DOING BUSINESS

IN DOMINICAN REPUBLIC

The network for doing business

CONTENTS

1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in over 100 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Dominican Republic has been provided by the office of UHY representatives:

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Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at July 2021.

We look forward to helping you do business in Dominican Republic.

2 – BUSINESS ENVIRONMENT

COUNTRY BACKGROUND

The Dominican Republic (DR) is situated in the Caribbean, to the west of Puerto Rico and the east of Cuba. It occupies the eastern two-thirds of the island of Hispaniola, which it shares with Haiti. The Dominican capital, Santo Domingo, is located on the south coast.

- **Climate:** The country lies in a hurricane belt and experiences storms between June and October.
- **Population:** Approximately 10.6 million. Consists predominantly of people of mixed European/African race.
- **Official language:** Spanish.
- **Currency:** Dominican pesos, known as DOP

Economy

Since 2015 the Dominican Republic has posted the strongest economic growth in the Latin American and Caribbean (LAC) region over the past 25 years. While the COVID-19 has stalled the Dominican Republic bustling economy, especially its tourism.

The International Monetary Fund (IMF) expects that the Dominican Republic to make a robust recovery. The annual growth rate of the Dominican Republic before the pandemic was 6%. The internal inflation rate is 9.32, but according to the Central Bank forecast, it will continue its convergence in the range goal of 4% ± 1%. Prior to the pandemic, tourism had brought in $630 million to the nation's coffers, nowadays, despite of COVID-19 pandemic, the tourism sector is in road to recovering.

Since the early 2000s, multinational companies based in the United States and Europe transferred a significant part of their production processes to China and Southeast Asia to reduce cost and increase productivity. However, in the current international environment, influenced by geopolitical uncertainty generated by the trade war between the United States and China, the impact of COVID-19, and significant supply chain disruptions, among other things, by the blockage in the Suez Canal in March 2021, several companies are revisiting or accelerating their reshoring/nearshoring strategy. They are focusing on relocating part of their production facilities closer to consumption markets to reduce operating costs, and mitigate the risks associated with increased tariffs and logistics delays in their supply chains. The Dominican Republic serves as one of the best nearshore alternatives for many companies.

The Dominican Republic has a natural position within the hemisphere, more specifically as the heart of the Caribbean, provides unique opportunities, and it has made significant investments to position itself as a premier logistics hub.

Gross domestic product (GDP at official exchange rate) was USD78.83 thousands of millions in 2020, and GDP per capita was USD7, 545.50, in the same year.

Previously dominated by agriculture (and the export of sugar, coffee, and tobacco), the service sector is now the largest employer due to growth in telecommunications, tourism, and free trade zones. The service sector accounted for 56.20% of GDP in 2020, industry 31.5% and construction 14.9%. Remittances from the US amounted to about 10.4% of GDP during 2020. Approximately the 58% of the economy belongs to the informal sector.

The economic sectors of mayor growing are contruction, transport, mining and commerce.

The economy in the Dominican Republic is highly dependent upon the US, the destination for nearly 60% of exports. Remittances from the US amounts to about a tenth of GDP, equivalent to almost half of exports and three-quarters of tourism receipts. https://www.bancentral.gov.do/

Exports

Dominican exports include sugar, coffee, tobacco, bananas, ferronickel, gold and silver. Tourism and earnings from Free Trade Zones (e.g., textiles, electronics) are the country's fastest-growing exports. The Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) has been in force since 2007 with the aim of increasing investment in the DR by reducing duties and tariffs in the region. The country's main trading partner is the US, which receives approximately half of the DR's exports. Haiti, Western Europe and China are also significant markets.

The Dominican Republic has Bilateral Investment Treaties (BITs) with: Chile, Finland, France, Italy, Republic of Korea, Morocco, Netherlands, Panama, Spain, Switzerland, and Taiwan. According to the Dominican Ministry of Industry and Commerce, the Free Trade Agreements (FTAs) that are currently in force include: CAFTA-DR; the Economic Partnership Agreement (EPA) between the European Union and CARIFORUM (an organization of Caribbean nations, including the Dominican Republic); a trade agreement between the Dominican Republic and the Central American countries of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua; a free trade agreement with CARICOM (the Caribbean Community); and a trade agreement with Panama.

An agreement for the exchange of tax information between the United States and Dominican Republic has been in effect since 1989. On September 15th, 2016, the United States and the Dominican Republic signed an agreement to improve international tax compliance and to implement the Foreign Account Tax Compliance Act (FATCA).

The Dominican Republic has tax agreements to avoid double taxation and prevent tax evasion currently in force with Canada and Spain.

Challenges for investors in the Dominican Republic

The main difficulties that foreign investors must face in the Dominican Republic are inadequate infrastructure, problems with the electricity supply, corruption, and noncompliance of contracts, disregard for court rulings and a lack of standard procedures for customs fees on imported goods. The Dominican Republic ranked 115th out of 190 countries in the 2020 Doing Business classification published by the World. However, the government are implementing good practices to combat the corruption. The political stability and prime access to the U.S. market, thanks to a Free Trade Agreement (CAFTA), remains as significant incentives for investors.

Government subsidies have grown substantially in recent years, and it was increased by the Coronavirus situation. Poor residents have been entitled to receive help with energy costs through the means-tested bonoluz and bonogas programme.

It is necessary to indicate that, with regard to foreign trade, an increase in unemployment and collections is projected in important sectors of the national and international economy. Similar collapses are in the price of oil, distortions in the flow and commercial logistics, restrictions on the export of medical equipment.

Labour force and unemployment rate

In 2020, the labour force was estimated at 5.8 million; and national unemployment stood at 45%. The most recent available figures for young people for unemployment among people aged 15-20 are 25.4% and people aged 20-24 an 18.9%.

Migration

The DR is part of the Organization of American States (OAS) report (2003) referred to as a "hierarchy of deprivation" in which workers migrate from Haiti, the poorest country in the region, to the DR, from the DR to Puerto Rico, and from Puerto Rico to the US. For decades, Haitians have moved to the DR to work on sugar plantations and in other manual employment. It is not known how many Haitians currently live in the DR, but figures of around one million are sometimes quoted. Migrants earn a living and send money back to their families in Haiti, while the DR is economically better off than Haiti.

Immigration

In first instance, depending on your nationality and the purpose of your trip to DR, you may need an entry visa, residence permit and/or work permit.

Nationals of countries that are part of a dispensation treaty do not need to apply for a visa in advance but can simply buy a tourist card, valid for three months, upon arrival at an international airport in the DR. Other applicants must apply for obtain a visa before travelling to the DR. Non-residents whose visa has expired, or who neither have a tourist card nor a visa, are considered illegal immigrants and may be subject to be deported. Non-residents in possession of an expired tourist card are permitted to remain in the country, but are subject to additional taxes on their departure from the DR.

Non-residents are those who intend to stay in the country for up to one year (renewable annually) for business or pleasure purposes. A resident is a foreign national who is staying in the country for an extended period and has obtained legal residency status, which affords the foreign national legal status in the country entitling the person to an identification card (*Cédula de Identidad Personal*) and access to a more favourable tax structure. Foreign nationals must properly register in the Registry of Foreigners (*Registro de Extranjeros*).

Foreign nationals are not usually allowed to become residents in the DR if they are suffering from a contagious illness that poses a threat to public health if they are mentally ill or physically disabled or if they have been convicted of a serious crime.

There is a two-tier system of applications for permanent residence in the DR. In order to apply for permanent residence, most foreigners must first hold a temporary residence permit for five years. Exceptionally highly skilled workers may have some of this waiting period waived and be granted permanent residence earlier. In addition, applicants who are married to, or the parents of permanent residents in the DR, are allowed to apply for permanent residence immediately.

Investors and those who are married to Dominican nationals can apply for citizenship after six months of permanent residency. Other permanent residents may apply after two years.

Transportation

International airports are established in various regions of the DR:

- Punta Cana International Airport (Punta Cana/Higüey)
- Las Américas-JFPG International Airport (Santo Domingo)
- Cibao International Airport (Santiago de los Caballeros)
- Gregorio Luperón International Airport (Puerto Plata)
- La Romana International Airport (La Romana)
- Samaná El Catey International Airport (Sánchez)
- María Montez International Airport (Barahona)
- La Isabela International Airport (Santo Domingo).

Dominican sea ports include:

- Port of Santo Domingo
- Haina Occidental Port (major import/export port, west of the capital)
- Multimodal Caucedo Port (major Free Trade Zone export port)
- Port of Puerto Plata (the north coast's main commercial port)
- Port of Boca Chica (minor port, predominantly used for containers, east of the capital)
- Port of San Pedro de Macoris (river port, used for the exportation of sugar)
- Central Romana Port (private river port).

The Santo Domingo Metro system opened to the public in 2009.

Telecommunications

INDOTEL is the government agency created by the General Telecommunications Law (153-98) that regulates the development of the Dominican telecommunications market, including telephony, radio spectrum use, broadcasting and Internet. Its current projects include the roll-out of fibre-optic broadband infrastructure to all provincial capitals and municipal districts in the country and the development of wireless broadband Internet in parts of the Santo Domingo Metro network.

Mobile telephony penetration in the DR is high, with 9.1 million mobile (cell) phones in use in the country and approximately 6.6 million of these are on pre-paid (pay-as-you-go) contracts; the remainder are on billed contracts.

While banks and hotels usually enable consumers to make transactions online, other business sectors in the DR have been slow to embrace e-commerce. The number of Internet accounts in the country is growing quickly, in 2020, about 8.53 million of people have access to the Internet connection. Due to the measures taken by INDOTEL, as a consequence of the sanitary crisis, the telephone companies were forced to yield in terms of their operations and assume the regulatory measures dictated by the regulatory body.

Media

Dominican law guarantees the freedom of the press. Daily news providers (i.e. newspapers and online news brands) include *El Caribe, Hoy* and *Diario Libre*. *Dominican Today* (www.dominicantoday.com) publishes Dominican news in English. The DR has more than 200 radio stations, most of which are commercial, and a very large number of terrestrial and cable television stations. The Dominican government broadcasts state TV and radio through the Corporación Estatal de Radio y Televisión (CERTV).

3 – FOREIGN INVESTMENT

The Foreign Investment Law (16-95) recognises the role that foreign investment plays in the economic growth and social development of the Dominican Republic and seeks to establish parity between national and foreign investment. The law guarantees foreign investors the same legal rights and obligations as domestic investors, without any discrimination.

Foreign investment is unrestricted, with very few exceptions. Foreign investors have free access to foreign exchange. There are no rules regarding foreign ownership of local companies, nor where in the country foreign companies may be based. Nor are there any special export requirements for foreign investors. In-kind and other investments, such as technical knowledge, management assistance and trademarks are permitted, as investments in existing Dominican-owned businesses.

Prior authorisation of investment is not necessary (see section on 'Setting up a Business', below). However, foreign investors are required to register their investment with the Centre for Exports and Investment (CEI-RD) within 90 days of investing in the DR. A written application should be made to the CEI-RD, indicating the amount of capital invested and the area of investment. The investor is then issued with a Certificate of Registration of a Foreign Direct Investment.

Restrictions on foreign investment

There are few restrictions on foreign investment. Foreign investors may not import toxic waste (including radioactive waste) for storage or disposal or conduct a business that affects the public health or natural environment of the country (within normal bounds). In addition, foreign investors wishing to produce goods that have implications for the security of the DR must gain permission from the country's president.

Remittance

It is specified under the Foreign Investment Law that foreign investors have the right to remit abroad, without the need for prior authorisation, the total amount of invested capital and the dividends declared during each fiscal period, up to the total amount of the net current profits of the period.

Centre for Exports and Investment of the Dominican Republic (CEI-RD)

The government agency responsible for encouraging foreign investment in the DR is the Centre for Exports and Investment of the Dominican Republic (CEI-RD). It works to improve services offered in the areas of export and investment, such as technical assistance, advocacy, business information, legal, training and logistics support. The agency participates in trade negotiations and develops trade policies with the aim of increasing exportations. Further information may be found on the CEI-RD website: www.cei-rd.gov.do.

Law number 47-20 Regulating Public Private Partnerships

In response to the necessity for regulations specific to public-private alliances in the Dominican Republic, and in consonance with the 2030 National Strategy of Development, enacted on February 20th, 2020; the Law number 47-20 regulating public private partnerships (which will be referred from now on as "the law") which regulates public and private alliances.

This law defines what a public-private alliance as a mechanism in which a public agent and a private agent (national or international) subscribe voluntary a long-term contract (being this as the constitutive document of the alliance and which term cannot last more than 40 years). As previously stated above, as a consequence of a competitive process, for provision, gestion or operation of goods and services of social interest in which it exists a complete or partial investment by private agents, tangible or intangible contributions from the public sector, risk management from both parties, and the remunerations are associated with performance, according to what it is established, being also possible its gestion and administration through a trust. From this definition that establishes the general overview of this figure in our legal system, each alliance can have their own characteristics depending on the actors, the nature, and of course, the specific necessities of the project, always in accordance to the criteria and parameters established in this law.

According to the important novelties that this law gives to us, we must stand out the two types of public-private alliances. The first one being the alliance of public initiative, which are originated in public agents (meaning that they surge as an initiative from the government) and the second one being the alliance of private initiative, in which the proposal of this alliance is made by a private agent.

For the process involved for the presentation and selection of the public-private alliances by public initiative, it consists of five phases detailed by the law: I) presentation of the initiative by the public agent (entity of the government which has the intention of contracting a private agent); II) evaluation of the initiative from the Council; III) declaration of public interest from the council; IV) competitive process of selection of the adjudicate; V) adjudication of the contract on the public-private alliance; phase in which finalizes with the subscription of the contract on the public-private alliance between the adjudicate and the public agent which generated such initiative.

The procedure involved for the presentation and selection of the public-private alliances by private initiative consists of six phases according to the law which includes: I) presentation of the initiative from the private agent; II) evaluation of the initiative from the Council in coordination of other public authorities related to the process; III) declaration of public interest from the Council, which has the faculty of determine whether the proposed project will continue under the modality of private initiative or under public initiative; IV) public manifestation of interest, which will proceed if the Council determines if the initiative will continue as private, and whose result will serve at the same time to convicted other private agents to participate in the competitive process of selecting and adjudicate; V) in case that there is at least another private agent different than the first one that originated the proposal that has responded to the call and habilitated as an offer or, it will proceed to realize a competitive process of adjudicate selection, VI) adjudication of the contract on the public-private alliance; phase in which finalizes with the subscription of the contract on the public-private alliance between the adjudicate and the public agent which generated such initiative.

This Public Proven Alliances Law seeks to promote transparency in the processes of synergy between the State and the private sector. It is possible to modify Law 340-06 on Public Procurement and Contracting with regard to Consecutions and it is intended to increase transparency in government projects.

Dominican Republic and China's new trade agreement

Since May 1st, 2018, the Dominican Republic and China subscribed to a joint statement to announce their new diplomatic alliance. The trade between the countries in that year reached US$229 billion, with an inter-annual jump of 22%, with earnings of US $ 630 million in the first quarter. This agreement offers other benefits such as the signing of a memorandum of understanding for the training of human resources with support to provide trainings to Dominicans, and a cooperation agreement with the Tsinghua University Public Security Research Centre and others, such as the ones between the Ministry of Finance and the China's Importation and Exportation Bank and another one with the Development Bank of China.

Likewise, they had also subscribed to a cooperation agreement for civil aviation and sports between both countries. Also, one of the agreements made between both nations facilitates the exportation of tobacco to China and support from China to the Dominican Republic, so it can comply with the sanitary and phytosanitary measures.

Free Trade Zones

The Promotion of Free Zones Law (8-90) regulates Free Trade Zones in the Dominican Republic. Under the law, a Free Trade Zone is defined as a geographic area of the country under special customs and tax controls, in which enterprises are licensed to devote their production of goods or services to foreign markets through the granting of incentives to stimulate their development. These geographic areas are physically fenced off, so that people and goods must pass through Customs as they enter or exit the area. Different types of Free Zone, with varying benefits and restrictions, may be established in different locations. Free Trade Zones are managed by the National Free Zones Council (CNZFE).

The Promotion of Free Zones Law grants enterprises that operate in Free Zones complete exemption from all taxes and duties related to production and export, including income tax, construction tax, asset tax and import duties on raw materials, equipment and amenities for workers within the zone. Foreign investors are permitted to apply for a licence to operate a Free Zone or to establish an enterprise in a Free Zone; the incentives associated with Free Zones apply equally to foreign and Dominican investors. Tax exemptions are time-bound, with longer time limits placed on Free Zones near the Haitian border than in other parts of the DR. Since the initiative aims to increase exports out of the DR, the movement of goods from a Free Zone to another part of the DR is considered to be an import into the DR and is subject to restrictions and full import duties, as well as 2.5% income tax on the gross value of sales. The Dominican Labour Code applies equally within and outside Free Trade Zones (although minimum wages may vary). Companies have reported fewer bureaucratic problems in the Free Zones than in other parts of the country.

Since 2015, pilot programmes aimed at increasing productive links within and outside the Free Trade Zones have been introduced. An agreement has also been established with six public and private institutions to help support policies that connect local companies with the ones located in Free Trade Zones.

About half of the enterprises in the DR's Free Zones produce textiles. Others manufacture shoes, leather goods, cigars, jewellery, pharmaceuticals and electronics. Some call centres and data processing companies also operate in Free Zones. The majority of investment in Free Zones comes from the US. About a quarter of investment comes from the DR and around 5% is of South Korean origin. Exports from the Free Trade Zones were worth almost USD 2.3bn in 2015 and accounted for over 60% of all Dominican exports. Further information on Free Trade Zones may be found on the CNZFE website: www.cnzfe.gov.do.

Renewable Energy Incentives Law (57-07)
The Renewable Energy Incentives Law (57-07) came into force in 2008, offering considerable tax breaks for businesses which develop renewable energy solutions. Such companies enjoy tax exemption on profits from the sale of electricity generated from sustainable resources (until 2020), as well as on the import of equipment and materials. The law has been effective in attracting investment in the sector: in 2011, the Dominican Republic's first wind power installation, the largest in the Caribbean, was opened in Pedernales province, in the southern part of the country. Several other sustainable energy projects, including a solar energy park, are being created. The law was revised in 2015.

CAFTA-DR
CAFTA-DR is the comprehensive trade agreement between the United Sates, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua. Taken as a single market, the CAFTA-DR region is a top 10 destination for US agricultural products, with exports topping USD 4.3bn in the fiscal year 2017.

The agreement aims to encourage expansion and diversification of trade between the signatory parties, eliminate barriers to trade between the territories and substantially increase investment opportunities in the countries involved. Under CAFTA-DR, each party must treat suppliers from other signatory countries no less favourably than its own suppliers.

Member countries agreed to progressively reduce and eliminate customs duties on the movement of originating goods within the trade area and to grant each other duty-free temporary admission for professional equipment, goods intended for display or demonstration, commercial samples and goods admitted for sports purposes. In addition, members agreed not to apply customs duties to goods that re-enter a country having been temporarily exported to another signatory for repair or alteration, nor to apply import duty to items admitted temporarily from another member country for repair or alteration.

Under CAFTA-DR, member countries must operate transparent government procurement procedures and may not discriminate against other member countries when procuring goods and services. The agreement also requires member countries to protect intellectual property rights by providing protection for trademarks, copyright and patents and to enforce laws pertaining to the protection and improvement of the environment.

4 – SETTING UP A BUSINESS

Setting up a business in the Dominican Republic is governed by the Company Law (479-08) and its amendments (law 31-11). There are a number of ways in which a business may currently be formed, all of which share the same tax regulations (see taxation, below).

Company structures
Dominican companies are usually one of four types: (1) corporation (Sociedad Anónima or SA), (2) simplified corporation (Sociedad Anónima Simplificada or SAS), (3) limited liability company (Sociedad de Responsabilidad Limitada or SRL) or (4) individually-owned limited liability company (Empresa Individual de Responsabilidad Limitada or EIRL). These structures differ as follows:

Corporation (SA): This structure applies to large companies and permits capital to be raised through the public sale of shares. The business must have at least two shareholders (there is no maximum), be managed by a board of directors with at least three members and have an auditor. Corporations are subject to minimum investment levels.

Simplified corporation (SAS): Medium and large businesses may be simplified corporations. Capital may not be raised through the public sale of shares. The business must have at least two shareholders (there is no maximum) and be managed by an individual or a board of directors but does not require an auditor. Simplified corporations are subject to minimum investment levels.

Limited liability Company (SRL): This structure is relevant to small to medium-sized businesses as well as large, family businesses. Capital may not be raised through the public sale of shares. The business must have at least two shareholders, but no more than 50, and be managed by an individual or a board of directors, but not by another company. An auditor is not usually required.

Individually-owned limited liability company (EIRL): As its name suggests, this structure applies to individually-owned businesses. The owner must be one individual, not another company. The owner may appoint a manager to manage the business on their behalf. Capital may not be raised through the public sale of shares. There is no minimum capital investment requirement and an auditor is not required.

Incorporation
It is recommended that investors take legal advice on the structure which is best suited to their enterprise. Once this decision has been made, incorporation of the business proceeds as follows:

1. Register the company name
In all cases, a new business must select and register a company name that is not already in use by another business. Investors are able to check the availability of company names on the National Office of Industrial Property (ONAPI) website: www.onapi.gov.do. In order to register the company name, investors must provide their name, contact details, a description of proposed business activities and a copy of a Dominican ID card or foreign passport. Fees are payable. (It is possible to change the name of a company after it has been registered, although this has cost implications.).

2. Publish the company name

The new company name must be published in a national circulation newspaper and/or on the ONAPI website. The current arrangement is for official bulletins to be published twice a month in the newspaper *El Nacional*. Fees are payable. Third parties have 45 days from the date of publication to lodge an objection to the registration of the name. Investors may continue with the following steps while this period elapses.

3. Pay incorporation tax

Incorporation tax is due to the Internal Revenue Service (Dirección General de Impuestos Internos or DGII). This currently amounts to 1% of the company's authorised capital.

4. File company documentation with the Registro Mercantil at the Chamber of Commerce

The Registro Mercantil requires the following:

- By-laws
- General Constitutive Assembly
- Distribution of investments
- Application form for the registration of a limited liability company
- Association Partnership Agreement
- Receipt confirming payment of incorporation tax
- Copies of identity documents
- Copy of business name registration issued by ONAPI

Fees for document registration are also payable. Once the documentation has been successfully filed, the company is issued with a certificate and legally exists.

5. Register company with the National Taxpayers Registry at the Dirección General de Impuestos Internos (DGII)

Companies that render services or transfer goods must issue receipts with a tax receipt number. The Internal Revenue Service (DGII) authorises new companies to issue such receipts and issues each company with a tax receipt number (RNC). The RNC is needed to open a bank account. There is no charge for this registration process.

Businesses are also required to register their employees. This process is detailed in the section on labour, below.

5 – LABOUR

The Labour Code (16-92), which became law in 1992, governs the relations between employers and employees in the DR. Under the code, businesses are required to meet a quota of Dominican workers in the company: 80% of a workforce must be composed of Dominican nationals. This restriction does not apply to management and administrative staff, although businesses are encouraged to respect the quota at supervisory level. In addition, when a Dominican national replaces a foreign worker in a role, the Dominican employee is entitled to the same salary, rights and conditions as the foreign employee.

An employment contract may be verbal or written, and is presumed to exist unless the employer can prove otherwise. Either the employer or the employee may require the other party to sign a written version of an existing verbal agreement. If a contract is in writing, any changes to the contract must also be made in writing.

Hiring staff
The legal age for undertaking work in the Dominican Republic is 16. Children over the age of 14 may, however, take on non-hazardous work for up to six hours a day, with the permission of their parents.

Businesses are required to register new employees, as follows:

1. Register employees with the Department of Labour
Forms DGT-3, DGT-4 and RNL must be completed within the first week of employment. A list of permanent staff, work schedules and leave provision for all staff must be filed with the local Department of Labour. Fees are payable.

2. Register employees with the Tesorería Nacional de la Seguridad Social (TNSS)
Within the first three days of employment, employers must register employees with the Tesorería Nacional de la Seguridad Social (TNSS), which is part of the main social security office, the Consejo Nacional de Seguridad Social (CNSS). There is no charge for this registration process.

Working hours
The normal working week in the Dominican Republic is 44 hours. This is typically divided into five-and-a-half working days, with eight hours worked from Monday to Friday and four hours worked on Saturday. Part-time employment may not exceed 29 hours a week. All workers are entitled to a 36-hour uninterrupted rest period each week.

Pay
Workers must be paid no less than the relevant minimum wage (established by the National Salary Committee) and receive their wages in cash, either monthly or more frequently. Employees are entitled to overtime payments at a 35% premium of their usual rate for every hour worked beyond the normal 44-hour week and at 200% of their usual rate for every hour worked beyond 68 hours in a week. Workers are also due extra pay when working at night or on a Sunday.

All employees in the DR receive ‘Christmas salary’, an extra month’s wages to be paid on or before 20 December each year. This annual payment is not subject to income tax.

Under the Labour Code, employers must share 10% of their net profits with staff. Profit-sharing payments to individuals may be capped, depending on their length of service. Exemptions apply in certain sectors.

Leave
Employees who have been in their job for less than five years are legally entitled to 14 days' paid leave, rising to 18 days after that period. In addition, employees have the right to five days of paid leave when they get married and three days of paid leave when a close family member dies. Fathers are entitled to two days of paid paternity leave when their wife or partner gives birth.

Mothers are entitled to 12 weeks of maternity leave on full pay, starting six weeks before the child is due. If a female employee requests to take her annual leave immediately following her maternity leave, then the employer is obliged to grant this request. Women are entitled to an additional half day of leave per month for one year following the birth of their child, for the purpose of taking their child to medical appointments. Breastfeeding mothers must be allowed to take breaks during the workday for this purpose.

Termination of employment
Either the employer or the employee may terminate an employment contract, giving advance notice, without specifying a reason. In the first three months of service, an employee may be dismissed 'without cause' without any severance being payable. After three months' service, employers who terminate a contract without cause must give advance notice of dismissal (or pay additional days' salary) as follows:

- 3-6 months' service = 7 days
- 6-12 months' service = 14 days
- Over 12 months' service = 28 days.

Under the Labour Code, severance payments to employees dismissed without cause are due as follows:

- 3-6 months' service = 6 days' salary
- 6-12 months' service = 13 days' salary
- 1-5 years' service = 21 days' salary for every year or part thereof
- Over 5 years' service = 23 days' salary for every year or part thereof.

Employers who have motives to dismiss an employee ('with cause') must do so within 15 days of the incident cited as grounds for dismissal and inform the Department of Labour within 48 hours of the dismissal.

Employers cannot dismiss a female member of staff without cause while she is pregnant or in the first three months after giving birth. In the event that the employer has just cause to terminate a woman's employment within six months of childbirth, they must first go through certain procedures to do so, including obtaining authorisation from the Department of Labour. Failure to comply with this law entitles the woman to receive compensation amounting to the equivalent of five months' salary.

The statutory retirement age for men and women is 60; retirement at this age is not compulsory.

Workers' rights
The Dominican Constitution acknowledges employees' right to form unions; the Labour Code grants unions the right to strike (essential services excepted) and gives a certain degree of protection to union members and officials. Around 8% of the Dominican workforces are members of a union.

Before a union can ballot for strike action, the union must have attempted to reach a resolution with the company through mediation. In the event that mediation fails, all the company's workers, including those who are not members of the union, must be balloted and an absolute majority must support strike action. If support is given, unions must inform the Department of Labour of their intent to take action, which may occur no sooner than 10 days after the announcement of a strike. Long strikes are uncommon in the DR.

Sexual harassment of employees is illegal. Employers are responsible for acts of sexual harassment carried out against a worker by another employee, and are obliged to intervene in such cases.

Modification of the national minimum wage for workers in the non-sectorized private sector (resolution no. 01/2021)

On July 14, 2021, the National Wage Committee issued the Resolution No. 01/2021 on the national minimum wage for workers in the non-sectorized private sector, which included new criteria for the classification of companies, and set a new minimum wage for workers in the non-sectorized private sector, with a staggered increase, as follows:

- For big sized enterprises with more than 151 employees or gross annual sales of RD$202,000,000, will have a minimum wage of RD$21,000.
- For medium sized enterprises with 51-150 employees or gross annual sales of RD$54,000,001 - RD$202,000,000, will have a minimum wage of RD$19,250.
- For small sized enterprises with 11-50 employees or annual gross sales of RD$8,000,001- RD$54,000,000, will have a minimum wage of RD$12,900.
- For micro enterprises with less than 10 employees or annual gross sales of RD$8,000,000, will have a minimum wage of RD$11,900.

Under the guidelines of Resolution No. 01/2021, if a company meets scale criteria in different classification lines, that is, number of workers of one classification, and gross sales of another classification, for the determination of its classification, the higher scale will be applied.

Workers who lend services as Watchmen in the enterprises of safety and private surveillance, will be perceiving an increase of RD$17,250 in the wage and in addition, farm workers shall be earned a minimum wage of RD$500 per working day of ten (10) hours daily.

6 – TAXATION

Taxes are governed by the Dominican Tax Code (11-92) and its modifications, are collected by the Dirección General de Impuestos Internos (DGII).

Taxes and mandatory contributions are equally applicable to Dominican and foreign investors and are payable at the same rates regardless of whether the company is a corporation (SA), simplified corporation (SAS), limited liability company (SRL) or individually-owned limited liability company (EIRL). The taxes discussed in this section are not applicable to businesses operating within Free Trade Zones, which are exempt from all taxes.

Corporate income tax: The corporate rate of income tax in the Dominican Republic is 27% of taxable profits in 2020.

Capital gains tax: Capital gains on assets located in the DR are subject to 27% tax.

Asset tax: An annual tax amounting to 1% of total assets will be payable if the assets tax is greater than the tax capital gain tax.

Dividends are subject to 10% withholding tax.

Both asset tax and withholding tax may be credited against corporate income tax. **Value-added tax (VAT):** VAT (known as ITBIS) is charged at a rate of 18%. Goods and services which are exempt from ITBIS include basic foods, medicines, fuel and books.

Companies add 18% ITBIS to every non-exempt product or service sold to a consumer or business within the DR; they are also required to pay the ITBIS on purchases from another provider. Each month, the company calculates the difference between the amount of ITBIS raised through sales and the ITBIS paid when purchasing goods or services; this difference is payable to the government.

Selective consumption tax: Selective consumption tax (ISC) is applied on the purchase price (or import) of certain goods, including cars, cigarettes, alcohol and jewellery. The rate of ISC tax varies according to the item being taxed.

The tax rates are as follow:

Tax or mandatory contribution	Statutory tax rate	Tax base
Corporate income tax	27%	Taxable profits
Pension contributions	7.10%	Gross salaries
Labour risk insurance contributions	1.20%	Gross salaries
Training tax (INFOTEP)	1.00%	Gross salaries
Tax on electronic transfers	0.15%	Payments by cheque or electronic means
Fuel tax	RD$ 2 per gallon	Fuel consumption
Health insurance contributions	7.09%	Gross salaries
Vehicle tax	RD$3,500	Fixed fee
Value-added tax (ITBIS)	18%	Value-added

Pension contributions, labour risk insurance contributions, training tax (INFOTEP) and health insurance contributions are payable on gross salaries. There are also taxes on electronic transfers, vehicles and fuel consumption. These are summarised in the table above.

Pension contributions: Businesses pay pension contributions on gross salaries at a statutory rate of 7.10%; individuals contribute 2.87% of pensionable earnings. Pensionable earnings are capped at 20 times the legal minimum wage.

Health insurance contributions: Businesses pay 7.09% of gross salaries towards health insurance contributions, with employees contributing 3.04%. Health insurance contributions are calculated on the basis of the employee's earnings, up to a maximum taxable salary of 10 times the relevant minimum wage.

Labour risk insurance: Labour risk insurance is paid by the employer and calculated on the basis of the employee's earnings, up to a maximum taxable salary of four times the relevant minimum wage. The rate of insurance contributions payable depends on the level of risk incurred in the course of the work undertaken by employees.

Training tax: INFOTEP is the governing body for professional technical training in the DR. The organisation is non-profit and independent of the state. Its role is to organise and govern vocational training in the DR, with the aim of developing human resources in the country and increasing productivity of companies in all sectors of economic activity. Businesses pay a mandatory contribution of 1% of monthly wages towards INFOTEP; this is topped up by 0.5% annual employee contributions.

Personal taxation

Tax in the DR operates on a territorial basis. All workers, whether Dominican or foreign, pay tax on income from their work or business activities conducted within the DR. All taxpayers require an RNC number, which is obtained upon registration with the DGII. Any income gained from work outside the DR is not subject to income tax. Dominicans and resident foreigners (who have been resident for three years or more) must, however, pay tax on income derived from financial investments made outside the country. Under tax law, residence is assumed if a person spends more than 182 days in a year in the DR.

Income tax (ISR) rates for the tax year ending December 2019 are detailed in the following table. Tax thresholds are updated every January to reflect inflation. When calculating taxable income, certain deductions may be allowed, for example for health and education expenses.

Annual taxable income (RD$)	**Rate on excess (RD$)**
Up to RD$416,220.00	0%
From RD$416,220.01 to RD$624,329.00	15% of the amount over RD$416,220.01
From RD$624,329.01 to RD$867,123.00	RD$31,216.00 plus 20% of the amount RD$624,329.01
Over RD$867,123.01 and over	RD$79,776.00 plus 25% of the amount over RD$867,123.01

Source: DGII

Employees also pay pension, health insurance and training tax contributions. These are detailed above.

Capital gains on assets located in the DR are subject to 27% tax.

Tax on property: A one-off transfer tax is payable when buying a property, equivalent to 3% of the cost of the purchase. Owners of properties in urban areas must also pay an annual municipal tax, equivalent to 1% of the value of the property. Businesses do not pay municipal tax as they pay asset tax at the same rate instead

General Law on Integral Management and Co-processing of Solid Waste, No. 225-20
The General Law on Integral Management and Co-processing of Solid Waste, date September 30, 2020, aims to prevent the generation of waste and establishes the legal regime of its integral management to promote the reduction, reuse, recycling, use and valorization. It also regulates the systems of collection, transport and sweeping of such wastes.

This new law establishes a special contribution for waste management that taxes any corporate entity, entity and public institution, in order to create a fund to mitigate the negative effects of the current waste disposal and develop a comprehensive waste management system. This contribution is in accordance with the revenue for the fiscal year, calculated as follows:

Revenue range	**Contribution**
From RD$0 to RD$1,000,000.00	RD$500.00
From RD$1,000,000.01 to RD$8,000,000.00	RD$1,500.00
From RD$8,000,000,01 to RD$20,000,000.00	RD$5,000.00
From RD$20,000,000.01 to RD$50,000,000	RD$30,000.00
From RD$50,000,000.01 to RD$100,000,000.00	RD$90,000.00
More than RD$100,000,000.01	RD$260,000.00

Corporate entities that invest in both material and energy recovery plants may benefit from the incentive regime established in this law, which will be valid for 5 years from the date of promulgation of this law.

Among the incentives are:
- Exemption for a period of 5 years of 100% income tax (ISR) (excluding dividends);
- 100% exemption from taxes on assets, for a period of 5 years;
- Exemption of 100% of tariffs and the Value-added tax (VAT), (known as ITBIS)) of the machinery and equipment necessary for their operations.

In July 2021, the Corporate Income Tax (IR-2) must be filed with the closing date March 31, 2021.

7 – ACCOUNTING & REPORTING

All businesses in the DR have long been required to keep accurate and complete accounting records. The DR officially adopted International Accounting Standards (IAS), the forerunner of International Financial Reporting Standards (IFRS), in 1999. Historically, however, businesses have largely failed to comply with the official standards.

ICPARD Resolutions

The Institute of Chartered Public Accountants of the Dominican Republic (Instituto de Contadores Públicos Autorizados de la República Dominicana or ICPARD), which has the power to set standards for accounting in the Dominican Republic, has adopted two resolutions to tackle chronic non-compliance and raise the standards of accounting and reporting in the DR.

In 2010, ICPARD's Resolution 001 established that IFRS must be implemented by all companies whose shares are listed on the Dominican stock exchange (Bolsa de Valores de la República Dominicana or BVRD). The resolution is being phased in gradually; listed companies had to abide by all the IFRS by 2014.

ICPARD's Resolution 002 established that businesses not listed on the stock exchange (not including government-regulated companies) must use the IFRS for SMEs. Unlisted companies had to abide by all the IFRS for SMEs by 2014.

International financial reporting standards do not apply to government-regulated companies, which must instead abide by the rules of the regulatory body. Large businesses are required to employ an external auditor but smaller businesses are not.

8 – UHY REPRESENTATION IN DOMINICAN REPUBLIC

UHY CALDERON GONZALEZ & ASOCIADOS DOMINICAN REPUBLIC

UHY

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SOCIAL MEDIA CONNECTIONS

- Facebook: fb.com/uhycca
- Twitter: www.twitter.com/uhycca

Year established:	2009
Number of partners:	3
Total staff:	15

ABOUT US

Experience and commitment to your service

BRIEF DESCRIPTION OF FIRM

UHY Canahuate Calderon & Associates is a firm of auditors and tax consultants, incorporated and existing under the Law No.633 on Certified Public Accountants, June 16 1944, the Internal Regulation No.2032 1st. June 1984 and other laws, regulations and statutes that govern the profession in the Dominican Republic.

SERVICE AREAS

Audit, taxation, bookkeeping, payroll administration and other related services.

SPECIALIST SERVICE AREAS

Audit and taxes

PRINCIPAL OPERATING SECTORS

Commercial and services

LANGUAGES

Spanish, English.

CURRENT PRINCIPAL CLIENTS

“Confidentiality precludes disclosure in this document.

The network for doing business

LET US
HELP YOU
ACHIEVE FURTHER BUSINESS
SUCCESS

To find out how UHY can assist your business, contact any of our member firms. You can visit us online at www.uhy.com to find contact details for all of our offices, or email us at info@uhy.com for further information.