CONTRACTS

According to the Dominican labor law employment contracts may be: a) indefinite, b) for some time, c) for a specific task and d) work or service for a period of time.

SOCIAL SECURITY AND PENSIONS FUNDS

The Dominican Social Security System is governed by Law 87-01, it makes affiliation compulsory (without discrimination of salary level) to all employees and employers. Both the employee and the employer contribute jointly to pay contributions according to the percentages established by the law, both for health insurance and for pension insurance, disability and survival (Pension Fund); while insurance contributions for occupational risks (occupational diseases and accidents at work) correspond exclusively to the employer.

The employer pays 7.09% of Family Health Insurance (SFS) and 7.10% of Disability and Survivors Funds (SVDS). The employee pays 3.04% of Family Health Insurance (SFS) and 2.87% of Disability and Survivors Funds (SVDS).

FRINGE BENEFITS

Non-cash compensations given to employees (benefits in kind) are taxed at a 27% rate in 2017, levied on the employer. This compensation includes cars, housing, relocation expenses, club memberships, among others.

FOREIGNERS IN DOMINICAN REPUBLIC

Foreigners can reside temporarily or permanently in the Dominican Republic

through obtaining the necessary visa in the Dominican consulates.

- **Tourist Visa:** This type of visa is issued for cultural trips and attendance to conferences or conventions. This Visa Shall be valid for 60 days for a single entry or multiple entries. Beneficiaries cannot perform any lucrative activities in Dominican territory.

- **Business Visa:** Business visas are issued for business and professional or commercial activities. It is awarded for sixty (60) days and may be automatically renewed, at request, within a period of 60 days of validity, without the express authorization of the Ministry of Foreign Affairs. If a person needs to travel to the country more often, he or she can get a business visa with multiple entries valid for one year, without staying in the country more than two consecutive months.

- **Business Visas for employment purposes:** Business visas for employment purposes are granted to those who by nature of their occupation stay for a year in the country, without necessarily having to go abroad. They are generally granted to persons who fulfill fixed-term contracts, in public or private companies established in the country and may be renewed for an equal period of time, while the contract is in force in each case.

- **Resident Visas:** They awarded for purposes of establish residence in the Dominican Republic permanently. They have an initial term of 60 days and are valid for a single entry. Once in Dominican territory, a holder of this visa must apply to the Department of Migration to formalize the procedures of residence and must complete additional requirements.

accounting and audit requirements

ACCOUNTING

The accounting principles followed in the DR are those established by the Institute of Certified Public Accountants of the DR (ICPARD). Under Minute No. 2010- 004 (Resolutions 001 and 002), the ICPARD adopted the International Financial Reporting Standards (IFRS) in Spanish version for companies that are listed in the Superintendence of Securities or International Financial Reporting Standards for Small and Medium Size Entities (SMEs) for the remaining companies as the accounting standard for companies operating in the DR.

Regulated companies must follow the accounting standards established by their respective regulatory bodies. The ICPARD established January 1, 2014 as the date by which all companies operating in the DR should be following the IFRS or IFRS for SMEs, to allow adequate time for companies to adopt the new principles.

New standards, amendments and interpretations issued by the International Accounting Standard Board (IASB) should be applied six months after they have been translated into Spanish.

AUDIT REQUIREMENT

Art. 33/Law no. 31-11 of February 10, 2011, which amends the Law No. 479-08, regulating commercial entities and limited companies, indicated that companies should be required to prepare audited financial statements if one of the following conditions is met:

- Borrows from financial institutions or financial intermediaries.
- Issues any type of security.
- Shows annual income more than 100 times the official minimum salary.

In addition, companies are required to elect Statutory Auditors (Commissioners) to oversee management's actions on behalf of stockholders for S.A and optional for S.R.L.

The DR follows the International Auditing Standards issued by the International Auditing and Assurance Standards Board.

type of business organizations

According to Dominican law, the following types of commercial companies can be formed:

- Limited Company or Simplified Corporation (SAS by its acronym in Spanish)

The Law defines the Corporations as an existing association between two or more persons under a Company name and consists exclusively of partners whose liability for economic losses of the company is limited to its contributions.

Its capital will be represented by essentially negotiable securities called shares, which shall be fully subscribed and paid to the company prior to their release.

- Limited Company Simplified
This is a company created as a sub-type of the Corporation called as Limited Company Simplified. This corporate vehicle has the limitation that it cannot issue publicly offered securities.
- Limited Liability Company (SRL by its acronym in Spanish)
These types of Companies are formed by two or more persons via contributions from all, who are not personally liable as shareholders for the debts incurred by the company.
- General Partnerships
A type of partnership that exists under a corporate name and where all partners are in business and are jointly responsible for all obligations generated by the company that is they are even liable with all their personal property for the present

and future debts incurred by the business or any of its members.

- Simple Limited Partnership
This type of partnership exist under a company name and consist of one or more general partners who are jointly responsible for all its obligations, and one or more limited partners who are only obliged to pay their capital contributions.
- Companies Limited by Shares
These types of partnership are composed of one or more general partners who have the quality of traders and are indefinitely and severally liable for the debts; and limited partners that are shareholders and only are liable for economic losses or debts of the company in the proportion of their contributions, ie the amount paid for their shares. The share capital is divided into shares. In all cases, the number of limited partners may not be less than three (3).
- Individual Limited Liability Company (EIRL)
This kind of company corresponds to a sole physical person and is an entity with legal personality, capable of being entitled to rights and obligations which are, independent of the owner of the Company.
- Foreign Companies
Articles 8 and 11 of Law No. 479-08 (as amended by Law 31-11) clarify the provisions relating to registration in the Mercantile Registry and the obligation of registration in the National Taxpayers Registry of foreign companies, in case acts of commerce exercised generate tax

obligations in the country and that such registration is required by the laws and tax regulations.

Commercial companies duly constituted abroad will have, as business address, the main commercial property or the office of their representative in each jurisdiction of the Country. Commercial companies incorporated abroad must register their business address when they are inscribed of the Mercantile Register.

Commercial companies duly constituted abroad, will be recognized full-fledged, after verification of their legal existence by the corresponding authorities, in accordance with the formalities established.

INCORPORATION PROCEDURE OF A LOCAL ENTITY:

Dominican Republic procedures of a local entity:

- Register the company name at the Trademark Office (ONAPI) and obtain the Business Name Certificate.
- Pay capitalization tax to tax authorities (branches are not required to make this payment).
- Submit to the Chamber of Commerce: - The articles of incorporation; - The list of shareholders and copies of their IDs or passports; - Documentation of the first general shareholder's meeting.
- Obtain mercantile registration certificate from the Chamber of Commerce.
- Submit the RC-02 form to tax authorities and obtain the tax identification card.

BRANCH AND/OR PERMANENT ESTABLISHMENT:

A branch is created upon its registration with the Chamber of Commerce, whereas a permanent establishment (PE) is a fixed

place where the business of the enterprise is wholly or partly conducted, such as: management offices; branches; a mine, oil or gas well, quarry or other location for extraction of natural resources; assembly projects, including monitoring the activities thereof; construction of or sales management of machinery or equipment when the cost exceeds 10% of the purchase price of such goods; business consulting services provided in excess of six months within a fiscal year; offices for staff or free-lance representatives or agents, when the latter work exclusively or almost exclusively on behalf of the company. If a PE develops, the foreign company is subject to registration with the Chamber of Commerce and tax authorities. Both the branch and/or PE are considered an extension of the parent company. A PE has the same characteristics as a branch for tax and legal purposes.

Registration procedure Submit to the Chamber of Commerce the following documentation:

- The Articles of Incorporation;
- An Updated Certificate of Incorporation of the parent company;
- A power of attorney issued by the company designating a representative in the DR, including authorization for registering the branch and establishing the domicile in the DR.
- Copies of the ID's or passports of the main shareholders and members of the board of directors. - (Note: These documents need to be legal IDs in the country of origin and translated into Spanish by an official translator in the DR.)
- Obtain Mercantile Registration Certificate at the Chamber of Commerce.
- Obtain Tax Identification from tax authorities by submitting the RC-02 Form.

taxation regime

GENERAL FRAMEWORK

The System of taxation of Dominican Republic is organized according to the Tax Code, adopted by Law No. 11-92, dated May 16, 1992.

The administration of internal taxes and the application of rules and tax laws is the responsibility of the Directorate General of Internal Taxes (DGII, by its acronym in Spanish), an institution with legal personality, administrative, technical, budgetary and functional autonomy, and its own assets. The DGII with the Directorate General of Customs (DGA) forms the Tax Administration, under the guidance and supervision of the Ministry of Finance.

FISCAL YEAR

The Tax Code of Dominican Republic establishes four (4) dates of annual fiscal closing for companies or corporate entities, which concluded on December 31, September 30, June 30 and March 30.

CORPORATION TAX AND LEGAL ENTITIES

• Income Tax:

Companies domiciled in the country will pay 27% on their net taxable income each year (fiscal year ended on 31 December 2017).

• Tax on assets:

This tax is levied at 1% of the assets of Companies after applying deductions for depreciation, amortization, and the tax payment in advances.

• Taxes on Real Estate:

This tax is applied on those buildings for housing, commercial and industrial activities, belonging to natural or physical persons, including land, whose value

exceeds DOP7,138,384.80. The percentage of this tax is 1% of the value of real estate. They are adjusted annually for inflation.

• Capital Gain Tax:

Capital gains received by the taxpayer are subject to tax on income of 27%. The Dominican Tax Code defines capital gain as the difference between the sale price of a capital asset and its acquisition price or production cost adjusted for inflation. In the case of assets subject to depreciation, the rate of inflation is applied to the residual value adjusted for inflation

• Dividends:

Whoever pays or credits into account dividends or otherwise distributed profits of Dominican source to individuals, Companies or entities, resident or non-resident must withhold and pay to the tax authorities, as the sole definitive payment, ten percent (10%) of that amount.

• Payments abroad in general:

Whoever pays or credits into account taxable income from Dominican sources to non-residents or persons domiciled in the country, other than interest paid or credited into the accounts foreign financial institutions, or dividends, shall withhold and pay to the Administration, as a sole and final payment of tax, 27% of such income.

• Tax on the Transfer of Industrialized Goods and Services (ITBIS, by its acronym in Spanish).

This tax is levied on the transfer and import of industrialized goods, as well as the provision and location of services. The tax rate is 18% on the price of the taxable transfer or service.

• Tax on inheritances and donations

The rate payable for successions is 3%

calculated on the value of the sum total of the inheritance, after making the appropriate deductions. Donations are subject to the payment of 27% of the value of donated goods.

- **Tax on transfer of Real Estate:**

Real estate transfers are subject to a flat tax of 3% of the greater of the value in the terms of the contract of sale or exchange, and the value assigned by the Directorate General of Internal Revenue (DGII).

- **Excise Tax:**

This taxes transfers of some domestic goods at the manufacturing level, and the import and the rendering of services. This tax is levied at 10% on communications, specific amounts per liter of absolute alcohol and specific amounts for cigarette packs. Additionally, this tax is levied at 16% general insurance, for payments by check 0.15%.

- **Tax on bank transfers and checks:**

This tax is levied on payments carried out through bank transfers and checks. The tax authorities collect RD\$1.50 for each RD\$1,000.00 paid using these channels.

- **Tax on the Incorporation of Companies:**

The incorporation of limited liabilities companies is subject to the payment of a tax of one percent of the corporate, with a minimum tax of DOP\$1,000.

- **Personal Income Tax rates:**

Individuals pay tax on income in excess of DOP416,220 Dominican Pesos. The personal Income Tax rate in Dominican Republic stands at 25 percent. Taxable income brackets are adjusted annually for inflation. Only educational expenses can be deducted for income tax purposes.

- **Double Taxation Treaties:**

The Dominican Republic has signed and ratified two double taxation treaties: with Canada, in 1977, and with Spain, in March 2014. The treaty with Canada only covers income taxes. The new treaty with

Spain deals with income and capital gains taxes only.

- **Transfer Pricing Rules:**

The Dominican Republic has established transfer pricing rules modeled on guidelines issued by the Organization of Economic Cooperation and Development (OECD). These rules will apply when a resident company or individual enters into a commercial or financial operation with (a) a related company, or (b) companies or individuals that are domiciled in States or Territories with preferential tax systems (low or zero taxation) or blacklisted jurisdictions, regardless of whether they are related or not. From the obligations perspective, an information return is required to be filed no later than 60 days after filing of the corporate tax return.

- **Foreign Accounts Tax Compliance Act (FATCA):**

The Internal Revenue Service (IRS) of the United States and Dominican Republic's Directorate General of Internal Taxes (DGII) have begun a process to exchange bilateral financial and tax information as part of the Foreign Accounts Tax Compliance Act (FATCA) of 2010. FATCA requires that financial institutions in other countries make available information about the accounts of US citizens, residents, companies, estates and trusts, to tax authorities in the United States to verify their tax compliance.

The Dominican Republic and the United States have reached an intergovernmental agreement (IGA) in substance by which Dominican financial institutions will report all FATCA-related information to DGII, which will then report it to the IRS. The IGA adopted is reciprocal, meaning that the United States will provide information about Dominican residents to the DGII in exchange for the information received.

HLB in Dominican Republic

HLB SANTO DOMINGO DR AUDITORES & CONSULTORES

HLB Santo Domingo DR Auditores & Consultores is a company organized and constituted according to the laws of the Dominican Republic, founded in 1999. We belong to a global network of independent firms with presence throughout the world, made up of expert accountants and consultants.

Since 2001, we have been the representative firm of HLB International in the Dominican Republic and Haiti. As members of HLBI, our firm has access to all resources worldwide and the duty to comply with all the professional standards and quality controls established by it, as well as the due training of all its professional staff. Our professionals are trained to provide a wide range of integrated services of Audit, Business and Tax Advisory, both to local and international clients, focused on the variety of industries operating in the Dominican Republic and Haiti.

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