A LEGAL GUIDE TO INVESTING IN THE DOMINICAN REPUBLIC

GUZMÁN ARIZA

ATTORNEYS AT LAW

90 YEARS Since 1927

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FABIO J. GUZMÁN ARIZA

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ABOUT THIS GUIDE

GUZMÁN ARIZA is pleased to offer this third edition of *A Legal Guide to Investing in the Dominican Republic. legal guide*. The guide provides basic information about the country and its legal system of interest to the international investor.

The Dominican Republic has a privileged location at the center of the Caribbean, free market access to the United States, the European Union, and Central America, an abundant work force, a domestic market of close to eleven million people, and a decades-old policy of great openness to foreign investment and international trade. As a result, the island nation has become the largest economy in the Caribbean and Central America, the number one recipient of direct foreign investment in the region (3.0 billion dollars in 2019), and its most-visited tourist destination (7.5 million tourists in 2019). Economic growth in the last twenty-five years has averaged 5.5% per year, one of the highest in the region. From 2012 to it reached 6.3%, the highest in the Western Hemisphere.

We hope that you will find this guide useful in identifying and analyzing the key legal issues affecting your planned or existing investment in the Dominican Republic. Please note that it is very much an introduction to the subject and is not intended to be a comprehensive guide to all the legalities that you may encounter while investing in the country; therefore, it should not be relied upon as an alternative to the engagement of legal counsel. Also, like other legal systems, Dominican law is subject to regular change; what you read here reflects the law as of June 30, 2019. Please be careful to check with us that the law as stated here is still in force before acting on it.

We would welcome the opportunity to discuss with you any questions you may have about the contents of this guide or any other legal issue related to the Dominican Republic. Please feel free to get in touch with us. You will find information about our firm and how to contact us on the following pages.

Fabio J. Guzmán Ariza
Managing Partner
Guzmán Ariza, Attorneys at Law

ABOUT THE FIRM

Founded in 1927, Guzmán Ariza is the first and only national law firm in the Dominican Republic, with eight offices strategically located to serve clients in every major business and tourism center in the country: Santo Domingo, Punta Cana, La Romana, Casa de Campo, Sosúa-Puerto Plata, Las Terrenas, Samaná and Cabrera. The firm has been recognized as one of the best both locally and globally by the main international legal directories: Chambers and Partners, The Legal 500 and IFLR1000.

Our multilingual and multinational staff of more than 50 lawyers and consultants is equipped to assist international investors across a wide variety of practice areas, including international trade and investments, mergers and acquisitions, corporate and business law, bankruptcy, project finance, antitrust, real estate, telecommunications, tourism, energy, mining, banking, insurance, securities, technology, transportation, environmental law, sports, entertainment, litigation and alternative dispute resolution, and immigration.

For more information on our firm and how we can help you with your legal needs in the Dominican Republic, please visit our web site www.drlawyer.com or contact us directly by writing to fguzman@drlawyer.com or info@drlawyer.com.

GUZMÁN ARIZA OFFICES

Calle Pablo Casals #12, Serrallés
Santo Domingo,
República Dominicana
Tel.: +1 (809) 255-0980

Calle Pablo Neruda #20, Villa Ana María
Sosúa, Puerto Plata, Rep. Dominicana
Tel.:+1 (809) 571-2880

Avenida Trinitaria #45
La Romana, República Dominicana
Tel.:+1 (809) 550-6400

Calle El Carmen #3
Las Terrenas, República Dominicana
Tel.:+1 (809) 240-6484

Palma Real Business Center
Bávaro-Punta Cana
República Dominicana
Tel.: +1 (809) 552-8900

Calle María Gómez #8
Cabrera, Rep. Dominicana
Tel.:+1 (809) 589-8055

Edificio K, Altos de Chavón
Casa de Campo, La Romana, Rep. Dominicana
Tel.:+1 (809) 550-6400

Avenida La Marina, Edificio #1, Apto. 1`-2A
Samaná, República Dominicana
Tel.:+1 (809) 538-3288

ONE PHILOSOPHY

EIGHT OFFICES

ENDLESS SOLUTIONS

I
THE DOMINICAN REPUBLIC AT A GLANCE

Location and Size

The Dominican Republic is strategically located at the center of the Caribbean, between Cuba and Puerto Rico, on the eastern two thirds of the island of Hispaniola; the western third is occupied by Haiti. It is the second-largest nation in the region (after Cuba), with 48,445 square kilometers (18,705 square miles), approximately the same size as the combined area of the states of Vermont and New Hampshire in the United States, and slightly larger than Switzerland or Denmark.

Topography and Climate

For a small nation, the Dominican Republic exhibits exceptional geographical diversity. It is home to the highest peak in the Caribbean (Pico Duarte at 3,098 meters or 10,417 feet), its lowest elevation (Lake Enriquillo at 45 meters or 374 feet below sea level), rugged mountain chains, fertile valleys, semideserts, and about 1600 kilometers (1000 miles) of coastline and beaches.

Due to this diverse topography, its climate is the most varied in the region. The annual average temperature is 25 °C (77 °F). At higher elevations the temperature averages 18 °C (64.4 °F) while near sea level the average temperature is 28 °C (82.4 °F). Low temperatures below 0 °C (32 °F) have been recorded in the central mountains. January and February are the coolest months of the year; August, the hottest.

Population

The Dominican Republic has a total population of 11.27 million people, of which about 75% live in urban areas. Racially, Dominicans are predominantly of mixed origin (73%), with sizable white (16%) and black (11%) minorities. Recent genealogical DNA testing has shown that the overall genetic pool of the Dominican Republic is 49% Sub-Saharan African, 39% European, and 4% Native American.

The largest population centers in the country are Santo Domingo (the Dominican capital and the largest city in the Caribbean and Central American region, with a population of three million), Santiago, La Romana, San Pedro de Macorís, Higüey, San Francisco de Macorís, Puerto Plata and La Vega.

History

Upon his arrival, on December 5, 1492, at the island he called Hispaniola, Christopher Columbus found it inhabited by the Tainos, a people from South America who had developed a culture based on agricultural production. The ill-treatment they received from the Spanish conquistadors and the illnesses brought to the New World by the latter determined their early extinction (by 1535, only 500 Indians survived on the island), and their replacement by African slaves.

The island of Hispaniola was the site of the first permanent European settlement in the Americas. Santo Domingo, founded in 1496, was the first seat of Spanish colonial rule, the setting for the first university, cathedral, and fortress in the New World, and the training ground for the future conquerors of the Aztec and Inca empires.

With the conquest by Spain of richer and more populous territories on the mainland (Mexico and Peru), Hispaniola entered a period of more than 300 years of economic decline and depopulation. At the beginning of the 17th century, the Spanish authorities forced the resettlement of the remaining inhabitants on the southern and eastern parts of the island to prevent them from trading with other European powers. The French took advantage of the situation seizing the western part of the island (now Haiti), an occupation that Spain formally recognized in the Treaty of Ryswick (1697). In 1795, Spain ceded the eastern two-thirds of the island to the French, giving them total control of Hispaniola.

From 1795 to 1844, the territory of the present Dominican Republic was governed successively by France (1795-1808), Spain (1809-1821) and Haiti (1822-1844). On February 27, 1844, a group of Dominican patriots, led by Juan Pablo Duarte, proclaimed the country's independence, which for the following two decades had to be defended constantly against Haitian invasions. In 1861, to put a stop to the constant menace, the Dominican Republic voluntarily rejoined Spain, but only for four years, since the discontent of the Dominicans with their new rulers triggered a guerrilla war that culminated in the restoration of Dominican independence in 1865.

The period 1865-1916 was characterized by continued political instability and the progressive indebtedness of the country. In 1916, for strategic reasons having to do with World War I then in progress, the United States occupied the Dominican Republic under the pretext that the country had breached its financial commitments. The American occupation lasted until 1924.

After six years of democratic government under Horacio Vásquez (1924-1930), dictator Rafael Trujillo came to power and ruled the country with an iron hand for 31 years, until his assassination in 1961. Juan Bosch won the presidency in democratic elections in February 1963 but was overthrown in September of the same year. In April 1965, after 19 months of military rule, a pro-Bosch revolt broke out and civil war ensued, provoking a second intervention by the United States, this time to head off the possibility of a communist takeover and the creation of a "second Cuba." The Americans left in 1966 after supervising democratic elections won by Joaquin Balaguer.

Since 1966, the Dominican Republic has held thirteen consecutive democratic elections, which have been won by four different political parties. The current president is Luis Abinader of the Partido Revolucionario Moderno (PRM).

Government

The Dominican Republic is a representative democracy, with three branches of government, each with separate and independent powers and areas of responsibility: a legislature, an executive, and a judiciary. For administrative purposes, the country is divided into 31 provinces and a National District (the capital of Santo Domingo).

Executive Branch

The executive branch is headed by the President, who is simultaneously the head of state and the head of government, and is elected every four years by popular vote. The President enacts laws passed by the legislature, appoints the cabinet, provincial governors and other administrative personnel, and is commander in chief of the armed forces.

Legislature

The legislature or National Congress is bicameral, composed of a Senate and a Chamber of Deputies.

The Senate has 32 members, elected by simple majority vote, one for each province ant the National District. The Chamber of Deputies has 190 members, elected directly in multiseat constituencies by proportional representation vote. Both senators and deputies serve four-year terms and may be reelected for additional terms.

Court System

A thirteen-member Constitutional Court rules on whether laws and treaties are in conflict with constitutionally-established rights and freedoms. The Constitutional Court can also review the constitutionality of the definitive rulings of other courts. The decisions of the Constitutional Court are final and irrevocable, and constitute binding precedents for the three branches of government. Members of the Constitutional Court are appointed by the National Judicial Council for a single term of nine years. Appointments are staggered so that a partial turnover of the membership occur every three years.

Judicial authority, in a strict sense, rests with the seventeen-member Supreme Court of Justice. Justices to the Supreme Court are appointed for life, with mandatory retirement at 75 years of age, by the National Judicial Council. The Supreme Court has original jurisdiction over legal actions against the President and Vice President, cabinet members and members of Congress, and rules on the legality of the decisions of the lower courts.

The lower court system consists of Courts of Appeal, Courts of First Instance, Magistrate's Courts and Special Courts. Lower court judges are appointed by the Supreme Court from a list of candidates prepared by the Council of the Judicial Branch, which consists of the Chief Justice of the Supreme Court of Justice, who presides the Council; an associate justice of the Supreme Court; and a judge each from an appellate court, a court of first instance or equivalent, and a magistrate's court. All members of the Council, except the Chief Justice, are elected by their peers. The Council of the Judicial Branch has disciplinary powers over lower court judges, and handles the finances and budget of the judiciary.

In general, Dominican judges, unlike their counterparts in common law countries, are not appointed from the ranks of experienced lawyers; instead, they enter the judiciary at the lowest rung after graduation from law school and from a judicial training college.

Economy

The Dominican Republic is categorized as an upper-middle developing country, with a gross domestic product (GDP) per capita, in 2019, of $19,291 PPP (purchasing power parity), the fifth highest in Latin America. The size of the economy, the eighth in Latin America and the first in the Caribbean and Central America region, increased tenfold between 1991 and 2019, growing at a rate of 6.3% in the period 2012-2019, the highest high in the Western Hemisphere. Inflation in that interval period remained below 4%, falling, in 2019, to 1.81%.

During the last three decades, the Dominican economy, formerly dependent on the export of agricultural commodities (mainly sugar, cocoa and coffee), has transitioned successfully to a well-diversified mix of services, manufacturing, agriculture, mining, and trade. The service sector accounts for almost 60% of GDP; manufacturing, for 22%. Diversification also prevails within the service sector: none of its three most important components —tourism, telecommunications and finance— represents more than 15% of the total.

The sectors and subsectors that receive most of the foreign direct investment (FDI) in the Dominican Republic are described below. In 2019, FDI to the country reached 3,012.8 million dollars, the highest in Central America and the Caribbean.

Free Zones

Free zones are industrial parks located in restricted areas where companies can manufacture goods and provide services in a free trade environment and under special tax incentives. Free zones are an important pillar of the Dominican economy and an attractive investment opportunity for any investor.

The free zone system in the Dominican Republic is one of the most advanced in the world, encompassing financial, logistic and other services, alongside the more traditional manufacturing. For example, during the last decade, many North American companies have relocated their customer service and call center operations to Dominican free zones, and more than 70 software development companies have set up shop there.

Exports from the Dominican free zones have increased steadily in recent years as a result of the growing diversification of the goods and services offered. Goods exported in 2019 amount to 6.3 billion dollars. As of December 2019, the main industries installed in the free zones are, in order of the value of their exports, medical and pharmaceutical products (26.5%), electrical and electronic products (17.2%), textile clothing (16.7%), tobacco (14.2%) and jewelry (8.5%). It should be added that the Dominican Republic is currently, through its free zones, the number one exporter of quality cigars in the world and the third largest producer of medical equipment.

Tourism

With about 1300 kilometers (800 miles) of beaches, the oldest colonial settlement in the Western Hemisphere, and spectacular mountains and landscapes, the Dominican Republic is the single most-visited tourist destination in the Caribbean. In 2019, the country received 26% of all tourists visiting the region, hotel capacity grew to more than 90,000 rooms. Tourism revenues now surpass those of Brazil and rank second in Latin America, behind Mexico.

Investment in the tourism industry is broadly diversified across various subsectors such as leisure (hotels, vacation homes, cruise ports, spas, etc.), health and ecotourism.

Mining

Traditionally, mining played a small role in the Dominican economy, contributing less than 1% to GDP. This has changed significantly since 2012 when gold and silver production began at the Pueblo Viejo mine, located 100 kilometers northwest of Santo Domingo. Pueblo Viejo is the fourth largest gold producer in the world (30.1 tons in 2018), and number one in the Americas. The mine is operated by a joint venture between the Barrick Gold Corporation and Newmont. To start production, the joint venture invested four billion dollars, the largest foreign investment in the history of the Dominican Republic. In 2019, gold exports from the mine exceeded $1.5 billion. In 2020, Pueblo Viejo announced a new capital investment of $1.3 billion to increase the extraction period or lifespan of the mine until at least 2046.

The investment in the Pueblo Viejo mine has had a profound effect on the Dominican economy and has sparked the interest of other investors in mining concessions, given the demonstrated magnitude of the country's natural resources, which include, in addition to gold, silver and copper, nickel and iron deposits, bauxite, and possibly rare earths, cobalt, oil and natural gas. The country also has significant deposits of quality gems such as amber, as well as endemic varieties only found in the Dominican Republic — blue amber and larimar.

Electricity and Energy

The Dominican electricity sector is made up of three subsectors: generation, transmission and distribution. A state company, the CDEEE, controls the transmission and distribution of electricity, except in some tourist areas, and coordinates the three subsectors through three distribution entities that serve the northern (*Edenorte*), southern (*Edesur*) and eastern (*Edeeste*) regions.

Private electric companies provide about half of the country's total generation, which is sold to CDEEE. The Dominican Republic has the most diverse energy generation matrix in Central America and the Caribbean region, with 11 different generation sources, totaling, in late 2019, some 4,850 megawatts of installed capacity. 75% of the electricity consumed in the Dominican Republic is generated by thermoelectric plants that use gas, coal, heavy fuel oil or diesel; the remaining 25% is generated by hydroelectric plants, wind farms, solar and biomass.

Because energy demand still exceeds supply, significant potential for investment exists both in traditional and alternative energy sources. Private investors and the Dominican Government are currently making large investments in the sector, among them, the Punta Catalina plant, with a cost of over 2 billion dollars, and new energy projects from renewable sources. More investments have been scheduled for 2020 to improve the share of natural gas in the generation matrix. Although the country is already one of the largest consumers of natural gas in the Caribbean, as a result of these new investments and the conversion to natural gas of various existing plants, it is estimated that the demand for natural gas will increase from 60 TBTU to at least 80 TBTU in 2020.

Telecommunications

The Dominican Republic was one of the first countries in Latin America to privatize telephone service. Greater competition and significant foreign direct investment in the industry (close to one billion dollars in the last five years) have resulted in rapidly increasing telecom coverage and reduced rates. As of December 2019, there were about 11 million fixed and mobile phones in operation, as well as 6 million Internet accounts. The Dominican government is currently developing a nationwide fiber optic infrastructure that will make the Dominican Republic the undisputed leader in telecommunications in the Caribbean.

The Dominican Institute of Telecommunications (INDOTEL), an agency of the Dominican government, promotes and regulates the telecommunications market.

Financial Services

Dominican Republic has a diversified and dynamic financial services sector, consisting of different types of entities such as banks, savings and loan associations, savings and credit unions, brokerages, etc. So-called “multiple banks”can perform all kinds of banking operations. Credit entities can receive deposits but cannot open checking accounts. Savings and loan associations, and credit unions are not equity institutions but mutual savings banks, meaning that the depositors and borrowers are members of the entity with voting rights. Neither can open checking accounts.

The law grants foreign banks equal treatment with local financial institutions. A foreign bank wishing to operate or establish representative offices in the Dominican Republic will need authorization from the Monetary Board under the same conditions established for Dominican banks.

Offshore banking centers, which intend to house private and commercial banks, as well as an electronic exchange, have also been approved for operation, but have not opened yet.

Agriculture and Livestock

Agriculture and livestock were the most important economic activities in the Dominican Republic since its beginnings as a nation in 1844 until the late 20th century. Tobacco, cacao, sugar, coffee, beef and milk production were the mainstay of the Dominican economy. Today, although no longer the main components of national wealth, agriculture and livestock remain an important industry, representing approximately 8% of GDP

Many new crops are now produced on Dominican soil in addition to the traditional ones. Fruits such as bananas, oranges, plantains, pineapples, coconuts, mangoes, melons, avocados, limes, cashew nuts, watermelons and papayas are produced for export to the American and European markets and for local consumption. The Dominican Republic produces approximately 29% of all fruits harvested in the entire Caribbean and Central America region in 765,000 hectares of fruit farms, and has become one of the world's leading exporters of organic bananas and cacao; in 2019, the country became the main exporter to the European Union of these two products.

As for livestock, the poultry and pork industries are the largest in the Caribbean and generate appreciable income from exports.

Currency and Exchange

The monetary unit in the Dominican Republic is the peso (DOP or RD$). As of June 30, 2019, one dollar buys 58 pesos. The US dollar is widely accepted. Contractual obligations can be legally stipulated in US dollars or any other foreign currency. There are no exchange controls: exchange rates are set freely by the market. Currency exchange transactions are done at commercial banks and at authorized currency exchange agents. Accounts in dollars or euros can be opened at local banks.

Language

Spanish is the official language; English is widely spoken in the business community and tourist areas.

Office Hours and Time Zone

Office hours are generally from 8 a.m. to 12 p.m. and 2 p.m. to 6 p.m. Local time is GMT -4, an hour ahead of Eastern Standard Time (EST) in winter, and the same as Eastern Daylight Time (EDT) in the summer. Unlike the United States and Europe, local time in the Dominican Republic is the same throughout the year since there is no change to daylight saving time.

Calling Telephone Codes

The Dominican Republic is part of the North American Numbering Plan (NANP). Calling the country works like a US long-distance call. The country code is 1, and the area codes are 809, 829 and 849.

International Airports

There are eight international airports in the Dominican Republic, which are, in order of passenger traffic: Punta Cana (PUJ), Santo Domingo (SDQ), Santiago (STI), Puerto Plata (POP), La Romana (LRM), Samaná (AZS), Santo Domingo/Herrera (JBQ), and Barahona (BRX). Total air traffic in 2019 reached 14,429,906 passengers, approximately 30% of all traffic in the Caribbean region. Some 235 international airlines use Dominican airports, 49 of these in daily operations and another 186 in charter flights.

Public Holidays

- Jan. 1 (New Year's)
- Jan. 6 (Epiphany)*
- Jan. 21 (Day of La Altagracia)
- Jan. 26 (Duarte Day)*
- Feb. 27 (Independence Day)*
- Good Friday**
- May 1 (Labor Day)*
- Corpus Christi**
- Aug. 16 (Restoration Day)*
- Sept. 24 (Our Lady of Mercy)
- Nov. 6 (Constitution Day)*
- Dec. 25 (Christmas).

* When the holiday falls on a Tuesday or Wednesday, it is celebrated the previous Monday; when it falls on Thursday or Friday, it is celebrated the following Monday.

** The date of these religious holidays varies year to year.

II
INVESTING IN THE DOMINICAN REPUBLIC

A Receptive Environment for Investors

Over the past three decades, the Dominican Republic has fostered a highly receptive environment for international investors, adopting policies that minimize red tape and offering them significant tax incentives. For this reason, the country has become the main recipient of foreign direct investment (FDI) in the region. In 2019, FDI reached 3.1 billion dollars, of which 31.5 came from the United States; 21.2% from Mexico, 13.1% from Spain, and 7.9% from France.

Equal Treatment

The Dominican Constitution accords foreign and local investors equal treatment under the law, stating expressly that foreigners in the Dominican Republic are entitled to the same rights as Dominican nationals, except for participating in local political activities. At the same time, foreign investors are bound by the same rules and regulations applicable to local investors.

Foreign investors can freely hold equity in local businesses and joint ventures, as well as buy real estate in their names.

Legal Framework

Foreign Investment Law 16-95, enacted on November 20, 1995, and its enabling regulations, eliminated all barriers formerly imposed on international investments in the Dominican Republic. Investors contributing capital to companies operating in the Dominican Republic are granted unlimited access to all sectors of the Dominican economy, except to those related to national security and certain sensitive industries.

Registration of foreign investments with government authorities is not mandatory. Nor is state approval required for the repatriation abroad, in foreign currency, of the capital invested or the benefits received by investors.

Government Assistance to Foreign Investors

The Center for Exports and Investment of the Dominican Republic (PRODOMINICANA) is a government institution, created in 2013, with the purpose of promoting exports and facilitating and expediting foreign investment in the country. PRODOMINICANA assists foreign investors in their business activities in the Dominican

Republic by providing free advice and information, as well as coordinating their permit applications with various government entities.

The Center also sponsors events to promote the Dominican Republic as an investment destination and to provide information to potential investors on how to plan and implement successful business projects in the country.

Government Guarantees for Foreign Loans

The Dominican government also assists investors by pledging its full faith and credit to loans provided by international agencies for significant infrastructure projects in the Dominican Republic. Foreign investors in large Dominican projects commonly use capital and political/exchange insurance risk facilities provided by the Multilateral Investment Guarantee Agency (MIGA) and the Overseas Private Investment Corporation (OPIC). The Dominican Republic has signed agreements with both entities.

The Multilateral Investment Guarantee Agency (MIGA) is an independent development cooperation institution created by the World Bank in 1988 to provide, in addition to guarantees to investors against losses caused by political risks, technical assistance to promote investments to developing countries.

The Overseas Private Investment Corporation (OPIC) is an independent federal agency of the United States federal government that helps American companies to compete in emerging markets by providing insurance against political violence, expropriation, and the inability to convert foreign currency.

Incentives to Investments

In a deliberate effort to attract investment capital, the Dominican Republic has set up one of the most wide-ranging systems of incentives for investors. The most important initiatives in this regard are described below.

Incentives to Investors in Free Zones

Under Free Trade Zones Law 8-90, companies operating in free zones function in a nearly free trade environment and benefit from considerable tax exemptions for renewable 15-year periods, such as no income, goods and services, municipal, or export taxes, no import duties nor related charges on raw materials, equipment, construction materials, vehicles, office equipment and other goods necessary for the preparation, construction, and operation of the business.

All trade in goods or services from and to a free zone is considered an import or an export, even when the source or destination is another location in the Dominican Republic. As a result, goods and services from the free zones sold in the Dominican market are subject to applicable taxes, such as customs duties and goods and services taxes, except (a) textiles, leather goods, and shoes that benefit from a special program set up under a special statute (Law 56-07); and (b) trade between different free zones if approved beforehand by the authorities. Furthermore, companies in the free zones exporting goods or services to the Dominican market pay a preferential income tax rate of 3.5% on gross sales.

Free zones are regulated and supervised by the National Council for Free Zones, which issues the permits allowing companies to operate within a particular free zone, and enforces all applicable legislation.

Special Incentives for Border Region Free Zones

Under Law 28-01, companies established and operating in free zones within the border region with Haiti are entitled, in addition to the exemptions listed before, to additional benefits such as an extension of the exemption period from 15 to 20 years, government subsidies to lease space in the free zone, and preferential loans with lower interest rates.

Special incentives for International Financial Free Zones

Under Law 480-08, companies in special free zones can offer all types of financial and support services to persons or entities located outside the Dominican Republic without having to pay taxes for a 30-year period.

Partners and shareholders of companies in financial free zones are exempted from paying taxes on the profits or dividends received.

International financial free zones are regulated and supervised by the National Council for International Financial Zones, which issues the permits allowing companies to operate within a particular free zone and enforces all applicable legislation.

Special Incentives for Logistic Operators

Executive Order 262-15 defines logistic operators as companies authorized by the Customs Department of the Dominican Republic to supply, within a logistic center, services such as storage, inventory administration, classification, consolidation, cargo distribution, packaging, labeling, division of cargo, refrigeration, re-export, and transport.

Logistic operators benefit from a significant reduction in their income tax, which is set at just 3.5% of sales made in the local market, and from import duties on merchandise brought into the country, repackaged and then exported, if done within a specified time period.

Incentives for Investors in the Tourism Industry

The inflow of tourists to the Dominican Republic began with the enactment, in 1971, of a special statute granting incentives to investors willing to risk their capital in what was then the least-visited tourist destination in the region. Nowadays, when the country is the undisputed tourism leader in the Caribbean, companies still benefit from very attractive enticements to invest in the industry. Law 158-01 on Tourism Incentives, as amended by Law 195-13, and its regulations, grants wide-ranging tax exemptions, for fifteen years, to qualifying new projects by local or international investors.

The projects and businesses that qualify for these incentives are: (a) hotels and resorts; (b) facilities for conventions, fairs, festivals, shows and concerts; (c) amusement parks, ecological parks, and theme parks; (d) aquariums, restaurants, golf courses, and sports facilities; (e) port infrastructure for tourism, such as recreational ports and seaports; (f) utility infrastructure for the tourist industry such as aqueducts, treatment plants, environmental cleaning, and garbage and solid waste removal; (g) businesses engaged in the promotion of cruises with local ports of call; and (h) small and medium-sized tourism-related businesses such as shops or facilities for handicrafts, ornamental plants, tropical fish, and endemic reptiles.

As for existing projects, hotels and resort-related investments that are five years or older are granted 100% exemptions from taxes and duties related to the acquisition of the equipment, materials and furnishings needed to renovate their premises. In addition, hotels and resort-related investments that are fifteen years or older will receive the same benefits granted to new projects if the renovation or reconstruction involves 50% or more of the premises.

Finally, individuals and companies get an income tax deduction for investing up to 20% of their annual profits in an approved tourist project.

The Tourism Promotion Council, known by its Spanish acronym of Confotour, is the government agency in charge of reviewing and approving applications by investors for these exemptions, and, generally, of supervising and enforcing all applicable regulations. Once Confotour approves an application, the investor benefitting from the incentives must start and continue work in the authorized project within a three-year period to avoid losing all benefits under the program. Due to the COVID-19 pandemic, the Tourism Development Council extended the three-year period for starting construction for an additional period of two years.This extension will apply to all projects approved during 2020 and to those, previously approved, operating within the initial three-year term.

Incentives for Investors in Renewable Energy

The Dominican Republic encourages investment in the renewable energy sector. Under Law 57-07 on the Development of Renewable Sources of Energy, investors in this sector are granted, among other benefits, the following tax incentives: (a) exemption from payment of import duties and value-added taxes (ITBIS) on the equipment, machinery and accessories necessary for the production, transmission and interconnection of renewable energy; and (b) reduction to 5% of the withholding tax for the payment of interest abroad for external financing.

In addition, producers authorized under the law may sell Certified Emission Reductions units (CERs) in accordance with the Kyoto Protocol.

Incentives for Investors in the Film Industry

Film Industry Law 108-10 created a legal framework to promote the development, production, distribution and preservation of movies, TV shows, music videos, and other audiovisual productions, as well as the construction of film-making studios and movie theaters. The most important incentives contemplated in the legislation are exemption from payment of the goods and services tax, income tax exemption for the construction of movie theaters and film or recording studios, and a transfer-able tax credit of 25% of expenditures in the Dominican Republic, subject to certain requirements.

To benefit from these incentives, investors need to be registered and authorized with the Dominican Republic Film Commission, which is the regulatory agency in charge of implementing the law.

General Incentives for Innovation and Competitiveness in Manufacture

Industrial Innovation and Competitiveness Law 392-07, as amended by Law 542-14, creates an institutional framework to enhance the ability of Dominican industry to compete in international markets by promoting horizontal and vertical integration and granting incentives to qualified operators, such as exemption from custom duties and goods and services tax on raw materials, machinery and capital goods, accelerated depreciation of goods and industrial equipment, and reimbursements of certain taxes to exporters.

To qualify for these incentives, industries must be certified by the Center for Development and Industrial Competitiveness (PROINDUSTRIA), the agency of the Dominican government created to implement Law 392-07.

Incentives for International Investors

Law 171-07 grants foreign nationals who invest a minimum of $200,000 in the Dominican Republic, or meet certain criteria as retirees, with special benefits such as expedited residency in the country, exemption from duty for the importation of household goods, exemption from transfer taxes for the first purchase of real estate, exemption from taxes on dividends and interest, and 50% reduction on property and capital gains taxes.

III
INTERNATIONAL TRADE

Market Size

Dominican imports and exports in 2019 amounted to 20.3 and 11.2 billion dollars, respectively. The main export products were gold (14.6%), cigars (7.9%), electrical devices (6.9%), medical instruments (6.6%) and jewelry (3.8%). The main destinations for Dominican exports were the United States (45.7%), Haiti (7.4%), Switzerland (7.0%), Puerto Rico (4.5%) and India (3.8%).

The Dominican Republic is the sixth largest trading partner of the United States in the Americas, after Canada, Mexico, Brazil, Colombia and Chile; and the largest importer in the Caribbean region, with 28% of all imports in the region.

Participation in the International Community

The Dominican Republic maintains diplomatic relations with almost all nations in the world and is a member of many regional and international organizations, including the United Nations, the Organization of American States, the Central American Integration System, the World Trade Organization, the International Monetary Fund, the World Bank, the International Centre for Settlement of Investment Disputes, the International Finance Corporation, the Inter-American Development Bank, the Inter-American Investment Corporation, the Central American Bank for Economic Integration, the Caribbean Development Bank, the Multilateral Investment Guaranty Agency, and the Caribbean Forum of African, Caribbean and Pacific States.

Membership in the World Trade Organization

The Dominican Republic has been a member of the World Trade Organization (WTO), the world-wide regulator of international trade, since its founding in 1995. The main objective of the WTO is to foster international trade by eliminating trade barriers and enforcing the multiple commercial agreements reached by its members over the decades.

As a developing country, the Dominican Republic is allowed to receive preferential, non-reciprocal treatment from other member states.

Free Trade Agreements

The Dominican Republic enjoys advantageous trade with the United States, the European Union, and countries in the Caribbean and Central America region. Two important agreements are the free trade agreement with the United States and Central America (DR-CAFTA) and the Economic Association Agreement with the European Union (AAE). Both encourage the free flow of trade among the member states by significantly reducing tariffs, opening new markets, and promoting regional integration. Furthermore, the country has initiated discussions to liberalize trade with Canada, Mexico, Mercosur, and Taiwan.

Dominican Republic and Central American Free Trade Agreement (DR-CAFTA)

Signed August 5, 2004, and effective in the Dominican Republic since March 1, Signed August 5, 2004, and effective in the Dominican Republic since March 1, 2007, DR-CAFTA facilitates trade and investment between its member states and promotes regional integration by eliminating tariffs, opening markets, reducing barriers to services, promoting competition, protecting intellectual property rights, and advancing transparency. Parties to the agreement are the United States, the Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. These last six countries represent the third largest export market for US goods in Latin America after Mexico and Brazil.

DR-CAFTA permanently guarantees the Dominican Republic the ability to export most of its products and services to the member states without customs duties. Service sectors with open access to all signatories of DR-CAFTA include financing, insurance, investments, tourism, energy, transport, construction and engineering, government contracts, telecommunications, express delivery, electronic commerce, entertainment, professional services, computer and related services, and environmental industries. Importantly, laws that protect domestic dealers by locking companies into distributorship arrangements have been loosened.

DR-CAFTA also requires member states to effectively enforce local labor and environmental regulations, and eliminate corruption, in order to ensure fair competition and a level playing field for all.

Certain obstacles to free trade remain under the treaty. Member states have kept tariffs on specific agricultural products up to a certain limit, and have prohibited the importation of certain goods. For instance, the Dominican Republic does not allow the entry of used clothes, used electric household appliances, or cars older than five years.

The administrative structure of DR-CAFTA is headed by the Free Trade Commission, consisting of cabinet-level representatives of the seven parties to the agreement. The Commission is responsible for supervising the implementation of the agreement and resolving disputes regarding its interpretation and application.

Economic Partnership Agreement (EPA)

The Economic Partnership Agreement (EPA) is a free trade treaty with financing and investment aspects signed in 2007 between the European Union (EU) and CARIFORUM, an organization of Caribbean nations, whose members are Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Granada, Guyana, Haiti, Jamaica, Saint Lucia, Saint Kitts and Nevis St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, and Dominican Republic. The EPA allows duty-free access to Caribbean products to the 28 countries of the EU and provides economic assistance to Caribbean countries with the stated purpose of reducing poverty, promoting regional integration, and encouraging regional consolidation into the world economy. It also promotes free trade within the Caribbean region. The Dominican Republic entered the EPA on October 15, 2008.

Under the terms of the EPA, access to markets is asymmetrical. Provisions for exports from Caribbean countries to the countries of the EU are generous for eligible products. In contrast, provisions for similar imports from the EU are subject to restrictions for up to 25 years, with safeguards to protect local employment and sensitive industries. This asymmetry protects certain products and sectors in the less-developed Caribbean countries from the potential unequal effect of trade with the EU while affording the less-developed member states access to EU products.

The EPA, together with DR-CAFTA, offers international investors and local producers in the Dominican Republic unprecedented free-trade access to the two largest markets in the world: The European Union and the United States. Few other countries benefit from such a privileged situation.

Free Trade Agreement with CARICOM

Signed in 1998 and ratified by the Dominican Republic in February 2001, this agreement involves the Dominican Republic and 14 Caribbean nations (CARICOM), and establishes free trade zones in the region along WTO guidelines. Trade between the Dominican Republic takes place on an equal or reciprocal basis with other more developed Caribbean states, but may be differentiated with those less-developed, such as Antigua y Barbuda, Belize, Dominica, Granada, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Haiti.

The free trade agreement between the Dominican Republic and CARICOM coexists with free trade agreement between the Caribbean nations and the European Union (EPA). A provision in the EPA stipulates that in case of a conflict in the handling of a product or sector between the two agreements, the agreement with the less restrictive treatment will prevail.

Free Trade Agreement with Central America

A free trade agreement between the Dominican Republic and the Central American countries of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua was signed in 1998 and came into effect in 2001. Although a regional treaty, it is, in fact, a bilateral agreement between each Central American country and the Dominican Republic. The agreement provides for free trade in all products originating in the region except those registered in a "negative list."

This agreement coexists with DR-CAFTA, which incorporates several of the provisions of the former, including the negative lists. In case of a conflict in the handling of a product or sector between the two agreements, the agreement with the less restrictive treatment will prevail.

Partial Free Trade Agreement with Panama

This agreement was signed in 1985, but discrepancies over its application delayed implementation until 2003. Four lists of products benefit from liberalized trade, subject to rules of origin: (a) "two-way products," which consists of those that enjoy free access to the markets of both countries; (b) Dominican products than can be freely exported to Panama; (c) Panamanian products that can be freely exported to the Dominican Republic; and (d) products manufactured in free trade zones.

A Permanent Mixed Commission consisting of representatives from both countries may add new products to the lists.

IV
BUSINESS ENTITIES

Alternative Methods for Doing Business in the Dominican Republic

Foreign companies may conduct business in the Dominican Republic by setting up a branch office, incorporating a local subsidiary or acquiring the shares of an existing Dominican company.

Branch Office

Any company duly organized and existing in accordance with the laws of its country of origin can set up a branch in the Dominican Republic by registering at the local Business Registry and obtaining a tax number from the Internal Revenue Agency. Additional approvals may be required in certain regulated industries.

Registration requires (a) that all incorporation documents of the foreign company be translated into Spanish and authenticated, (b) corporate minutes establishing a registered office in the Dominican Republic and naming a local representative, and (c) particulars of the local representative and the company's shareholders.

Registration is not necessary if the activity of the foreign company is limited to acquiring equity in a local business entity or to occasional transactions in the Dominican Republic.

Local branches of foreign companies receive the same tax treatment as Dominican companies and are subject to the same local laws and regulations in labor and other matters. For tax purposes, they must keep separate accounts from their head office so as to facilitate the determination of their income.

Since branch offices are not legal persons, any liability incurred by a branch office in the Dominican Republic extends to the foreign company as a whole.

Local Subsidiary

The most common structures available for investors to establish a local subsidiary as an independent local business entity in the Dominican Republic are the Limited Liability Company, the Corporation and the Simplified Corporation.

These three types of companies enjoy limited liability for its shareholders, meaning that if the company fails, they will be liable only for the amount of capital invested, and that shareholders, individually or collectively, are not liable for the debt obligations of the company. This limited liability protection afforded to shareholders of these entities is strictly observed under the law, except in case of fraud or misrepresentation.

Other business structures exist, such as, Individual Limited Liability Companies, Partnerships, Limited Partnerships and Limited Partnerships with Shares, but they are rarely used because, in the case of Individual Limited Liability Companies, the sole shareholder must be an individual, and in other cases, the partners do not have limited liability.

All business entities are taxed in the same manner, in contrast to the practice in other countries such as the United States. Please refer to the chapter on taxation for details.

No restrictions for Non-Dominicans

Shareholders, partners, members, officers and directors of a Dominican company do not need to be Dominican citizens or residents, except in very special circumstances.

Suitability of the Different Entities with Limited Liability

Corporations are best suited for large businesses with many shareholders where protecting minority interests is important. They are the only entities that can raise capital through public stock offerings.

Simplified Corporations are best for medium to large-sized businesses that require special shareholder provisions for corporate governance purposes. Simple Corporations cannot raise capital through public stock offerings, but are able to issue debt instruments to the public.

Limited Liability Companies, ideal for small to medium-sized businesses, are the most commonly-used legal entitiy in the Dominican Republic. LLCs cannot raise capital through public offerings.

Special Characteristics of the Limited Liability Company

LLCs must have no less than two shareholders and no more than fifty. The capital of the company must be divided into equal and indivisible shares, with a minimum value of 100 pesos each. Capitalization is at the discretion of the shareholders.

Shares in an LLC are nonnegotiable. Share transfers to third parties who are not current shareholders must be approved by 75% of the votes of the company, except in certain cases, such as when the beneficiary is a child or parent of the transferor. Nonetheless, if the transfer is rejected, the shares in question must be purchased or redeemed by the other shareholders or the company.

Management of an LLC is in the hands of one or several managers or a board of managers. Managers must be natural persons, not other companies.

Unless otherwise stipulated in the bylaws, no inspection officer (*comisario de cuentas*) is required to oversee management.

Special Characteristics of the Simplified Corporation

Simplified corporations must have a minimum of two shareholders but, unlike in the LLCs, there is no maximum. The minimum capital required to form a Simplified Corporation, called the company's *authorized capital*, is three million DOP (about $50,000), of which at least 10% must be paid-in upon incorporation. Shares in a Simplified Corporation are negotiable, although restrictions may be established in the bylaws.

Management of a Simplified Corporation is freely determined by its shareholders in the company bylaws. It could consist of a board or of one or several individual managers. Members of the board and individual managers do not need to be natural persons.

Unless otherwise stipulated in the bylaws, no inspection officer (*comisario de cuentas*) is required to oversee management.

Simplified corporations can issue debentures and bonds privately, although not publicly.

Special Characteristics of the Corporation

Corporations must have a minimum of two shareholders. There is no limit on the maximum. The minimum capital required to form a corporation (minimum *authorized capital*) is 30 million DOP (about $500,000), of which at least 10% must be paid-in upon incorporation. Shares in a corporation are negotiable, although certain restrictions may be established in the bylaws.

Corporations can be private or public. Only public corporations can offer the sale of stock and bonds to the general public.

The management of corporations must consist of a board of directors of at least three members, which do not have to be natural persons.

An inspection officer (*comisario de cuentas*) is required to oversee management and to render an annual report to the shareholders meeting about the company's financial statements and the performance of the board of directors.

Shares in Foreign Currency

The value of company shares as well as its capital can be stated in foreign currency.

Preferred Shares

All companies can issue common shares and preferred shares. Preferred shares may grant the shareholder the right to a fixed dividend or a fixed percentage of profits, or both at the same time, as well as priority rights over the company capital in case of liquidation.

Formation Process

Regardless of the type of business entity, the company formation process involves the following five basic steps:

Registration of the Company Name

Company founders must obtain authorization to use a particular name at the National Agency for Intellectual Property. This can take time if a common name is chosen, as most of these are already in use by others. If time is of the essence and the company name is not immediately critical, company founders can opt for acquiring a shelf company that is ready for operation and make the desired changes later.

Preparation and Signature of Company Documents

The specific documentation required will depend on the particular structure selected, but will include, at a minimum, the company bylaws or articles of incorporation (*estatutos*).

Payment of the Incorporation Tax

Incorporation taxes amount to 1% of the authorized capital for corporations and simplified corporations and 1% of the paid-in capital for LLCs.

Registration of the Company Documents at the Business Registry

The incorporation documents must be filed at the Business Registry for the area where the company's registered office is located. Registration fees for corporations and simplified corporations are calculated on the basis of the company's authorized capital; fees for LLCs are calculated on the basis of its paid-in capital.

A company is deemed to legally exist from the time its documents are recorded at the Business Registry.

After incorporation, any documentation related to important corporate activities must be also registered at the Business Registry.

Company registration at the Business Registry must be renewed every two years.

Company registration at the Internal Revenue Agency

To begin operation, newly-formed companies must obtain a tax number at the Dominican Internal Revenue Agency. Also, shareholders of the company, foreign or local, who do not already have an individual tax number must obtain it at this time. Without a tax number, a company cannot open bank accounts, buy real estate, nor, in general, operate within the country.

Annual Meetings

All Dominican companies must hold an annual shareholders' meeting to review the company's operation during the previous year. Minutes of this meeting must be recorded at the Business Registry.

Mergers and Acquisitions

Dominican company law contemplates different business combinations allowing companies to gain control over one another. Mergers and acquisitions are freely negotiated and carried out by the companies involved, except in case of public corporations or companies in certain regulated industries, such as electricity, telecommunications, banking, and insurance, in which it is mandatory to have the merger or acquisition approved by the pertinent regulatory agency.

Joint Ventures

Joint ventures in the Dominican Republic generally consist of a contractual arrangement between two or more existing business entities for the purpose of carrying out a particular project or task. The joint venture itself is not a legal person nor enjoys limited liability unless a new business entity is formed according to Dominican company law.

V
TAXATION

Legislation, Administration and Collection

Taxation in the Dominican Republic is governed by Law 11-92, commonly known as the Tax Code, and its regulations. Taxes are administered and collected by the Dominican Internal Revenue Agency, known by its Spanish acronym of DGII.

Custom duties, established under a separate statute, are administered and collected by the Customs Agency.

Territoriality

Dominican tax law is primarily territorial. In principle, the Dominican Republic only collects taxes on income from Dominican sources. Thus, on the one hand, all income derived from work or business activities in the Dominican Republic is taxable, no matter if the person is Dominican, a resident or nonresident foreigner, a Dominican business entity or a foreign company with or without a branch office in the country. On the other hand, income derived from work done outside of the Dominican Republic is not taxable, even if received by Dominican nationals or companies, foreign individuals residing in the Dominican Republic or foreign companies with branches in the country.

The only exception to this principle concerns income received by Dominicans or residents in the Dominican Republic from financial sources abroad, which is subject to local taxation. The most common foreign financial sources are stocks and bonds, mutual funds, certificates of deposits, and the like. For Dominicans living abroad who return home and foreigners who become Dominican residents, the obligation to pay taxes on foreign-sourced financial income only starts three years after the date of return or of obtaining residency. Pensions and social security benefits are expressly exempted, as well as income received by investors who became residents under the special provisions of Law 171-07.

For tax purposes, any person residing in the Dominican Republic for more than 182 days in a continuous 12-month period is considered a resident.

It is mandatory for all taxpayers to register with the Internal Revenue Agency and obtain a tax number.

Main Taxes

The main taxes affecting businesses in the Dominican Republic are:

- Income tax
- Capital gains tax
- Goods and services tax
- Excise tax
- Real estate tax
- Tax on company assets

Income Tax

Both companies and individuals must pay taxes on their net taxable income.

Corporate Tax Rate

The rate for all business entities is a flat 27%. Unlike in the United States and other countries, in the Dominican Republic the tax treatment for corporations, LLCs and partnerships is exactly the same.

Determination of Corporate Net Taxable Income

Net taxable income is determined after deducting from gross income the deductions admitted by law, which include, among others, expenses related to the business, interest payments on debts, depreciation, amortization expense of intangible assets, charity donations (up to 5% of the period's net taxable income), and research and development expenses not related to mineral extraction.

Only those expenses and losses incurred to obtain local taxable income can be deducted.

Net operating losses of any given fiscal year may be carried forward up to five years, but not carried back.

Corporate Income Tax Returns

All companies, including those with no income or business activity, must file income tax returns with the DGII every year.

For companies operating on a calendar year, returns must be filed on or before April 30. For companies operating on a non calendar fiscal year, returns must be filed within 120 days from the fiscal year-end date. Returns must be accompanied by financial statements for the fiscal year.

Payment in Advance of Corporate Income Tax

Corporate income tax is paid monthly in advanced installments of 1/12th of the total amount paid for the previous fiscal year. These advance payments are later compensated against the taxes due for the current fiscal year

Income Tax Rates for Individuals

Natural persons who receive income from a Dominican source or from financial investments will pay taxes as follows:

Taxable Income (in DOP)	Tax (in DOP)
0 to 416,220.00	0
416,220.01 to 624,329.00	15% of taxable income over 416,220.01
624,329.01 to 867,123.00	31,216.00 plus 20% of taxable income over 624,329.01.
More than 867,123.00	79,776.00 plus 25% of taxable income over 852,667.00.

Taxable income brackets are adjusted annually for inflation.

Only educational expenses can be deducted for income tax purposes. Unlike in the United States, no deductions are allowed for dependents, mortgage interest or medical expenses. Married couples must file separate returns.

Individuals who receive an annual income of more than 416,220.00 DOP from non wage sources must file a tax declaration every year, on or before March 31.

Capital Gains Tax

The Dominican Tax Code defines capital gain as the difference between the sale price of a capital asset and its acquisition price or production cost adjusted for inflation. In the case of assets subject to depreciation, the rate of inflation is applied to the residual value adjusted for inflation. This adjustment avoids the unfairness of having to pay taxes on the price increase due to inflation, as is the norm in the United States and other countries.

Tax rates for capital gains are exactly the same as for regular income: 27% for companies and zero to 25% for natural persons.

Capital gains are calculated only in Dominican pesos.

Goods and Services Tax

The Goods and Services Tax (GST), known locally as ITBIS, its Spanish acronym, is a value-added tax of 18% applicable to the sale and importation of most goods and services. For imports, the GST is calculated on the CIF (cost, insurance and freight) value of the goods plus applicable duty. A reduced rate of 16% applies to certain food products.

The 18% GST tax must be added to every invoice issued for goods and services. The individual or business entity receiving the GST must pay out the tax to the DGII in the first 20 days of the following month. Non compliance is subject to a 10% surcharge for the first month and 4% for each month thereafter, in addition to 1.1% penalty for each month or fraction of a month.

Taxpayers can deduct from the total GST received any GST paid by them to suppliers, vendors, customs, etc.

Some goods and services are exempted from the GST tax, such as basic foodstuffs, medicines, fuels, fertilizers, books, magazines, educational materials, financial services, transportation, home rentals, utilities, educational and cultural services, and exports of goods.

Excise Tax

Excise taxes are paid for the purchase or importation of certain goods and services, such as motor vehicles, guns, tobacco products, alcohol products, jewelry, electronic products, telecommunication services, insurance, and payments by check. Excise tax rates vary according to the good or service taxed; for example, the rate for telecommunication services is 10%; for insurance, 16%; for payments by check, 0.15%.

Real Estate Tax

A 1% annual tax is assessed on real estate properties owned by individuals, based on the cumulative value of all the properties owned by each individual as appraised by government authorities. Properties are valued without taking into consideration any furniture or equipment to be found in them.

For built lots, the 1% is calculated only for values exceeding 7,019,383.00 DOP (about $150,000). For unbuilt lots, the 1% tax is calculated on the actual appraised value without the exemption.

The real estate tax is payable every year on or before March 11, or in two equal installments: 50% on or before March 11, and the remaining 50%, on or before September 11.

The amount of the exemption is adjusted annually for inflation.

The following properties are exempt from paying real estate tax: (a) farm properties; (b) homes whose owner is 65 years old or older, and has no other property in his or her name; and (c) properties owned by companies, which pay a separate tax on company assets.

Tax on Company Assets

Companies pay an annual 1% tax on company assets. However, the amount of tax on assets paid can be applied as a credit toward its income tax obligations.

Tax Incentives

Tax incentives exist in certain industries and situations, as described before in the section *Investing in the Dominican Republic*. Please refer to the section cited for details.

Withholdings at the Source

The following payments by companies are subject to withholdings:

- *Payment to employees*. Companies must retain and pay to the DGII, in the first ten days of every month, any income tax due on the salaries paid to their employees the previous month.

- *Payments abroad*. Payments abroad to persons or entities not domiciled or residing in the Dominican Republic are subject to a 27% withholding on the amount paid. This withholding is considered as final and definitive payment of the taxes owed for the operation. No deductions are allowed. There are two exceptions to this rule: (a) payments made to residents of Canada, which are subject to an 18% withholding, and (b) interest payments to financial institutions and payments by a branch office domiciled in the Dominican Republic to its headquarters abroad, which are subject to a 10% withholding.

- *Dividends*. Companies must retain 10% of dividends paid to shareholders.

- *Rentals*. Payments to individuals (not to companies) are subject to a 10% withholding.

- *Fees for services and commissions*. Payments to individuals (not to companies) for any service or for commissions are subject to a 10% withholding.

Anti Avoidance Rule

Based on the substance over form doctrine, the Dominican Tax Code has a general anti avoidance provision through which the DGII may ignore the existence of legal entities or certain transactions if used to secure an unwarranted tax advantage.

Transfer Pricing Rules

The Dominican Republic has established transfer pricing rules modeled on guidelines issued by the Organization of Economic Cooperation and Development (OECD). These rules will apply when a resident company or individual enters into a commercial or financial operation with (a) a related company, or (b) companies or individuals that are domiciled in States or Territories with preferential tax systems (low or zero taxation) or blacklisted jurisdictions, regardless of whether they are related or not.

Companies must file with the DGII an annual information return on transactions subject to transfer pricing

Double Taxation Treaties

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

Foreign Accounts Tax Compliance Act (FATCA)

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

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

VI
INTELLECTUAL PROPERTY

Constitutionally-Protected Intellectual Property Rights

Article 52 of the Constitution of the Dominican Republic recognizes and protects the exclusive property rights of authors and inventors over their work, trade names, trademarks, distinctive signs and any other creation of their intellect, as established by law.

Legislation

Inventions, utility models, industrial designs, trademarks, trade names, signs, logos, geographical indications and designations of origin are governed by Industrial Property Law 20-00 and its enabling regulations. Copyright protection is governed by Copyright Law 65-00 and its enabling regulations, which also protects the rights of performers, phonogram producers and broadcasters.

International Treaties on Intellectual Property Recognized in the Dominican Republic

The Dominican Republic is a party to and has ratified many international treaties related to intellectual property, including the Berne Convention for the Protection of Literary and Artistic Works, the Paris Convention for the Protection of Industrial Property, and the World Intellectual Property Organization treaties on copyright, patent rights, and performances and recordings.

Administration of Industrial Property Rights

The National Agency for Industrial Property (known locally as ONAPI, its Spanish acronym), a dependency of the Ministry of Industry and Trade of the Dominican Republic, is in charge of the administration and registration of industrial property rights. Industrial property records are public and can be consulted free of charge at ONAPI.

Administration of Copyrights

The National Copyright Agency (known locally as ONDA, its Spanish acronym), a dependency of the Ministry of Culture of the Dominican Republic, is in charge of the administration and registration of copyrights. Copyright records are public and can be consulted free of charge at ONDA.

Protection and Registration of Industrial Property Rights

Inventions, utility models, industrial designs, trademarks, trade names, signs, logos, geographical indications and designations of origin must be registered at ONAPI in order to be protected. Nonetheless, priority rights are recognized for industrial property registered in other countries on the basis of international agreements ratified by the Dominican Republic.

Inventions

Patents are granted to protect the rights of inventors, giving them exclusive rights to exploit their inventions for a specific period of time. The law defines invention as any novel idea or creation of the human mind susceptible of industrial application. An invention is considered novel when it is not within the state of the art of the relevant industry. Certain matters such as scientific theories, business principles or methods, games, computer programs, medical treatment methods, and animals are not patentable.

ONAPI classifies patents for inventions in accordance with the Strasbourg Agreement Concerning the International Patent Classification of 1971, as amended in 1979.

Patents for inventions are granted for a period of twenty years from the application date, with a possible extension of up to three more years in case of unreasonable delay by ONAPI in the approval process.

Patent applicants in a country that grants reciprocity to patent applicants in the Dominican Republic benefit from priority rights for a period of twelve months from the date of their application abroad, to apply for registration in the Dominican Republic.

Patent infringement is subject to penalties consisting of six months to three years in prison, fines ranging from 50 to 1000 times the legally-established minimum monthly salary, and civil damages.

Utility Models and Industrial Designs

Patents are also granted by ONAPI to protect utility models and industrial designs. Utility models are new forms of objects, tools, instruments or mechanisms that allow for its better or different industrial use. Industrial designs consist of the presentation or packaging of a product or object that gives it a unique appearance.

ONAPI classifies industrial designs according to the Locarno Agreement Establishing an International Classification for Industrial Designs of 1968, as amended in 1979.

Patents for utility models are granted for a period of fifteen years from the application date. Patents for industrial designs are granted for a period of five years from the application date, but can be extended for two additional periods of five years each.

Trademarks, Service Marks, Tradenames and Slogans

A mark is legally defined as any visible sign or combination of signs, susceptible of graphic representation, used to distinguish the products or services of a business from those of other businesses. Words (real or made-up), names, slogans, letters, numbers, monograms, figures, labels, coats-of-arm, pictures, trimmings, combinations of colors, shapes, among others, may be registered as marks. No registration is granted, however, to marks that may be confused with others already registered or pending registration, or consisting of just common words or geographical names, or of usual or necessary shapes of products, among others.

ONAPI classifies marks according to the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks of 1957, as revised and amended.

Registration of marks is granted by ONAPI for a period of ten years, renewable for additional periods if applied for within six months from its expiration date. Proof of use of the mark must be filed with the renewal application. Registration of a mark may be cancelled if it is not used for three consecutive years.

Infringement of a registered mark is subject to penalties consisting of six months to three years in prison, fines ranging from 50 to 1000 times the legally established minimum monthly salary, and civil damages.

Tradenames are words used to identify individuals or entities in connection with their business activity. Slogans are words used to supplement a trademark.

To be protected, tradenames and slogans must be distinctive. The provisions regarding the registration of marks apply to tradenames and slogans.

Protection and Registration of Copyrights

Dominican Copyright Law 65-00 protects the rights and interests of authors of any intellectual work of a creative nature, whether literary, artistic, or scientific in character, including, among others, novels, short stories, plays, lectures, speeches, sermons, musical compositions, choreography, paintings, sculptures, drawings, illustrations, maps, architectural designs, photographs, computer programs, data bases, audiovisual works and phonograms. Ideas, processes and mathematical operations, however, are expressly excluded from copyright protection.

Protection without Registration

The author of an original work has, by the mere fact of its creation, exclusive rights over it, enforceable against third parties, without need of registration or any other formality. Unlike patents and trademarks, copyright will be automatically granted from the work's creation without registration. Nonetheless, most authors voluntarily register their works with the competent authority for the purpose of providing preliminary evidence to resolve future copyright disputes. Copyright registration at the National Copyright Agency (ONDA) does not create the copyright; it only makes public its existence.

Nature and Extent of Copyright Protection

Authors have both property rights and moral rights over their work. Property rights entitle them to all economic benefits derived from their work, including rights of sale, usage or exploitation of any kind, rights of reproduction, translation, adaptation, performance and broadcasting. As a general rule, property rights are protected for the benefit of the author, his heirs and assignees during the life of the author plus 70 years. However, foreign authors who are not Dominican residents are protected for the period of time indicated by the copyright laws of the country where the work was first published or protected, or for the period applicable under Dominican law, whichever is shorter. At the expiration of the copyright, the work enters the public domain.

Moral rights entitle authors to make their work known publicly, to make public their name or to use a pen name, and to defend their work against plagiarism, defamation or mutilation. Moral rights are not subject to a time limit and cannot be assigned to a third party.

Works Produced under a Service Contract

Unless agreed otherwise, the copyright for works created under a service contract belong to the individual or entity that hired the author, and not to the latter. Authors are entitled only to the fee agreed for their service.

Translations, Adaptations and Arrangements

Translations, adaptations or arrangements of works done with the authorization of their original authors constitute personal creations and are deemed to be intellectual works distinct from their originals, and, as such, subject to copyright protection for the benefit of their translators, adapters and arrangers.

Copyright Infringement

Copyright infringement is subject to criminal and administrative penalties, as well as payment of damages to the copyright holder. Criminal penalties range from three months to three years imprisonment and fines from 50 to 1000 times the minimum monthly wage. Administrative penalties, enforced by ONDA, and in certain cases by the Customs Agency, may include temporary or permanent closing of the business infringing the copyright, confiscation of equipment, destruction of illegal reproductions, and fines.

VII
REAL ESTATE

Legislation

The Dominican Civil Code and Property Registration Law 108-05 govern substantive real estate law and the recording and conveyance of land ownership, respectively. Condominium Law 5038 of 1958, as amended, regulates the creation and governance of condominiums.

Land Registry System

Since 1920, the Dominican Republic employs the Torrens system for real estate registration purposes. The government maintains a register of land holdings and guarantees indefeasible title to the properties included in the register, which must undergo an exhaustive judicial process called *saneamiento* before being registered. Title registrars ensure that only legally valid changes are made to the register, and issue a certificate of title for each property in the register as legally-binding evidence of ownership. In a property purchase under the Torrens system, the buyer is not required to look beyond the record at the register.

Moreover, any interest affecting or limiting the ownership rights of the registered owner, such as usufruct, antichresis, emphyteusis, easement, right of use, mortgages, and liens, must be registered in order to be valid and enforceable against third parties, who can rely on the information on the land register as to the ownership of a property and any other right or interest that may affect it.

As in most jurisdictions under the Torrens system, there are still some properties in the Dominican Republic that have not undergone the *saneamiento* process and are, therefore, still unregistered. However, most properties in the country – and almost 100% of commercial properties – fall under the registered category. Unregistered property is governed by the French “ministerial” system, whereby deeds affecting real estate are filed at a specific register that only serves as a recorder of documents, without any type of guarantee.

Administration

The National Agency for Title Registration Title Registers and the Agency for Cadastral Measurements are in charge of administering and assisting land registration. Special land courts have exclusive jurisdiction to hear property disputes.

Condominiums

Condominiums can only be built on registered real estate. Registering a condominium involves the following steps:

- Obtaining a construction license.
- Preparation by a licensed surveyor or architect of detailed plans of common areas and private areas.
- Approval by the Agency for Cadastral Measurements of the plans.
- Preparation by the developer of the condominium regulations.
- Registration of the condominium plans and the regulations at the local Title Register.
- Issuance by the Title Register of a certificate of title for each individual condominium unit and of another certificate of title for the common areas.

A condominium exists legally only after it has been registered at the local Title Register.

Dominican condominium law differs widely from its American counterpart in several aspects. For instance, once the condo regulations are registered, it is very difficult to make changes in voting rights, common areas, etc. In addition, special majorities are legally required for important decisions, despite any provisions to the contrary in the regulations. It is, therefore, extremely important to obtain the counsel of an experienced Dominican condominium attorney throughout the condominium formation process, especially in the drafting of the condo regulations.

Real Estate Transactions

Real estate transactions in the Dominican Republic do not usually follow the North American pattern of a written offer tendered by the buyer to the seller, followed by the seller's written acceptance. Instead, after verbal agreement is reached by the buyer and seller on the price, a binding promise of sale contract, prepared by a real estate attorney, is signed by both parties.

Depending on the wishes of the parties, the attorney may proceed with the due diligence before preparing the promise of sale or, alternatively, prepare the promise of sale conditioning the purchase to the results of the due diligence to be done in a specified term.

Dominican real estate law is very different from American or English real estate law – a simple agreement on the price and the real estate object of sale may constitute a valid purchase even without any money exchanging hands. For this reason, it is strongly recommended to both parties in a real property transaction not to sign any documents or make deposits without consulting an experienced real estate attorney.

Promise of Sale Contract

The promise of sale contract is a formal document, binding on both seller and buyer, signed by them in the presence of a notary public. From a practical point of view, it is more important than the deed of sale since it generally contains a complete and detailed description of the entire transaction up to the time when the purchase price has been paid in full and the property is ready to be conveyed to the buyer. A well-drafted promise of sale should contain the following provisions:

- Full names and particulars of the parties.
- Legal description of the property to be purchased.
- Purchase price and payment terms.
- Clause conditioning the transfer of ownership to the buyer.
- Default clause.
- Date of delivery of the property to the buyer.
- Due diligence required or done.
- Representations by the seller and remedies in case of misrepresentation.
- Obligation by seller of signing the final contract of sale upon receipt of final payment.

Real Estate Due Diligence

Performing due diligence is the most important step in every real estate transaction. Closing a real estate transaction properly, it has been said, is probably one of the largest icebergs in the practice of law, in the sense that most of the lawyer's work and worry –especially regarding due diligence– cannot be seen by the parties involved. A proper due diligence in the simple purchase of a lot in the Dominican Republic entails as a minimum, the following:

- Determining the legal status of the property at the Title Register.
- Hiring an independent surveyor to verify the cadastral survey of the property.
- Confirming that the property to be purchased may be used for the purposes sought by the buyer.

- Investigating if property taxes have been paid.
- Investigating if a third party is occupying the property.
- Investigating the property's environmental status.
- Ensuring that the seller, especially if a corporation, has the authority to sell and can convey clear title.

Environmental Due Diligence and Approvals

Any real estate project, subdivision or infrastructure must apply for and obtain environmental approval from the Ministry of the Environment and Natural Resources, pursuant to General Law on the Environment and Natural Resources 64-00, which regulates environmental pollution, the generation and control of toxic and hazardous substances, and the treatment of domestic and municipal wastes, among other matters. The type of environmental permit required depends on the nature of the real estate project:

- An *environmental licence* is needed for projects with a high level of potential environmental impact, which requires an environmental impact study, measures to prevent, mitigate or compensate the environmental impact, and a special program for environmental management and adaptation.

- An *environmental permit* is needed for projects with a moderate level of potential environmental impact, whose negative effects can be avoided or minimized by measures of mitigation, prevention or compensation, which must be set forth in a special program for environmental management and adaptation, requiring an environmental impact study.

- An *environmental certificate* is needed for projects with a low level of potential environmental impact, which only requires compliance with current environmental regulations.

- A *certificate of minimum impact* is needed for projects with a minimum level of potential environmental impact, which only requires compliance with current environmental regulations.

Final Contract of Sale

The final contract of sale is also a formal document binding on both parties, and signed by them in the presence of a notary public. It is used primarily for conveying the property from the seller to the buyer. In case of a cash purchase, it is simpler and cheaper to go directly from verbal negotiations to the signing of the final contract of sale than taking the preliminary step of signing a promise of sale.

Conveyance Procedure

Once the final contract of sale has been signed and authenticated, a request is made to the Internal Revenue Agency (DGII) for the appraisal of the property. The DGII verifies that there are no property taxes outstanding and sends an inspector to the property to determine its fiscal value. The buyer must then pay conveyance taxes in the amount of 3% of the fiscal value and obtain a local tax number if.he or she does not have one.

Once the conveyance taxes have been paid, the buyer can proceed to file at the local Title Register to have the property conveyed to his or her name. The filing consists of the authenticated final contract of sale, the certificate of title issued to the seller and the documentation provided by the DGII. If everything is in order, the Title Register proceeds to record the sale and a new certificate of title is issued in the name of the buyer. The certificate of title in the name of the seller is cancelled.

The property is deemed to belong to the buyer from the time the sale is recorded at the Title Register, although the time for the issuance of the new certificate of title may vary from a few weeks to a few months, depending on the Title Register involved.

Real Estate Tax

A 1% annual tax is assessed on real estate properties owned by individuals, based on the cumulative value of all the properties as appraised by government authorities. Properties are valued without taking into consideration any furniture or equipment to be found in them.

For built lots, the 1% is calculated only for values exceeding 7,019,383 DOP (about $150,000). For unbuilt lots, the 1% tax is calculated on the actual appraised value without the exemption.

The real estate tax is payable every year on or before March 11, or in two equal instalments: 50% on or before March 11, and the remaining 50%, on or before September 11.

The amount of the exemption is adjusted annually for inflation.

The following properties are exempt from paying real estate tax: (a) farm properties; (b) homes whose owner is 65 years old or older, and has no other property in his or her name; and (c) properties owned by companies, which pay a separate tax on their company assets.

Purchase of Real Estate by Non-Dominicans

There are no restrictions on foreign Individuals or entities owning or leasing real estate in the Dominican Republic. The process for purchasing or leasing real estate for foreigners is exactly the same as for Dominicans.

Inheritance of Real Estate by Foreigners

There are no restrictions on foreigners inheriting title to real property in the Dominican Republic. Inheritance of real estate is governed by Dominican law which normally provides for "forced heirship": part of the inheritance must go to certain heirs by law. Nevertheless, a conflict of laws statute, enacted in December 2014, allows foreigners to have the law of the jurisdiction where they reside determine the rules of inheritance applicable to the real estate located in the Dominican Republic. For this reason, it is strongly recommended that foreign individuals who purchase Dominican real estate seek legal advice on how to benefit from this provision.

Mortgages

Similarly to sales, mortgages are granted by a formal document, signed by the parties – in this case, the debtor and the creditor –, and authenticated by a notary public. Once signed and authenticated, the mortgage deed, along with the certificate of title of the debtor and the receipts issued by the Internal Revenue Agency acknowledging payments of the mortgage registry tax (2% of the amount of the mortgage), the real estate tax, and other sundry taxes, if applicable, are filed at the local Title Register. If the documents are in order, the Title Register proceeds to register the mortgage and issues a special certificate to the creditor attesting to the existence of the collateral.

VIII
LABOR AND EMPLOYMENT

Legislation

Labor relationships in the Dominican Republic are governed by the Dominican Labor Code (Law 16-92), which is characterized by its strong protection of the rights of employees.

Territoriality of Dominican Labor Laws

Dominican labor laws are territorial in nature. Any work carried out on Dominican soil is subject to the provisions of the Dominican Labor Code irrespective of the nationality or residence of the parties involved.

Mandatory Nature of Dominican Labor Laws

Dominican labor laws are mandatory to the parties in an employment contract. Employees cannot waive any rights that would lessen their benefits under the Labor Code. Any such waiver is automatically considered null and void.

The Employment Contract

Any relationship by which a person is obliged to provide a service to another under the orders or supervision of the latter, in exchange for a remuneration, is considered an employment contract, and, as such, subject to the provisions of the Labor Code. Company managers as well as workers are considered employees under Dominican labor laws.

Employment contracts may be verbal or written. Any party to an employment contract can require the other to sign a written version of a previously verbal agreement. If in writing, any amendment to the employment contract must be in writing as well. Written agreements are recommended in all cases since they foster a clear and sound work relationship.

A private contractor agreement, even if agreed to in written form, may be considered an employment contract if a party is subject to the orders or supervision of the other party. The Labor Code expressly states as a fundamental principle that the terms of the employment contract are those that reflect the real facts and circumstances of the relationship between the parties, and not necessarily those contained in a written contract, which may hide the true nature of that relationship.

It matters little whether the relationship is recorded in writing or has been the product of a purely oral agreement: the existence of an employment contract is presumed from the sole fact that a service has been provided.

Company executives are considered employees, and, as such, benefit from the provisions of the Labor Code.

Working Hours and Shifts

Normal working hours may not exceed eight hours a day nor 44 hours a week. Employees in executive or managerial positions are exempted from this rule.

Daytime work hours range from 7:00 a.m. to 9:00 p.m. A work shift is considered a daytime shift as long as no more than three hours exceed the 9:00 p.m. limit; otherwise it is considered a night shift, which entails a 15% increase in remuneration. The weekly work shift normally ends on Saturdays at noon, giving the employee 36 hours of uninterrupted rest. Any other arrangement must provide the same minimum uninterrupted weekly rest period of 36 hours.

If an employee is required to work during his weekly period of rest, he is entitled to receive a 100% premium on his salary for his work during that time or given compensatory time off the following week.

Work for more than 44 hours a week is considered overtime and must be paid with a 35% premium over regular hours. Hours worked in excess of 68 hours a week are paid at a 100% premium. Overtime pay does not apply to managers.

Employee Nationality

At least 80% of a company's work force must be Dominican. Likewise, no less than 80% of the payroll, with the exception of salaries for technical or executive positions, must correspond to wages earned by Dominicans. These rules do not apply to employees carrying out executive or managerial duties, or occupying technical positions for which there is no available Dominican substitute.

Minors

A person is considered of legal age for labor purposes at 16. However, an employment contract may be entered into by a minor for nonhazardous work provided that the minor has reached the age of 14 and has obtained parental authorization. Work hours for minors may not exceed six hours a day Employment of minors is prohibited in establishments where alcoholic beverages are sold.

Mandatory Record Keeping

Employers are required to keep, on a permanent basis, the following records:

- Register of employees, with indication of their wages and work hours.
- Register of the employees' vacation time during the year.
- Register of overtime work.
- Register of visits by labor inspectors.

Keeping these records is very important for employers, given that in many cases they are the only admissible evidence that may be presented in court against claims by employees.

Wages

Wages are freely negotiated between the employer and the employee but cannot be less than the legally-established minimum salary. Gratuities or tips are not considered part of the salary.

Minimum Wage

Minimum wages are established by the National Salary Committee, a dependency of the Ministry of Labor, and vary according to business size or industry type. Current minimum salaries for the private sector, in Dominican pesos, are:

Business Size or Industry	Monthly Minimum Wage in DOP
Large business	17,610
Medium-sized business	12,107
Small business	10,700
Free trade zones	11,510
Tourism industry	10,335, 7430 or 6686, depending on the size of the business
Farm workers	400 per day

Businesses with installations and inventory worth more than four million DOP are categorized as large; those with installations and inventory between two and four million DOP, as medium; and those with less than two million DOP, as small.

Payment

Salaries must be paid in cash and the interval between payments cannot exceed one month. Nonpayment of wages by the employer is considered a criminal offense punishable by a fine and up to five years in prison.

Overtime

Every hour worked above the 44-hours weekly limit is considered overtime and must be paid at 135% of the normal hourly wage. Every hour in excess of 68 hours a week is to be paid at 200% of the normal hourly wage. Night hours are paid with a 15% premium.

Christmas Salary

In addition to a regular salary, every employee in the Dominican Republic receives, on or before December 20, a so-called "Christmas salary," equal to one-twelfth (1/12) of the total regular salary earned during the year. The term "regular salary" excludes tips, overtime and benefits received from profit sharing. The Labor Code establishes a maximum Christmas salary of five times the minimum wage. Nevertheless, many employers waive this limitation and pay employees who have worked the whole year a full extra monthly salary. The Christmas salary is exempt from income tax.

Profit Sharing

Employers must share 10% of their annual pretax profits, if any, with their employees. However, the Labor Code allows employers to cap profit sharing as follows:

- An employee with less than three years on the job will receive 45 days' salary.
- An employee with three years or more years, 60 days' salary.

If the company is profitable, payment to the employees must be made within a 90 to 120-day period after the end of the company's fiscal year.

Businesses in free trade zones, and agricultural, industrial, forestry and mining companies during the first three years of operation, do not have to share profits with their employees.

Time Off

The Labor Code contemplates several forms of time off for employees, such as leaves of absence, vacations and holidays.

Leaves of Absence

An employee is entitled to paid leaves of absence in the following situations:

- Marriage (five days).
- Death of a spouse, child, parent or grandparent (three days).
- For male employees, childbirth by wife or companion (two days).
- For female employees, childbirth (fourteen weeks).

Vacations

Employees are entitled to an annual paid vacation after a year on the job. Employees with less than five years in the company have the right to a vacation period of 14 working days; those with more than five years, to 18 working days.

Vacations cannot be fractioned for periods shorter than a week and may not be replaced with additional payment or any other form of compensation. The salary for the vacation period must be paid by the employer on the day before it begins.

Termination

Termination implies a permanent break in the employment contract. Several types of termination are contemplated under the Dominican Labor Code.

At Will Termination ("desahucio")

Any party to an employment contract has the right to terminate it unilaterally without having to specify a cause. The party that terminates the employment contract must give an advance notice to the other party, the extent of which depends on the length of the employment, as follows:

Length of Employment	Minimum Advance Notice
From 3 to 6 months	7 days
More than 6 months to 12 months	14 days
More than 12 months	28 days

A late notice or no notice at all will entail a penalty equivalent to the employee's regular salary earned during the applicable minimum period for the advance notice.

Employers who exercise the right to terminate an employee without cause must make severance payments to the terminated employee as detailed below:

Length of Employment	Severance Pay
3 to 6 months	6 days' salary
More than 6 months to 1 year	13 days' salary
More that 1 year to 5 years	21 days' salary per year of employment
More than 5 years	23 days' salary per year of employment

Severance must be paid to the employee within 10 days of the termination; otherwise, the employer will have to pay a penalty of one day's salary for every day of delay.

For Cause Termination by the Employer ("despido")

Employers may dismiss their employees alleging one or several of the specific causes listed in the Labor Code. For cause termination by an employer (despido) requires evidence of the commission by the employee of one or several of the listed grounds for termination. It also requires that the employer give notice of the termination and the grounds on which it is based to the Department of Labor within 48 hours of the dismissal. The right of the employer to base the dismissal on a specific cause for termination expires 15 days after the employee has committed the act alleged as grounds for termination.

Failure to prove cause or to render the notice within the stated 48 hours will make the employer liable for payment to the employee of severance pay.

The advice of legal counsel is strongly recommended before proceeding to terminate an employee for cause.

For Cause Termination by the Employee ("dimisión")

An employee may resign from his or her job for cause (dimisión). For cause termination by employees requires evidence of the commission by the employer of one or several of the listed grounds for termination. It also requires that the employee give notice of the termination and the grounds on which it is based to the Department of Labor within 48 hours of the resignation. The right of the employee to base the dismissal on a specific cause for termination expires 15 days after the employer has committed the act alleged as grounds for termination.

If the ground for termination is proven, the employee has the right to receive severance pay.

Termination Due to Incapacity or Death of the Employee

In the event of incapacity or death of an employee, the employer must pay the employee or his/her heirs, the following:

Length of Employment	Amount of Economic Assistance
From 3 to 6 months	5 days' salary
More than 6 months to 12 months	10 days' salary
More than 12 months	15 days' salary per year of employment

Maternity Protection

The Labor Code provides special protection for employees who are pregnant or have recently given birth. At will termination by the employer is strictly forbidden during the pregnancy of the employee and up to three months after the birth of her child. Pregnant employees are entitled to paid maternity leave during the seven weeks that precede the probable birth date and the seven weeks that follow it. After the birth of her child, the employee has also the right to three rest periods of 20 minutes each per workday to breast-feed, and to half a workday a month to have her child checked by a pediatrician.

An employer cannot terminate an employee at will during her pregnancy nor within the three months following childbirth. An employer cannot dismiss an employee for cause during her pregnancy nor witthin the six months following childbirth without the prior authorization of the labor authorities. Non compliance is penalized with the equivalent of five months' salary, in addition to the standard severance payment.

Suspension of the Employment Contract

An employment contract may be suspended by mutual consent or due to one of the other causes expressly stated in the Labor Code. Under a suspended employment contract, neither employer nor employee have to comply with their respective obligations for the duration of the suspension.

Unions

The Dominican Labor Code acknowledges the right of employees to unionize in defense of their interests. Unions must have a minimum of 20 members. Union officials receive special protection from termination by their employer.

Strikes

The Labor Code recognizes the right of unions to strike. Strikes can only involve the peaceful interruption of the work carried out by the employees. Strikes in essential services, such as utilities, communications and hospitals, are illegal.

Before striking, unions must give a 10-day notice to the Ministry of Labor stating the following:

- The economic conflict or infringement of rights that the strike aims to solve.
- How previous attempts to solve the conflict without striking have not been successful.
- That the strike has the approval of a majority of union members.
- That the services affected by the strike are not essential to the public.

Withholdings by the Employer

Employers must make the following deductions from the wages of their employees:

- *Income tax*. Withholdings are made in accordance to the tax schedule for individuals. Salaries of 34,685.00 DOP a month or less are exempt. Withholdings must be disbursed to the DGII every month.
- *Social Security*. The Dominican Social Security system contemplates three types of assistance: (a) health insurance, (b) occupational risk insurance, and (c) incapacity or retirement fund. The system is funded by a percentage of employees' salaries made by both employee and employer in the proportions described below:

Benefit	Employer Contribution	Employee Contribution	Total Contribution
Health Insurance	7.09 %	3.04 %	10.13 %
Risk Insurance	1 % + 0.6% (variable)	0 %	1 % + 0.6 % (variable)
Incapacity/ Retirement Fund	7.10 %	2.87 %	9.97 %

Employers are required to withhold these contributions from employees and disburse them to the government within the first three days of the month following that in which wages were paid.

Relocation of Foreign Workers

Companies wishing to relocate employees to the Dominican Republic are required to obtain a temporary residency for work purposes for them or a short-stay permit, depending on the time period the employee will be working in the Dominican Republic. A temporary residency is issued for a one-year period, renewable, short-stay permits are granted for periods ranging from two to eleven months.

ABOUT THE AUTHOR

Fabio J. Guzmán-Ariza is the name and managing partner of the Guzmán Ariza law firm. He's responsible for the firm's strategic direction and overall management. For the last four decades, Fabio has been one of the foremost practitioners in the Dominican Republic in the area of corporate and commercial real estate law, specifically as related to the hospitality industry, condominiums and litigation. He has been recognized as Senior Statesman in the field by Chambers and Partners Global and Chambers and Partners Latin America, the prestigious legal guides specialized in ranking the best lawyers and firms in Latin America and the world.

In addition to his duties at the firm, Fabio is the editor of *Gaceta Judicial*, the leading legal journal in the Dominican Republic, and arbitrator at three Chambers of Commerce in the Dominican Republic: Santo Domingo, Santiago and Puerto Plata.

A former professor of Civil Law and dean of the Law Faculty at the Universidad Católica Nordestana, Fabio is a prolific author on Dominican law, having published, in addition to numerous articles in legal journals, the annotated version of the Dominican real estate statute (*Ley No. 108-05 de Registro Inmobiliario, con sus modificaciones, reglamentos y normas complementarias, concordados e indexados*) and of Dominican condominium law (*Ley 5038 de 1958 sobre condominios, comentada, anotada y concordada con la ley 108-05 de Registro Inmobiliario, con su formulario*), as well as the most up-to-date compendium of real estate case law (*Repertorio de la jurisprudencia civil, comercial e inmobiliaria de la República Dominicana*).

Fabio is also an expert in legal drafting. He prepared the final texts of the Criminal Code of the Dominican Republic (enacted in 2014) and the Civil Code of the Dominican Republic (pending approval in Congress), and authored the only linguistic study of the Constitution of the Dominican Republic (*El lenguaje de la Constitución Dominicana*, 2012). As a corresponding member of the Royal Spanish Academy and a numerary member of the Dominican Academy of Letters, the official authorities on Spanish-language usage in Spain and the Dominican Republic, respectively, he took part in the preparation of the 23rd edition of the Dictionary of the Spanish language (*Diccionario de la lengua española*, 2013) and the Pan-Hispanic Dictionary of Spanish Legal Terms (*Diccionario panhispánico del español jurídico*, 2017), and coauthored the Dictionary of Dominican Spanish (*Diccionario del español dominicano*, 2013).

A graduate of the Massachusetts Institute of Technology, and the PUCMM law school in the Dominican Republic (LL.B., *summa cum laude*, 1981), Mr. Guzmán-Ariza is a former professor of Civil Law and dean of the Law Faculty at the Universidad Católica Nordestana, and a former judge in the Disciplinary Committee of the Dominican Bar Association.

Guzmán Ariza

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