

INCENTIVE LAWS OF THE DOMINICAN REPUBLIC

| LAWS/ INCENTIVE PROGRAMS | BENEFITS | SECTOR |
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| <p><u>LAW 8-90</u></p> <p>Promotion of the Free Trade Zones of Exportation</p> | <p>Encourages the establishment of new free trade zones and the growth of the already existing ones, regulating their functioning and development; the benefits of the present law are:</p> <ul style="list-style-type: none"> ➤ Special regime of customs control. ➤ Fiscal Exemptions of up to 100 % in the following sections: <ul style="list-style-type: none"> • Payment of the ISR (revenue tax), established by Law 5911 dated 22/05/1962 and all its modifications regarding incorporated companies. • Payment of construction tax, loan contracts and on the registry and transfer of real estate as of the constitution of the corresponding free trade zone operator. • Payment of the tax on the incorporation of companies or of the capital increase • Payment of all existent municipal taxes which may affect these activities. • All import taxes, tariffs, customs rights and other connected taxes, which affect raw materials, equipment, construction materials, parts of buildings, office equipments, etc, all of which are destined for the construction and operation of the free trade zone. • Section f) of Article 17 modified by Article 5 of Law 56-07 authorizes exporting to Dominican customs territory of up to one hundred per cent (100 %) of goods and/or services, free of tariffs when it is related to finished products belonging to the textile chain, confectioning and accessories; leather, shoe fabrication, leather manufacturing. For all the remaining products they should pay 100 % of the tariffs and taxes established for similar imports, at the clearing of customs, provided it complies with the following conditions: That the product to be exported is not manufactured outside a free trade zone in the Dominican Republic; That the product to be exported has local components, that is to say, national raw material, in at least 25 % of the total. The products imported by free trade zone companies dedicated to | <p>FREE TRADE ZONES, Manufacturers of goods and services for exportation</p> |

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| <p><u>LAW 8-90</u></p> | <p>offering logistic services and of commercialization may be sold in the local market, prior authorization of the National Council of Free Trade Zones, for which, payment of the established tariff and taxes will apply as with similar importations at the moment of their transfer to the Dominican customs territory.</p> <ul style="list-style-type: none"> • All the existing taxes of export or re-exportation, except what is established in section g) Article 17 of the Law; (those who deal with exports to Dominican territory, prior to payment of corresponding tariffs and taxes. • Taxes of patents, on assets or patrimony, as well as the Tax on the Transfer of Industrialized Goods and Services (ITBIS). • The payment of import taxes, relative to equipment and tools necessary for installation and operation of economic dinners, health services, medical assistance, infant day care centers, entertainment or amenities and any other equipment that propitiates the well-being of the working class. • The payment of import taxes on transport equipment. | <p>FREE TRADE ZONES</p> |
| <p><u>LAW 158-01</u></p> <p>Promotion of the Touristic Development for the Poles of Scarce Development and New Poles in Provinces and Localities of Great Potentiality</p> | <p>The companies domiciled in the country that benefit from the incentives of this law, are one hundred per cent (100 %), exempted from the payment of the following applicable taxes:</p> <ul style="list-style-type: none"> • Income tax, object of the incentives stated in Article 2 of this Law. • National and municipal Taxes that are collected for the use and emission of construction permits, including the land purchase acts, provided they are used for one of the purposes described in Article 3 of this law. • Import taxes and other taxes such as rates, rights, surcharges, including the Tax on the Transfer of Industrialized Goods and Services (known for its acronym in Spanish ITBIS), applicable to the equipment, materials and furniture necessary for the initial furnishing in putting the operation and tourist installation. <p>Law 184-02 modifies law 158-01 adding new tourist poles to articles 5 and 7,</p> <ul style="list-style-type: none"> • The province Maria Trinidad Sánchez and all its municipalities. • The province of Hato Mayor and its municipalities; the province of El Seibo and its municipalities; the province of San Pedro de Macoris | <p>TOURISM</p> <p>Grants special exemptions to tourist companies that are established in the zones specified by the Law and its modifications</p> |

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| | <p>and its municipalities; the province Espaillat and its municipalities: Gaspar Hernández, Higuerito, José Contreras, Villa Trina and Jamao al Norte; the provinces Sánchez Ramírez and Monseñor Nouel; the province Monte Plata; in the province of La Vega, the municipalities of Jarabacoa, Constanza and Guaiguí; the municipality of Luperón, as well as El Castillo and La Isabela Histórica, in the province of Puerto Plata, and the Zona Colonial in Santo Domingo”.</p> <p>Also, it adds a paragraph to article 2 of law 158-01, which stipulates that the aforementioned incentives and benefits that the law grants, which stipulates that such incentives and benefits granted by law, can be equally welcome if they are made by grant, lease or any other form of agreement with the Dominican State, in the tourist poles listed in article 1 of the law.</p> <p>Law no. 266-04, which amends law 184-02, specifies in its sole article, amending paragraph III of article 1 of the aforementioned law, adds as tourist poles the municipalities of Costa Ambar, Cabeza de Toro, y Punta Palmilla, of the province of La Altagracia; Samaná with its municipalities.</p> <p>Furthermore, this law adds that: "the hotel facilities, resorts and/or hotel complexes, will benefit from a hundred per cent (100 %) exemption regime established by this law”.</p> | |
| <p><u>LAW 14-93</u> Customs tariff of the Dominican Republic</p> | <p>It was prepared with the purpose of favoring the imports of personal belongings and home furnishings, as well as used office equipment, belonging to foreigners who wish to establish their definite residence in the Dominican Republic, and of Dominicans who have resided abroad for a period of at least two consecutive years and who return to establish their definitive residence in the country; provided this privilege has not been granted to them previously</p> | <p>ALL Exemption on imports of personal belongings, home furnishings, among others</p> |
| <p>Cyber Park of Santo Domingo</p> | <p>The Cyber Park operates under law 8-90, which regulates the activities of Free Trade Zones. This law exonerates all the taxes of exportation, import, re-export, of all the goods and services necessary to perform different types of activities; among the benefits that it grants, we can find:</p> <ul style="list-style-type: none"> ▪ Exoneration of municipal and state taxes, corporate taxes, exchange and sell foreign currency. The Dominican Republic signed several international Free Trade agreements which allow entrance without payment of the customs rights to the United States, European Union and the Caribbean. ▪ Economic and trained work force ▪ Competitiveness in the advanced labor cost in telecommunications ▪ Promotion of the Free Trade Zones | <p>ALL The sectors that need to realize activities in the cybernetic park, are exempt from the payment of taxes</p> |

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| <p style="text-align: center;"><u>LAW 56-07</u></p> <p>That declares of national priority the sectors belonging to the textile chain</p> | <p>The import and/or purchases in the local market of raw materials, machineries, equipment and services established in this Law, and made by the companies of the sectors belonging to the textile chain, dressmaking and accessories; skin, footwear and leather manufactures, are exempt from the payment of the Tax on the Transfer of Industrialized Goods and Services (ITBIS) and other taxes, as stipulated by Law 11-92 of May 11 1992.</p> <p>The companies belonging to the textile chain, dressmaking and accessories; skins, footwear and leather manufactures sectors, which close their operations in another special customs regime and therefore are not related to another special customs regime are thereby exempt from the payment of the Income tax relating to their production process, provided they are up to date with their tributary obligations and have been authorized by the National Council of Export Free Trade Zones.</p> <p>This special regime is compatible with any other suspending regime, including temporary admission (Law 84-99).</p> <p>The National Council of Export Free Trade Zones remains empowered to authorize the companies that will abide by the present law, for which it will have to establish the mechanisms and criteria for the authorization of the companies that will benefit from the present measurements.</p> | <p style="text-align: center;">ALL</p> <p>The sectors belonging to the textile chain, dressmaking and accessories; skins, manufacture of footwear and manufactures of leather</p> |
| <p style="text-align: center;"><u>LAW 168-67</u></p> <p>Partial exoneration to the import of used motor Vehicles</p> | <p>This law is directed to Dominicans who return to the country to reestablish their residence after a minimum of 2 years residing abroad and for foreigners who come to the Republic with the intention of permanently residing, pursuant to the presentation of reliable documents in both cases. Contemplates that at the moment of importing a secondhand vehicle of his property, with at least a year of anticipation to the establishment of their permanent residency in the country, and provided that they have not similarly imported a vehicle in the past five years, a partial exemption of taxes will be granted, both with regard to the established Tariff and any other import tax.</p> | <p style="text-align: center;">ALL,</p> <p>Partial exoneration to the import of used motor vehicles. The percentage of taxes to exonerate is fixed in the law in accordance with the year of the model of the vehicle.</p> |

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| <p style="text-align: center;"><u>LAW 57-07</u></p> <p style="text-align: center;">Incentives for the Development of Renewable Sources of Energy and its Special Regiments</p> | <p>The National Commission of Energy (CNE) will recommend the exemption of all kinds of taxes of import to the equipment, machineries and accessories imported by the companies or individual persons, necessary for the production of energy of renewable sources contemplated in the Paragraph II of the article 9, which in accordance with the regulation of this Law the applicable incentives that this one creates. The exemption will be 100 % of the above mentioned taxes. This incentive includes the import of transformation equipment, transmission and interconnection of electrical energy to the SENI. For the projects based on renewable sources, that comply with this law. The equipment and materials contained within this chapter are also exempt from the payment of the Tax on the Transfer of Industrialized Goods and Services (ITBIS) and from all the taxes to the final selling. They are liberated for a period of ten years from the beginning of their operations, and with maximum validity until the year 2020, of the payment of the income tax on the income stemmed from the generation and selling of electricity, hot water, steam, motor power, biofuels or synthetic special fuels generated by renewable sources of energy, as well as of the income derived from the selling and installation of the equipment, parts and systems that are described in Paragraph II of Article 8, of this Law, produced in the national territory with an minimal added value of 35 %, for companies whose facilities have been approved by the National Electricity Commission (CNE in Spanish), and that dedicate themselves to the production and selling of such energies, equipment, parts and systems.</p> <p>The tax for the payment of interests on external financing established in Article 306 of the Tributary Code, modified by the Law of Tributary Reform Not 557-05, of December 13, 2005, is reduced to 5 % for those projects developed under the application of the present law.</p> <p>According to the technology of renewable energies associated with every project, it is granted up to 75 % of the cost of the investment in equipment, as a unique credit to the income tax, to the owners or tenants of family housings, commercial or industrial houses that apply to change or extend to systems of renewable sources in the provision of their private energy consumption and whose projects have been approved by the competent organizations. The above mentioned fiscal credit will be deducted in three (3) years following the annual income tax to be paid by the beneficiary of the same in proportion of 33.33 %.</p> <p>The General Direction of Internal Taxes will require a certification of the National Electricity Commission with regard to the authenticity of the aforementioned request. The CNE and the Internal Taxes General Bureau will regulate the procedure of securing this fiscal incentive.</p> | <p>Energy and renewable fuel.</p> <p>APPLICATION JURISDICTION Wind parks and isolated applications of wind mills with installed initial potency, of set, which does not exceed 50 MW.</p> <p>Micro Hydroelectric facilities, small and/or whose potency does not exceed 5 MW.</p> <p>Electro-solar facilities (photovoltaic) of any type and of any level of potency.</p> <p>Thermo Solar Facilities thermos flask - lot (concentrated solar energy) of up to 120 MW of potency for head office.</p> <p>Power plants that as principal fuel use primary biomass, which could be used directly or after a process of transformation to produce energy (as minimum 60 % of the primary energy) and whose installed potency does not exceed 80 MW for thermodynamic or central unit</p> <p>Plants of production of bio-fuels (distilleries or bio-refineries) of any magnitude or volume of production.</p> <p>Energy farms, plantations and agricultural infrastructures or</p> |
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| | <p>All those institutions of social interest (community organizations, producer associations, co-operatives registered and incorporated) that wish to develop renewable sources of energy in a small scale (up to 500Kw) and destined to community use, will be able to gain access to funds of financing at the lowest market rates for project development, for a total of up to 75 % of the entire cost of the facility and installation. To these ends the CNE it will affect annually 20 % of the resources deposited to the fund for development of renewable energy and saving of energy, foreseen in Law No 112-00, of November 29, 2000, which establishes a tax to the consumption of fossil fuels and derivatives of oil.</p> <p>The certificates or bonds for reduction of emission (sequestration of carbon) exchangeable for cash according to the so-called " Kyoto Protocol " and that could stem from the renewable projects of energy, will belong to the owners of the aforementioned projects for commercial benefit of the same ones. The above mentioned certificates will be issued by the competent organization that evaluates the reduced emissions by the aforementioned projects, according to the official protocols of the Mechanisms of Clean Development (MDL) established or to be established by the Ministry of Environment with other pertinent institutions.</p> | <p>agroindustrial of any magnitude destined exclusively to the production of biomass in the direction of energy consumption, of vegetable oils or of pressure for manufacture of biodiesel, as well as plants hydrolysers producing of liquors of sugars (glucoses, xilosas and others) for manufacture of ethanol fuel and/or for energy and/or bio-fuels).</p> <p>Oceanic Facilities development of energies, of waves, or currents. The marines, the thermal differences of oceanic waters etc., of any magnitude.</p> <p>Facilities thermos flask - lot of half a temperature dedicated to the securing of warm sanitary water and air conditioning in affiliation with equipment of absorption for production of cold.</p> |
| <p><u>Law 28-01</u> Special Border Development Zone.</p> | <p>All companies to be installed within any of the provinces listed in the Law, (Pedernales, Independencia, Elias Piña, Dajabón, Montecristi, Santiago Rodriguez and Bahoruco) will benefit from the following facilities and exemptions:</p> <p>Exclusion of 100% of the net income tax– income, established by title II of the law 11-92 and its amendments. Such waiver shall be granted only upon submission of the compliance with the requirements of classification, being duly constituted and up to date in fulfilling their tax obligations.</p> <p>Exemption of a 100% of the tax on the transfer of Industrialized Goods and Services (ITBIS) regarding the transfer within the territory of services produced and services provided by the companies.</p> | <p>BORDER ZONE Grants special to companies installed in the frontier region of the country, to promote development in such region.</p> |

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| <p><u>Law 28-01</u></p> | <p>Exemption of import duties and taxes and other related charges, including tariffs, unified taxes and of domestic consumption that falls on the import of raw materials and inputs on the condition that they are undergoing substantial transformation processes in the Dominican Republic that generate added value in a way that the final good resulting from the transformation corresponds to a different tariff heading from the raw materials or imported input, in accordance with the Customs Tariff of the Dominican Republic and the Harmonized Commodity Description and Coding System. The packaging, repackaging, wrapping, blending, grinding and / or refining of products will not be included in the benefits.</p> <p>Exemption of fifty percent (50%) in the payment of freedom of transit and use of ports and airports; this exemption will be granted through the submission of the certificate of Border Company, issued by the Coordinating Council.</p> <p>Companies that benefit from the exemptions will be obliged to pay Selective Consumer Tax (ISC), whose obligations only apply to goods derived from alcohol and tobacco, among others, produced, transferred and / or sold by such companies.</p> <p>The foreseen exemptions will be considered, provided that the individual or corporation has complied with the formal duty of submitting its affidavit to the Internal Taxes General Bureau.</p> <p>In no case shall be allowed to import machinery, equipment, spare parts, accessories, fuels, semi-finished and finished products, packaging and other ingredients exempt of taxes when they are produced locally in sufficient quantity and in quality and competitive prices, except when the exemptions arise from international agreements or treaties.</p> <p>The validity of the resolutions by which exemptions are granted, will be conditional that the initiation and execution of approved operations are carried out within a period not exceeding six (6) months from the date of termination. After that deadline, the resolution will lose validity.</p> <p>Companies availing themselves of this regulation will benefit for a period of 20 years.</p> | |
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| <p style="text-align: center;"><u>Law 171-07</u></p> <p>Incentives to Foreign Pensioners Source</p> | <p>The pensioners or retired foreigners who apply to become beneficiaries of this program may qualify for the same benefits and exemptions granted to foreign investors and citizens living abroad through the following laws:</p> <ul style="list-style-type: none"> • Residence Permit through on Investment Program. Decree 950-01, which allows foreign investors to obtain definitive residence within 45 days. • Exemption from payment of taxes on Household furnishings and Personal Property. Law 14-93. • Exemption Partial Tax on the import of vehicles. Law 168-67. • Exemption of taxes on real estate transfers, for the first property acquired; • Waiver of 50% of taxes on mortgages, when the creditor is a financial institution duly regulated by the Monetary and Financial Law; • Waiver of 50% of the estate tax when it applies; • Exemption from taxes borne by the payment of dividends and interest generated in the country or abroad; • Waiver of 50% of the Capital Gains Tax, provided the rentier is the majority shareholder of the company subject to the payment of this tax and that the company is not dedicated to commercial or industrial activities. | <p style="text-align: center;"><u>ALL</u></p> <p>Retirees who receive their pension from abroad</p> |
| <p>DECREES THAT GRANT INCENTIVES</p> | <p>BENEFITS</p> | <p>SECTOR</p> |
| <p style="text-align: center;"><u>DECREE 950-01</u></p> <p>Residence permit thru Investment</p> | <p>Conceived with the objective of benefiting foreigners who make a considerable investment in Dominican Republic, by granting of a special residence, covering the same rights that Law 95, modified by Law 285, on Immigration of foreign residents in the country grants.</p> <ul style="list-style-type: none"> ▪ A maximum of 45 days to obtain the Residence permit . ▪ Major efficiency and security in the procedures of handling and filtering of the request . ▪ Availability of personnel specializing in the handling the needs of the investors. ▪ Direct and constant Contact with the petitioner. ▪ Automatic annual Renewal of the Investment Residence permit; one does not need a previous provisional visa; a regular visa or tourist card will suffice. ▪ Coordination between the institutions concerned in the procedure. | <p style="text-align: center;">ALL</p> <p>To grant in a minimal term, the definitive residence to foreigners who make a considerable investment in RD</p> |