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ABOUT THE DOING BUSINESS GUIDE

The aim of this Guide is to provide investors with the essential information about the macroeconomic environment, investment climate and the main business regulations of the Dominican tax system in order to promote understanding of the current situation, which will facilitate the establishment of new businesses and projects around the country.

WHY THE DOMINICAN REPUBLIC?

The Dominican Republic offers multiple business and investment opportunities for nationals and foreigners that create a favorable economic, political, social and logistical framework for the development of projects at the national level. This has helped the Country to become one of the most attractive options throughout the Central America and Caribbean region, consolidating itself as the main recipient of Foreign Direct Investment throughout the Caribbean and becoming the most expanding economy in Latin America, Central America and the Caribbean in recent years, with GDP growth of 5% year-on-year in 2019.

The global health crisis caused by the COVID-19 had a significant effect on the performance of economies globally during 2020. Despite this, the Dominican Republic managed to face the crisis through safeguard measures for the economic and social well-being of the country, this without negatively affecting the interest of investors.

ABOUT MEJÍA LORA & ASOCIADOS

Mejía Lora & Asociados is a prestigious firm of authorized public accountants that has been operating since 1983 offering auditing, tax, administrative and financial consulting services, as well as accounting and organizational development services, with high quality standards at international level. The firm is consolidated with a solid family base, made up of highly qualified personnel and with an internal quality system certified under international standards ISO 9001:2015.

Mejía Lora & Asociados is a member of BKR International, a remarkable global association of independent auditing and tax consulting firms that ensures cross-border cooperation, made up of 155 firms associated with more than 266 offices in 81 countries around the world.

The content of this guide should not be taken as a reflection of the point of view or recommendations of Mejia Lora & Asociados (MLA) regarding investment decisions. The information contained in this guide is presented for informational purposes only and based on public information available as of the date of issue.

If you require a professional recommendation or specialized service, do not hesitate to let us know. In this case, we will proceed to send you a formal written representation signed and stamped together with the letter of commitment-proposal of the requested service.
Our services

- **Audit and Assurance**
  - Financial statements audits.
  - Financial statements reviews and compilation.
  - Internal control analysis.
  - Operational reviews.
  - Agreed-upon procedures.
  - Forecast and projections.

- **TAX**
  - Tax planning.
  - Tax compliance.
  - Business and Individual taxes.
  - Tax Authority examinations assistance/representation.
  - International transactions and Taxation services.
  - Tax alerts.
  - Tax impact of buying or selling a business or real estate.

- **Client Accounting Services (CAS)**
  - Bookkeeping services.
  - Payroll processing and reporting.
  - Monthly tax forms reporting.

- **Business and Financial Consulting**
  - Business consulting and agreed procedures.
  - Business plans, feasibility studies and business valuation.
  - Financial planning.
  - Mergers and Acquisitions advisory.
  - Financial structure analysis.
  - Business strategy consultancy.

- **Organizational Development**
  - Business strategy.
  - Internal audit.
  - Business process management.
  - Organizational design.
  - Compliance with anti-money laundering and terrorism financing law and regulations.

- **Asset Protection**
  - Advisory for trust and private interest foundations creation, among others.

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**Website:**
[www.mejialora.com](http://www.mejialora.com)
[www.brk.com](http://www.brk.com)
## DOMINICAN REPUBLIC PROFILE

<table>
<thead>
<tr>
<th>National flag and emblem</th>
<th>![Flag and Emblem]</th>
</tr>
</thead>
</table>

### Geographic Zone
- The Caribbean, central Greater Antilles area. Coordinates: 18 ° 28'35" N 69 ° 53'36" W

<table>
<thead>
<tr>
<th>Area</th>
<th>48,442 km²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Territorial division</td>
<td>31 Provinces and 1 National District</td>
</tr>
<tr>
<td>Capital city</td>
<td>Santo Domingo</td>
</tr>
<tr>
<td>Official language</td>
<td>Spanish</td>
</tr>
<tr>
<td>Religion</td>
<td>Catholic/Protestant</td>
</tr>
</tbody>
</table>

| Estimated population | 10.5 Million (2021) |
| Population growth average | 1% annually |
| Life expectancy | 75.89 years (2018) |

### Human Development Index (HDI) (a)
- 0.756 out of 1.000 - HIGH (2019) / Latin America average 0.766

### Economically active population (EAP) employed (b)
- 56% (April-June 2020)

### Gini coefficient (b)
- 45.3 (2019) / 46.2 Latin America average (2019)

### Position held in the World Bank’s Doing Business report (c)
- 115 (2020)

<table>
<thead>
<tr>
<th>Currency</th>
<th>Dominican Peso (DOP or RD$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD 1.00 = DOP 58.17 (Jan. 2021)</td>
<td></td>
</tr>
</tbody>
</table>

### Average currency devaluation (last 5 years)
- 5% YoY vs. USD

### Gross Domestic Product (GDP)
- DOP 3.2 Million (Sep. 2020)

### Average GDP growth rate (2015-2019)
- 6.1%

### Foreign Direct Investment (FDI)
- USD 2.05 million (Sept. 2020)

### Inflation rate measured by the Consumer Price Index (CPI)
- 5.55% (Sept. 2020)

### Monetary Policy Interest Rate
- 3.0% (Jan. 2021)

### Average yield on government bonds issued in USD
- 4.02% / 8 years --- 4.65% / 19 years. -BB (Fitch ratings)

### Interbank interest rate
- 3.6% (Jan. 2021)

### Average active interest rate on DOP business loans
- 10.21% (2020)

### Average passive interest rate on +5 years DOP deposits
- 7.05% (2020)

### Business tax rate
- 27% on income or 1% on assets (2021)

### Main economic sector
- Services

<table>
<thead>
<tr>
<th>Form of government</th>
<th>Representative democracy</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>Luis Abinader Corona</td>
</tr>
</tbody>
</table>

### Installed energy capacity
- 4,506.04 mw (2019) – on average, 91.04% of the demand is satisfied

---

(a) IDH: is an index that measures key dimensions of human development: A long and healthy life, Access to education and a decent standard of living.

(b) Gini coefficient: is a measure of statistical dispersion intended to represent the income inequality or wealth inequality within a nation or any other group of people. The higher the result is the greater the inequality is.

(c) Doing Business rank: presents quantitative indicators on business regulations and the protection of property rights that can be compared across 190 economies. covers 12 areas of business regulation: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency, regulation on employing workers and contracting with the government (the last two are not included in the score for the rank).
MACROECONOMIC ENVIRONMENT
Prior to the global health crisis caused by the Corona Virus (COVID-19), the Dominican Republic’s economy managed to become the most expanding economy in the Latin American, Central America and Caribbean region, with GDP growth of 5% year-on-year in 2019. The negative effect of the health crisis on the Dominican economy is reflected in the decrease in the monthly indicator of economic activity (IMAE), which recorded a year-on-year variation of -5.6% in September 2020, resulting in a year-on-year decline of -8.1% in GDP. A 6% contraction in the IMAE is expected at the end of 2020 (the largest contraction in the last 50 years of the country). The economic activities most affected by the crisis were hotels, bars and restaurants, construction, mining, transport and storage, among others.

**Economic Sectors**

The economy of the Dominican Republic is made up of 3 sectors: services, industries and the agricultural sector, being the services sector the one with the highest contribution to the economic value added to the national GDP (this indicator measures the value created by each sector and added to the economy). During the last 5 years this sector has contributed approximately 65% of the value of the national GDP. It is followed by Industries with 29% contribution and finally Agriculture, with 6% contribution to the GDP.

Below we present the behavior of these sectors during 2020:

**Services, Jan-Sept 2020**

| Commerce | 18% |
| Real estate activities | 14% |
| Transportation and Storage | 14% |
| Other services | 12% |
| Teaching | 9% |
| Financial activities | 8% |
| Hotels, bars and restaurants | 7% |
| Public Adm, and Defense | 7% |
| Health | 7% |
| Energy and water | 3% |
| Communications | 2% |

**Industries, Jan-Sept 2020**

| Construction | 41% |
| Local manufacturing | 39% |
| Free Zones manufacturing | 12% |
| Mining | 7% |

**Agricultural, Jan-Sept 2020**

| Farming | 68% |
| Livestock, silviculture and fishing | 32% |

*Source: Own elaboration from BCRD data.*
Inflation Rate

The cumulative rate of inflation, as of December 2020 measured by the variation in the Consumer Price Index (CPI), stood at 5.55%, slightly above the target set by the Dominican Central Bank of 4.0% ± 1.0% over the last 5 periods:

Monetary Policy Interest Rate

In January 2021, the Central Bank of the Dominican Republic that it would maintain the monetary policy interest rate at 3.00% per annum. This is less than 1.50% compared to what it was in January 2020.

Exchange Rate Behavior

Generally, year after year the exchange rate of foreign currencies with respect to the national currency (Dominican Peso) presents an upward trend. The following table shows the behavior of the exchange rate in the last 3 years in relation to the main foreign currencies:

<table>
<thead>
<tr>
<th>Year</th>
<th>US Dollar - USD</th>
<th>Annual average</th>
<th>January</th>
<th>December</th>
<th>Year´s variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>49.4315</td>
<td>48.3346</td>
<td>50.1472</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>51.2027</td>
<td>50.2900</td>
<td>52.8421</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>56.4657</td>
<td>53.0417</td>
<td>58.0765</td>
<td>9%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Euro - EUR</th>
<th>Annual average</th>
<th>January</th>
<th>December</th>
<th>Year´s variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>58.3535</td>
<td>58.8935</td>
<td>57.0710</td>
<td>-3%</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>57.3080</td>
<td>57.4261</td>
<td>58.7036</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>64.5695</td>
<td>58.8553</td>
<td>70.6705</td>
<td>20%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Pound Sterling - GBP</th>
<th>Annual average</th>
<th>January</th>
<th>December</th>
<th>Year´s variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>65.9643</td>
<td>66.6707</td>
<td>63.5919</td>
<td>-5%</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>65.3479</td>
<td>64.8275</td>
<td>69.3082</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>72.4969</td>
<td>69.3090</td>
<td>77.8647</td>
<td>12%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own elaboration from BCRD data.
International Trade and Trade Balance

The Dominican Republic has a prominent presence in international trade, since due to its high export and import potential and wide variety of exportable products it has established itself as the second country with the highest export volume and the first with the highest import volume in the Caribbean region.

National exports of goods during January – September 2020 amounted to USD 7,494.7 million, which constitutes a reduction of 10.2% compared to the same date of the previous year. This reduction is mainly due to:

- 18.4% decrease in industrial exports: Standing out steel rods exports (-79.5%) aircraft fuel (-62.7%).
- 6.7% decrease in agricultural exports: Standing out plantains exports (-65.8%), sweet potatoes (-36.7%) and coffee beans.
- 9.1% decrease in exports of Industrial Free Zones.

The historically most exported product groups during the 2010-2019 period measured by their accumulated annual amount are medical and surgical equipment, gold, textiles, electrical products, tobacco manufactures, jet fuels and other industrial exports.

Regarding to domestic imports, these amounted to USD 9,558.2 million, showing a year-on-year reduction of 19.8% representing a decrease of USD 3,009.3 million compared to the same period in 2019. This decrease is due to:

- Year-on-year contraction of oil imports by 47.6% as a result of the fall of oil prices and its derivatives in international markets, as well as a 24.8% decrease in imported volume.
- Decrease in 21.9% in imports of consumer goods.
- Decrease of 17.6% in raw material goods.

The historically most imported product groups during the 2010-2019 period measured by their accumulated annual amount are petroleum and derivatives, durable consumer goods (automobiles, household appliances, others), processed or semi-finished food products, industrial raw materials and spare parts for machinery and gadgets.
International Agreements

The Dominican Republic is a member of important trade agreements that promote the globalization of international markets and follow a regional integration scheme by signing free trade agreements. This allows companies and entrepreneurs to conduct business with tariff preferences and fewer entry barriers and exit limitations to and from the markets of the major trading partners. The following are the international agreements signed by the country:

- Dominican Republic, Central America and United States Free Trade Agreement (DR-CAFTA).
- Free Trade Agreement between the Dominican Republic and the Caribbean Community (TLCARICOM).
- Dominican Republic-Central America Free Trade Agreement (CAFTA-DR).
- Commercial Treat between the Dominican Republic and the Republic of Panama (Partial AAP Scope).

Foreign Direct Investment (FDI) Flows

Historically, the Dominican Government has taken a positive stance towards foreign direct investment fostering a highly attractive environment for international investors. In this regard, it has developed policies that reduce bureaucratic procedures and offer interesting tax incentives that reward investors in different economic sectors, this with a non-discriminatory treatment that assures equal treatment to nationals and foreigners in accordance with the constitution and current investment laws.

Through Pro Dominicana (Dominican Republic Export and Investment Center), the Dominican Government offers free advice and assistance to local and foreign companies and entrepreneurs regarding capital investment in the country and export of Dominican products to the international markets.

Website: https://prodominicana.gob.do/Inicio
Year of creation: 2003
Objective: Contribute to the increase of exports and investments in the Dominican Republic.
Phone: (809) 530 5505
Email: servicios@ProDominicana.gob.do

As a result of the measures adopted by the Dominican government, the country has become the main recipient of foreign investment in the Caribbean region.
During January – September 2020, the 3 sectors of the economy that attracted the most FDI were Tourism (32%), Electricity (21%) Real Estate (19%).

During the same period, the main sources of FDI correspond to investments made by companies and individuals from the United States (22%), Mexico (13%) Spain (8%) companies and individuals.

Banking system

The Monetary and Financial Administration of the Republic is made up of the Monetary Board, the Central Bank and the Superintendency of Banks, the Monetary Board being the highest member of these entities. While the Central Bank is responsible for, among other functions, implementing monetary and exchange policies to be approved by the Board, issuing banknotes and coins and publishing statistics, the Superintendency of Banks is responsible for supervising financial intermediation entities in order to verify compliance with the law.

The cumulative Foreign Direct Investment (FDI) in the Dominican Republic as of September 2020 reached USD 2,047.2 million being this the lowest point accumulated up to that date in the last 5 years. This decline is a consequence of the global health crisis of COVID-19 and its effect on the different sectors of the economy.

FDI inflows to the Caribbean totaled USD 6,467 million in 2019. Of this amount, the Dominican Republic attracted 47% of the subregion’s FDI.

As of January 2021, the average active interest rate on commercial loans was 9.2509%, while the passive interest rate on financial certificates and/or forward deposits averaged 3.2127%.
The following charts show the average annual behavior of the Active and Passive interest rates of multiple banks in the Dominican Republic:

![Charts showing interest rates]

*Source: Own elaboration from BCRD data.*

The average interbank interest rate for overnight fund loans from financial intermediaries stood at 4.88% in 2020. As of January 2021, it was 3.60%.

The Dominican Republic's banking system has in operation:

<table>
<thead>
<tr>
<th>Type of financial intermediary</th>
<th>Quantity</th>
<th>Popular intermediary</th>
</tr>
</thead>
</table>
| Multiple banks                | 17       | Banco de Reservas de la Rep. Dom.  
|                               |          | Banco Popular Dominicano  
|                               |          | Banco BHD León |
| Savings and credit banks      | 14       | Confisa  
|                               |          | Adopem  
|                               |          | Jmmb Bank |
| Credit corporations           | 6        | Corporación de Crédito Monumental  
|                               |          | Corporación de Crédito Leasing Confisa  
|                               |          | Corporación de Crédito Nordestana de Préstamos |
| Savings and credit associations | 10   | Asociación Popular de Ahorros y Préstamos  
|                               |          | Asociación La Nacional de Ahorros y Préstamos  
|                               |          | Asociación Cibao de Ahorros y Préstamos |
| Public and mixed financial intermediation entities | 2 | Banco Agrícola de La República Dominicana  
| Exchange intermediation entities | 40 | Vimenca  
|                               |          | Caribe Express  
|                               |          | Cibao Express |
| Trusts                        | 24       | Fiduciaria BHD  
|                               |          | Parallax Fiducia  
|                               |          | Fiduciaria Popular |
Main Tax Obligations for Legal Entities and Individuals

Dirección General de Impuestos Internos – DGII (General Directorate of Internal Taxes) is the institution responsible for the administration and/or collection of the main taxes and fees in the Dominican Republic. The tax system was established by Law 11-92 which approves the Dominican Republic's Tax Code and its modifications.

The main tax obligations of companies and individuals are:

Income Tax

Any legal entity or individual residing in the Dominican Republic as well as undivided successions located in the country are subject to the payment of taxes based on their income from Dominican sources and from sources outside the Dominican Republic deriving from investments and financial gains.

- Individuals who are residing or domiciled in the country are subject to the payment of an income tax from any income earned for the work rendered as employees as well as for independently carrying out an economic activity such as the exercise of a profession or liberal profession, commercial activities, return on investments, or financial earnings from abroad. The tax rate varies depending on the amount of income earned and change annually when adjusted for inflation. The following scale shows the Tax to be settled by each individual based on the income earned annually:

<table>
<thead>
<tr>
<th>Income level</th>
<th>Tax to be settled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to DOP 416,220.00 (Approx. USD 7,240.00)</td>
<td>Exempt</td>
</tr>
<tr>
<td>DOP 416,220.01 - 624,329.00 (Approx. USD 7,240.01 – 10,860.00)</td>
<td>15% of the surplus of DOP 416,220.01</td>
</tr>
<tr>
<td>DOP 624,329.01 - 867,123.00 (Approx. USD 10,860.01 – 15,080.40)</td>
<td>DOP 31,2016.00 + 20% of the surplus of DOP 624,329.01</td>
</tr>
<tr>
<td>DOP 867,123.01 or more (Approx. USD 15,080.41)</td>
<td>DOP 79,776.00 + 25% of the surplus of DOP 867,123.01</td>
</tr>
</tbody>
</table>

Individuals who independently carry out an economic activity must submit the IR-1 Form in order to declare their annual income and taxes settled in the fiscal year. This form must be submitted no later than 90 calendar days of the following year to which the contribution refers to.

- For the purposes of the law, capital companies, public companies with income of a commercial nature and other entities, undivided successions, associations of persons, societies and any other form of organization are considered legal entities. The tax code establishes that the corporate income tax is applied to the earnings obtained in the fiscal year minus the deductions allowed by law on the basis of 27% of the subject amount, as long as the legal entity is under the ordinary tax regime and has not benefited from any tax exemption.

This obligation must be paid to DGII through the IR-2 Form no later than 120 days after the close of the fiscal period, which finishes on March 31st, June 30th, September 30th or December 31st each year.

- The Dominican Tax Code establishes mandatory advanced payments of income tax for both individuals and legal entities, which ultimately are reconciled with the annual payment required to be
made at the end of the year. This obligation is originated once the IR-1 or IR-2 is presented. For
individuals, it is calculated based on the difference in the tax paid less the withholdings made to them
by any entity. This tax must be settled in 3 payments equivalents to the 50%, 30% and 20%
correspondingly of the subject amount. For legal entities, this obligation is payable monthly based
on the twelfth part of the subject amount. Its calculation is determined according to the Effective Tax
Rate (ETR). If it is greater than 1.5%, the subject amount will be equal to the settled tax presented
divided by 12; if the ETR is less or equal to 1.5%, the subject amount will be the result of applying
1.5% to the income in the declared fiscal period

Capital Gains
Capital assets are all assets held by the taxpayer in relation or not to their business (land, financial assets,
intangible assets, etc.), when they are not inventories acquired for the purpose of sales to customers,
accounts or documents receivable generated by the sale of inventories or depreciable assets. Capital gains
are taxed at the rate of 27% for the transfer of capital assets. To calculate the taxable capital gain amount,
the taxpayer must deduct the cost of acquisition or production adjusted by inflation from the price or value at
which the capital asset is being transferred.

Tax on Assents
This tax is applied to all assets registered in the general balance of the taxpayer, not adjusted by inflation,
after applying deductions for depreciation, amortization, provision for unrecoverable receivables, stock
investments, real estate properties located in rural areas, agricultural real estate, and taxes that have been
paid in advance. This is a substitute tax for income tax and applies only if the calculation of 1% on total assets
results in a higher tax than that resulting from the calculation of income tax for the corresponding fiscal period
according to the IR-2 Form. The payment of the tax generated (if applicable) is divided into two equal
payments (50% of the debt each), the first being payable no later than the filing date (120 days after the fiscal
close) and the second 6 months later after having paid the first.

Withholding
Legal entities and single owner businesses act as withholding agents for the tax authorities whenever they
make a payment or credit to the account of other individuals, undivided successions or any other entity not
exempt from the payment of taxes. The withholding provided is performed in the percentages of gross income
listed below:

a) 10% on the sums paid or credited to the account for the rental or lease of any type of movable or
immovable property, as a payment on account.
b) 10% on the fees, commissions and other remunerations and payments for the provision of services
in general provided by individuals, not performed in a dependent relationship, whose provision
requires the direct intervention of human resources.
c) 25% on the amount of the prizes or profits earned in lotteries or any type of prize offered through
promotional or advertising campaigns, as a definitive payment.
d) 10% on the payment of dividends distributed to the partners or shareholders of the company.
e) Payments to contractors, engineers, master builders and others related, for the concept of
construction of buildings or civil works, such as highways, roads, aqueducts, sewers and others,
based on a presumed net income of 20% of the gross value paid, of so that the withholding will result
in these cases of 2% of said amount.
f) Non-personal services, fumigation services, master builders, cleaning services, electrical and/or mechanical repair services, as well as masonry, carpentry, painting, joinery and plumbing works, based on a presumed net income of 20% of the gross amount paid, so that the withholding will result in 2% of the subject amount in these cases.

g) In the case of transfers of movable property subject to registration, 10% will be applied based on a presumed net income of 20% of the gross value of the asset sold or exchanged, so that the withholding will be 2% of said amount.

h) Interest of any nature paid in the country by sole proprietorship businesses and legal entities that are not regulated financial entities are subject to withholding 10%. In relation to this, if these interests are paid, drawn or credited abroad, the withholding will also be 10% regardless of whether the beneficiary abroad is an individual or legal entity that is not a foreign credit institution.

i) Those who pay or credit Dominican-source taxed income to individuals, legal entities, or non-resident entities not domiciled in the country are subject to 27% withholding. For the jurisdictions with which the Dominican Republic has agreements (Canada and Spain), the rates will be according to the agreement.

**Tax on the Transfer of Industrialized Goods and Services (ITBIS)**

ITBIS is the tax applicable to the transfer and import of industrialized goods, as well as the rendering of services in the Dominican Republic. Both individuals and legal entities (foreign and domestic) in the country are subject to this tax. The current rate for this tax is 18% over the price at which the good or service is being transferred and the final consumer is the one who assumes this obligation. Although, there are goods and services exempted from this tax (articles 343 and 344 from Law 11-92) and others levied at a lower rate.

**Selective Tax on Consumption**

This tax is levied with differentiated rates depending on the special scale issued by DGII on all goods and services considered luxury, such as alcohol (10% on the price suggested to the public plus a specific current amount), Tobacco (20% on the price suggested to the public and the specific current amount which varies according to units per packs), telecommunications (10%), among others.

**Other Forms and Taxes applicable to Legal Entities and Individuals**

- Employee Withholding Form (IR-3).
- Real estate property tax (IPI).
- Tax on the transfer of Real Estate.
- Taxes on the transfer of Motor Vehicles.
- Tax on Wealth and Capital Increase.
- Tax on the incorporation of companies.

**Investment incentives**

In order to incentivize domestic and foreign investment in different economic sectors, the Dominican Government enacts laws that offers bureaucratic and fiscal facilities. The main enactments are:
Incentives for investment in the Tourism Sector (Law 158-01), aims to accelerate the development of the tourism industry in all regions with potential and natural conditions for tourism exploitation throughout the national territory; the implementation of this law is carried out by the Tourism Development Council (CONFOTUR). The main benefits include exemption from the following taxes for a period of 15 years:

- Income Tax (ISR).
- Corporate incorporation taxes and capital increase.
- Transfer of real estate, by sales, swaps, contributions in nature and any other forms of transfer on real estate rights.
- Real Estate Tax (IPI).
- Import taxes and the Tax on Transfers of Industrialized Goods and Services (ITBIS), applicable on machinery, equipment, materials and movable goods that are necessary for the construction and for the first equipment and commissioning of the tourist installation.
- Total and absolute exemption from the machinery and equipment necessary to achieve a high profile in the quality of the products (ovens, incubators, production control treatment plant and laboratories, among others), at the time of implementation.

Incentives to Export Free Zones (Law 8-90), which establishes geographical spaces where companies are installed in order to produce and export under tax and customs facilities. These are highly attractive to investors because they offer benefits such as exemption from 100% of the following taxes:

- Income Tax (ISR).
- Import taxes, tariffs, customs duties and other related levies affecting raw materials, equipment, building materials, building parts, office equipment, etc.
- Of all existing export or re-export taxes (with few exceptions).
- Tax on Transfers of Industrialized Goods and Services (ITBIS).
- Taxes on patents, assets or equity.
- Taxes on the construction, loan contracts and on the registration and transfer of real estate from the establishment of the Free Zone operator.
- Corporate incorporation taxes and capital increase.
- Municipal taxes, among other tax exemptions.
Incentives for Investment in Renewable Energy Sources (Law 57-07) which pursues strategic and public interest objectives to foster investment in this sector and increase energy diversity from unconventional sources. Investor benefits are reflected in the 100% exemption from the following taxes:

- Import taxes on equipment and accessories necessary for the production of energy from renewable sources.
- Income Tax (ISR) for a period of 10 years.
- Reduction of taxes on external financing.
- Tax incentive to self-producers: Up to 75% of the cost of investment in equipment is granted, as a single income tax credit, to owners or tenants of family homes, commercial or industrial homes that change or expand for renewable source systems in the provision of their private energy self-consumption and whose projects have been approved by the competent bodies. This tax credit is deducted within 3 years of the annual income tax to be paid by the beneficiary of the same in proportion to 33.33%.

Other investment incentives:

- Investment Incentives in Special Border Development Zone (Law 28-01).
- Promotion of Cinematographic Activity in the Dominican Republic (Law 108-10).
- Incentives for investment in the Textile Industry (Law 56-07)
- Competitiveness and Industrial Innovation (Law 392-07).
- Special incentives for Operating Companies in Logistics Centers (Decree 262-15).
- Incentive to establish International Financial Zones (Law 480-08) to provide financial services and other related activities, in an extraterritorial manner, only to natural persons not resident in the Dominican Republic and to moral persons whose principal domicile is outside the Dominican Republic.

Employment and workforce

According to data collected in the National Continuous Active Workforce Survey (ENCFT) of the 2020 April-June quarter, the Economically Active Population (EAP) of the country is made up of 5,028,341 people, continuing with a consistent average growth trend of approximately 3.1% during the last 5 years.

The open unemployment rate, which refers to the proportion of the EAP that had carried out procedures to find work during the last four weeks prior to the survey date (April-June) was 2.8%, lower than the average of the last 5 years (5.9%). It is important to note that 12.7% of the EAP was made up of a potential workforce mostly unemployed people who were not actively looking for work by their own decision or due to the situation of the pandemic.
LEGAL AND REGULATORY ENVIRONMENT OF COMPANIES
In the Dominican Republic, companies are governed by Law 479-08 which establishes the following forms of organization:

<table>
<thead>
<tr>
<th>Form of business organization</th>
<th>Minimum authorized share capital</th>
<th>Number of Members</th>
<th>Type of responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited Liability Companies (S.R.L.)</td>
<td>DOP 100,000.00 / Approx. USD 1,720.00</td>
<td>From 2 to 50 partners.</td>
<td>Responsibility based on your contributions.</td>
</tr>
<tr>
<td>Anonymous Societies (S.A.)</td>
<td>DOP 30,000,000.00 / Approx. USD 515,620.00</td>
<td>2 or more.</td>
<td>Responsibility based on your contributions.</td>
</tr>
<tr>
<td>Simplified Anonymous Companies (S.A.S)</td>
<td>DOP 3,000,000.00 / Approx. USD 51,560.00</td>
<td>2 or more.</td>
<td>Responsibility based on your contributions.</td>
</tr>
<tr>
<td>Simple Limited Partnership (S.C.S.)</td>
<td>To be defined on the statutes.</td>
<td>1 or more unlimited liability partners and 1 or more limited liability partners.</td>
<td>One or more partners respond jointly and unlimitedly and one or more partners respond based on their contributions.</td>
</tr>
<tr>
<td>Limited Partnership by shares (S.C.A.)</td>
<td>To be defined on the statutes.</td>
<td>1 or more unlimited liability partners and 3 or more limited liability partners.</td>
<td>One or more partners respond jointly and unlimitedly and 3 or more partners respond based on their contributions.</td>
</tr>
<tr>
<td>Companies in Collective Name (S.N.C)</td>
<td>To be defined on the statutes or contract.</td>
<td>2 or more.</td>
<td>Partners respond jointly and unlimitedly to the company's obligations.</td>
</tr>
</tbody>
</table>

**Procedure for incorporation of companies in the Dominican Republic**

1. **Register a tradename** in the National Industrial Property Office (Oficina Nacional de Propiedad Industrial – ONAPI).
2. **Deposit legal documents** in the Chamber of Commerce and Production (Cámara de Comercio y Producción) and fill out Commercial Registry form, for which it will be necessary to:
   a. Deposit originals and copies: company statutes, constituent assembly minute, partner participation list, and tradename.
   b. Payment of corporate incorporation tax (1% of authorized share capital) and notary public tax.
   c. Fill out the commercial registry application form.
3. **Request the National Taxpayer Registry (RNC)** in DGII, for which it will be necessary to deposit copies of the tradename, commercial registry and the copies of the social statutes registered in the chamber of commerce, constituent assembly minute and partner participation list.
**Process of dissolution of companies in the Dominican Republic**

The liquidation or dissolution of commercial companies in the Dominican Republic is regulated by Law No. 479-08 on Commercial Companies, its modification by law No. 31-11 and Law No. 141-15 on the Restructuring and Liquidation of Companies and Individuals. In accordance with its provisions, the dissolution process must be carried out before the corresponding Chamber of Commerce and DGII, taking into account the following:

For dissolution before the Chamber of Commerce it is necessary to carry out two minutes of assembly, where the first approves the dissolution and appoints the members who will serve as Liquidator and Commissioner of Accounts, and the second approves the report and declare the liquidation of the company. The cost of this process varies depending on the capital of the company and the pending renewals of the commercial registry.

For dissolution before DGII it is necessary to fill the Registration and Updating of Legal Entity Data Form (RC-02), in addition to depositing an affidavit of responsibility of the members who were selected as representatives of the company in the liquidation process and be up to date with tax returns and payments.

**Law 155-17 against Money Laundering and Terrorist Financing (ML/FT)**

With the aim of adopting international standards and the recommendations of the Financial Action Task Force (FATF), the main benchmark on homogenization of anti-money laundering and terrorist financing laws, in 2017 the Dominican Government enacts Law 155-17 against Money Laundering and Terrorist Financing, which aims to establish acts that typify money laundering, criminal and administrative offences and sanctions of these acts, investigation techniques, precautionary measures, cooperation and assistance mechanisms and establish a regime for the prevention and detection of ML/FT operations. At the same time, it creates:

1. **Financial Analysis Unit (UAF),** an institution responsible for conducting analyses to identify and submit to the Public Prosecutor's Office financial analysis reports concerning to possible infractions of money laundering and the financing of terrorism.
2. **National Committee against Money Laundering and Terrorist Financing,** a coordinating entity of a collegial nature, responsible for the efficient functioning of the system of prevention, detection, control and combat of money laundering, terrorist financing, and financing for the proliferation of weapons of mass destruction.
3. **Competent authorities:** These are the authorities that, in accordance with the powers of the law, are responsible for the prevention, prosecution and punishment of the activities of the ML/TF.

The law establishes two types of Designated Subjects: Financial and Non-Financial, which must develop and execute a risk-based compliance program, appropriate to the organization, structure, resources and complexity of the operations you perform. These subjects include:

**Designated Financial Business and Professions:** Financial intermediaries, securities intermediaries, persons engaged in or intermediates in the exchange, exchange and remittance of foreign exchange, Central Bank of the Dominican Republic, legal entities who are entitled or licensed to serve as trustees, cooperative savings and credit associations, insurance companies, reinsurance and insurance brokers, investment fund
management companies, securities holding companies, securities and issuers of public offering securities that reserve primary placement.

**Designated Non-Financial Business and Profession**: Natural or legal persons engaged in other professional, commercial or business activities which by their nature are likely to be used in ML/FT activities, such as casinos, lottery banks, factoring companies, real estate agents when engaged in real estate purchase and sale transactions, jewelers, construction companies, companies and individuals engaged in the sale of motor vehicles, among others (see Article 33 of Law 155-17).

It is important to highlight that, in accordance to what the Law establishes, the designated must report to their competent authority all cash transactions in excess of USD 15,000.00 or its equivalent in national currency. Also, the law establishes different cash payment limits to all the companies and individuals, for example: DOP 1,000,000 for the constitution or transfer of rights over real estate, DOP 500,000.00 for rights over vehicles, DOP 250,000.00 for rights over shares or social shares, among others.

**Transfer Price Regulations**

In the Dominican Republic, transactions between related parties are governed by Article 281 of the Tax Code and its modifications, and Regulation 78-14 on Transfer Prices. This in order to ensure that the negotiations between related parties are in accordance to normal market practices, meaning this that they don’t contemplate preferential deductions for interest, royalties or assistance. Therefore, this regulation establishes that negotiations between related parties must be valued for tax purposes according to the prices that would have been negotiated between independent parties (market prices).

In the aforementioned regulation is established that all companies with local or foreign related parties, whether or not they carry out negotiations, natural persons or companies’ resident or domiciled in jurisdictions with preferential tax regimes of low or no taxation or tax havens are required to submit the DIOR (Information Statement on Related Transactions) to DGII. This statement involves the preparation of a study or report of the valuation process of the transfer prices agreed between its related parties.

Those entities whose joint transactions with related parties during a fiscal year do not exceed the amount of RD$10,000,000,000.00 (approx. USD 171,900.00) adjusted annually for inflation are excluded from the obligation of preparing the transfer price study as well as those who carry out transactions with resident related parties, as long as the valuation between the parties does not result in less or deferral.

**Labor Code**

Law 16-92 give rise to the creation of the Dominican Republic’s Labor Code, which, together with its complementary rules, establish the rights and duties of the employer and employees. Among the main points of this are:

- Work contracts, which can be for a definite or indefinite time, a contract for a specific work or service and for seasonal work.
- Every company incorporated in the country must have a workforce of at least 80% Dominican nationality.
- The normal work week cannot exceed 44 hours or 8 hours per day.
- Wages for normal night hours must be paid with an increase of no less than 15% over the value of normal hours.
• Each fraction or hour worked in excess of the normal day and up to 68 hours per week must be paid with an increase of not less than 35% over the value of normal hours. If 68 hours are exceeded they must be paid 100% above the normal time value.

• Among the collateral benefits to the employee, the employer is obliged to pay the Christmas wage or 13th wage (to be paid in December, the twelfth part of the regular salary accrued by the worker in the calendar year) and to pay the equivalent to 10% of the annual net income to all his workers indefinitely.

• After having completed a year of continuous work, the collaborator acquires the right of a period of 14 to 18 days of vacation with regular salary enjoyment.

Resolution No. 22/2019 of the National Wage Committee provides that the minimum wage for industrial, commercial and service enterprises shall address the following:

<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>MINIMUM SALARY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities or stocks ≥ DOP 4,000,000.00</td>
<td>DOP 17,610.00 per month / (USD 302.42)</td>
</tr>
<tr>
<td>Facilities or stocks ≥ DOP 2,000,000.00 &lt; 4,000,000.00</td>
<td>DOP 12,107.00 per month / (USD 207.92)</td>
</tr>
<tr>
<td>Facilities or stocks &lt; DOP 2,000,000.00</td>
<td>DOP 10,730.00 per month / (USD 184.27)</td>
</tr>
<tr>
<td>Fieldwork, greater than 10 hours/day</td>
<td>DOP 400 per day / (USD 6.87)</td>
</tr>
<tr>
<td>Vigilantes in private guardian companies</td>
<td>DOP 15,000.00 per month / (USD 257.60)</td>
</tr>
</tbody>
</table>

Note: Specifications may vary according to particular industries and types of companies.

Monthly employer contributions resulting from employees’ wages and salaries:

• Contribution to the Pension Fund of 7.10% of the gross salary paid to each employee.
• Contribution to the Family Life Insurance of 7.09% of the gross salary paid to each worker.
• Based on the total payroll, the employer will pay a fixed fee that, depending on the type of risk of the company, ranges between 1.10% and 1.3%.
• Contribution to INFOTEP: 1% of the total monthly salary, and 0.5% based on the annual bonus.
• Carry out Income Tax withholding to employees according to their salary scale.
• Payment of 27% tax on complementary remuneration to the collaborator that does not constitute monetary remuneration.

About the termination of the employment contract

The Dominican Republic’s Labor Code establishes that termination of the employment contract may or may not be liable to the parties:

The reasons why it ends without liability to either party are when termination is given by mutual consent, by the execution of the contract or by the impossibility of execution (when a fortuitous or forceful case occurs). Nor does it hold either party liable when the indefinite job ends within the first three months.

The reasons why it ends with liability for either party are when termination is given for the eviction or dismissal of the worker. The liability and compensation that each party must assume or receive varies depending on the duration of the employment contract, as explained in Chapters III, IV and V of Title VII of the Labor Code.
**Political Environment**

The government of the Dominican Republic is based on a representative democracy in which the President is the Head of State and Government. The Dominican constitution establishes a governance structure divided into 3 independent powers from each other:

**Executive Power:** Exercised by the President of the Republic, who is elected every four years by direct vote, with the possibility of opting for a second and only consecutive term. He in turn is head of the public administration and the supreme head of all the armed forces of the Republic and the police forces. The last presidential election was held in 2020, where President Luis Abinader Corona of the Modern Revolutionary Party was elected.

**Legislative Power:** Represented by the Senate of the Republic, with 32 members, and the Chamber of Deputies, made up of 178 members elected by direct vote every four years, its function is to propose and develop the laws to be enacted after being approved by the Executive Branch.

**Judiciary:** Administered by the Supreme Court of Justice (made up of 16 judges appointed by the National Council of the Judiciary), its function is to ensure the protection, protection or protection of the rights that are established in the rules or laws.

The main political parties of the country are:

- Modern Revolutionary Party (PRM)
- Dominican Liberation Party (PLD)
- Christian Social Reform Party (PRSC)
- People’s Force (FP)
- Dominican Revolutionary Party (PRD)

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