Dominican Republic

Summary

- From 2003 to 2012, total tax revenue in the Dominican Republic increased by 1.6% of GDP. Components of tax revenue exhibited significant changes during the period. Taxes on goods and services increased from 5.6% of GDP in 2003 to 9.4% of GDP in 2007, and then declined to 7.6% in 2012. Taxes on international trade declined by 1.8% over the decade.
- The Dominican Republic undertook a number of reforms over the decade to respond to internal and external developments.
- A recent study[1] found the Dominican Republic's tax effort[2] to be relatively weak as compared to other countries in Latin America and the Caribbean (LAC). The Dominican Republic's tax effort is 45.3% of tax capacity, whereas the average of the surveyed LAC countries is 61.1%. The country's tax capacity, at 31.3% of GDP is slightly lower than the tax capacity of all other surveyed LAC countries, the average of which is 33.5%.
- Personal income tax revenue effort and productivity figures in the Dominican Republic are slightly below the regional average and moderately below the comparator income group and world averages. The maximum personal income tax rate is in line with the income group average and below the regional and world averages.
- The Dominican Republic's corporate income tax revenue effort and productivity figures are significantly below the regional, income group, and world averages. The corporate income tax rate is moderately above the regional, income groups, and world averages.
- Revenue effort and productivity figures for the value added tax (VAT) are moderately below the regional, income group, and world averages. The VAT rate is slightly above all comparator groups.
- Suggested areas for further investigation include:
  - The very low productivity of the corporate income tax in the Dominican Republic, especially in light of the country's relatively high corporate income tax rate.
  - The low overall revenue effort.
  - The future impact of the sweeping 2012 tax reforms.

[1] Pessino, Carola and Ricardo Fenochietto (2010), "Determining countries' tax effort", *Hacienda Pública Española / Revista de Economía Pública*, 195-(4/2010): 65-87, Instituto de Estudios Fiscales. "Tax capacity" is the maximum tax revenue that can be generated given the country's economic, social, institutional, and demographic characteristics. "Tax effort" is the ratio of actual revenue to tax capacity.

[2] The definition of "tax effort" employed in the aforementioned study differs than the definition of revenue effort employed further below in this paper.

Major Developments and Features of Current Tax System

Evolution of Revenue

The Dominican Republic's total tax revenue has increased by 1.6% of GDP from 2003 to 2012. Revenues reached a peak of 16.0% of GDP in 2007, but declined after 2007 due to tax reforms, natural disasters, and the financial crisis. Over the period, the Dominican Republic's revenue mix shifted toward an increased reliance on domestic sales taxes and decreased reliance on taxes on international trade.

- Revenue from taxes on income and profits increased by 0.7% of GDP over the decade.
- Revenue from taxes on goods and services increased by 2% of GDP.
- Revenue from taxes on international trade decreased by 1.8% of GDP.

Dominican Republic Government Current Revenue
(% of GDP)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Taxes on Income & Profits	3.3%	2.7%	2.9%	3.3%	4.1%	3.7%	3.2%	2.8%	3.1%	4.0%
Taxes on Goods and Services	5.6%	5.9%	7.6%	8.7%	9.4%	8.9%	7.9%	8.0%	7.9%	7.6%
Taxes on International Trade	2.8%	4.1%	3.7%	2.3%	1.7%	1.6%	1.3%	1.2%	1.1%	1.0%
Other Taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Tax Revenue	**11.9%**	**12.9%**	**14.6%**	**14.8%**	**16.0%**	**15.0%**	**13.1%**	**12.8%**	**12.9%**	**13.5%**

Source: Dirección General de Impuestos Internos (DGII), IMF Government Finance Statistics Data and WEO Database

Summary of Reforms

Over the last decade, the Dominican Republic has implemented several tax policy and administrative reforms, resulting in a complex tax system and fueling low tax morale through constant changes.[3] The current Dominican tax system is highly fragmented, leading to greater tax evasion and avoidance. Although there is a tax code, which dates from 1992, the majority of the tax legislation lies outside of it.[4] In 2005, a Tax Reform Act increased rates through Selective Consumption Taxes (SCT) and widened the tax base with the introduction of new taxes and the removal of exemptions. In March 2007, the country ratified and entered into the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) and soon after enacted the Law of Fiscal Reform discussed below. Most recently, in November 2012, a new tax reform made broad changes to the income tax and VAT rules as described further below.

Over the period:

[3] Fiscal Policy for Development in the Dominican Republic, OECD Development Centre, 2013.
[4] Ibid.

- The 2005 Tax Reform Act gradually lowered the personal income tax and withholding rates from 30% to 25%, increased the general VAT rate from 12% to 16%, restricted the VAT zero-rate to exports, and added several new item-specific consumption taxes.[5]
- The 2007 Law of Fiscal Reform lowered the corporate income tax rate from 29% to 25%. The law included measures to increase excise tax rates, such as those on alcohol, cigarettes, vehicles, and fuel. It also established more severe sanctions for violations of the tax law and increased the inspection powers of tax examiners.
- Tax reforms in 2011 raised the corporate income tax back up to 29% and established a 1% tax on performing financial assets of financial institutions.[6]
- Tax reforms in 2012 included changes to the VAT, personal income tax, and corporate income tax regimes. The country introduced a temporary VAT rate increase from 16% to 18% for 2013 and 2014, scheduled to return to 16% in 2015. Certain VAT exemptions and zero-rating were removed and a reduced rate on basic food items was applied.[7] The personal exemption under the income tax was raised and the corporate income tax rate was temporarily lowered – from 29% to 28% starting in 2014, down to 27% in 2015.[8]
- In 2012, Congress also approved a tax amnesty program for personal and corporate income tax, VAT, and inheritance tax on unpaid debts owed for taxes from 2009-2011. To encourage participation, no surcharges, interest, or penalties were to be charged.[9]

Tax System Profile (2010-11)

The tables in Annex 1 provide a high-level description of the Dominican Republic's tax system and comparisons with the Latin America and Caribbean (LAC) region, upper-middle-income (UMI) countries,[10] and the rest of the world. The data in this section are from the 2012-2013 release of USAID's Collecting Taxes database.[11] **The most recent comparative data in this section are from fiscal year 2011 and do not reflect the most recent reforms or data discussed above.**

Revenue Effort

- "Revenue Effort" is the amount of revenue as a share of GDP.

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[5] Pellerano & Herrera (2011), Tax Reform of the Dominican Republic Law No. 557-05, http://www.phlaw.com/pubs/rejec/en/ren_557-05_Tax_Reform_Law.pdf.
[6] Comisión Económica para América Latina (2013), Economic Survey of Latin America and the Caribbean, Dominican Republic, http://www.eclac.org/publicaciones/xml/3/50483/EEI-DominicanRepublic.pdf.
[7] Deloitte Global Services Limited (2012), World Tax Advisor, http://newsletters.usdbriefs.com/2012/Tax/WTA/121214_7.pdf.
[8] Comisión Económica para América Latina (2013), Fiscal Panorama of Latin America and the Caribbean, http://www.eclac.org/publicaciones/xml/7/49287/2013-106_Fiscal_Panorama_WEB.pdf.
[9] Deloitte Global Services Limited (2012), World Tax Advisor, http://newsletters.usdbriefs.com/2012/Tax/WTA/121214_7.pdf.
[10] Derived from the World Bank Country and Lending Group classifications, http://data.worldbank.org/about/country-classifications/country-and-lending-groups
[11] USAID's Collecting Taxes Database, http://egateg.usaid.gov/collecting-taxes.

- The Dominican Republic's overall tax revenue effort is 13.8% – well below the regional and income group averages of 19.5% and 19.4%, respectively, and below the world average of 17.9%.
- The Dominican Republic's revenue effort from personal income tax, at 3.1%, is slightly below the LAC regional average of 4.1% and well below the income group and world averages of 4.8% and 5.5%, respectively.
- Corporate income tax revenue effort, at 1.1%, is significantly below (roughly one third) that of the regional, income group, and world averages, which range between 3.3% and 3.7%.
- The revenue effort from VAT, at 4.2%, is below the LAC regional, income group, and world averages of 6.4%, 6.4%, and 6.1%, respectively.

Tax Structure

- The maximum personal income tax rate in the Dominican Republic, at 25%, is on par with the income group average of 24.2% and slightly below that of regional and world averages of approximately 28%.
- The Dominican Republic's corporate income tax rate, at 29%, is moderately above the regional, income group, and world averages, which are within the 23-27% range.
- The VAT rate, at 16%, is above the regional, income group and world averages, which are in the 13-14% range.
- The tax wedge on labor income, at 34.3%, is significantly above with the regional, income group and world averages, which are in the 20-24% range. Social contribution rates, at 20.1%, are on par with the income group and world averages of 22.2% and 20.8%, respectively, and above the regional average of 17.1%.

Revenue Productivity

- "Revenue productivity" measures the revenue share of GDP mobilized for each point of the tax rate.
- Personal income tax productivity, at 0.14, is broadly in line with the LAC regional average of 0.15, but significantly below the income group and world averages of 0.23 and 0.22, respectively.
- The Dominican Republic's corporate income tax productivity, at 0.04, is significantly below (roughly one fourth) that of the regional, income group, and world averages, which are 0.15, 0.16, and 0.15, respectively.
    - Given the high corporate income tax rate, at 29%, the tax produces very little revenue due in part to widespread use of preferential treatment and special tax regimes for selected sectors, such as tourism, manufacturing, agriculture, retail, banks, etc.
- VAT productivity, at 0.26, is well below the regional, income group, and world averages of 0.47, 0.45, and 0.42, respectively.

Tax Administration Structure

- The *Dirección General de Impuestos Internos* (DGII) is responsible for administration of taxes in the Dominican Republic. A separate directorate, the General Directorate of Customs (DGA), is responsible for administration of taxes on imports.
- The DGII is organized along functional lines and includes a Large Taxpayer Unit (LTU).
- The DGII's ratio of active taxpayers to staff, at 55 taxpayers per staff, is significantly below the LAC regional, income group, and world averages of 982, 589, and 677 taxpayers per staff, respectively.

Taxpayer Burden and Corruption Evidence

- The 2010 World Bank Enterprise Surveys indicated that the percentage of Dominican Republic business taxpayers "expected to give gifts in meeting with tax officials" was 15.3%, which was significantly above the LAC regional average of 6.1% and above the world average of 14.1%.
- The 2014 World Bank Doing Business survey estimates that the average time required to pay taxes by a medium-sized company in the Dominican Republic amounts to 324 hours per year – slightly below the LAC regional average of 369 hours, and moderately above the world average of 285 hours per year.

ANNEX 1: Dominican Republic's Collecting Taxes Indicators

Total Tax Revenue	TAXY[12]
	Tax Revenue as % of GDP (%)
Dominican Republic	13.8
Latin America and the Caribbean[1]	19.5
Upper-Middle-Income Economies[2]	19.4
World	17.9

Company Income Tax	CITR	CITY	CITPROD
	Tax Rate (%)	Revenue as % GDP (%)	Revenue Productivity
Dominican Republic	29.0	1.1	0.04
Latin America and the Caribbean[1]	27.2	3.7	0.15
Upper-Middle-Income Economies[2]	23.5	3.7	0.16
World	24.1	3.3	0.15

Income Taxes on People	PITMINR	PITMAXR	PITMINL	PITMAXL
	Minimum Tax Rate (%)	Maximum Tax Rate (%)	Minimum Income Level (Multiples of GDP per capita)	Maximum Income Level (Multiple of GDP per capita)
Dominican Republic	15.0	25.0	0.95	1.92
Latin America and the Caribbean[1]	13.4	27.5	0.52	3.58
Upper-Middle-Income Economies[2]	11.5	24.2	0.29	2.63
World	10.9	27.8	0.40	6.38

[12] A glossary of terms for the selected indicators is found in Annex 2.

Income Taxes on People	PITY	PITPROD	SSR	WEDGE
	Revenue as % GDP (%)	Revenue Productivity	Mandatory Combined Social Contribution Rates (%)	Combined Rate of Personal and Labors Taxation (%)
Dominican Republic	3.1	0.14	20.1	34.3
Latin America and the Caribbean[1]	4.1	0.15	17.1	20.1
Upper-Middle-Income Economies[2]	4.8	0.23	22.2	24.1
World	5.5	0.22	20.8	22.4

Value Added Tax	VATR	VATY	VATGCR	VATPROD	THRESHOLD
	VAT rate (%)	Revenue as % GDP (%)	Gross Compliance Ratio (%)	Revenue Productivity	Mandatory registration/ filing (annual turnover in USD)
Dominican Republic	16.0	4.2	30.1	0.26	174,026
Latin America and the Caribbean[1]	13.5	6.4	66.2	0.47	34,149
Upper-Middle-Income Economies[2]	13.7	6.4	69.8	0.45	61,098
World	13.8	6.1	65.9	0.42	57,598

Tax Administration	Tax Staff	Payer to Staff	Function	LTU	Customs
	Tax staff per 1000 population	Number of tax payers per tax staff	Functional Organization (1 = Yes, 0 = No)	Large Taxpayer Unit (1 = Yes, 0 = No)	Customs and Tax Administration Combined 1 = Yes, 0 = No)
Dominican Republic	0.27	55	1.00	1.00	0.00
Latin America and the Caribbean[1]	0.33	982	0.80	0.78	0.30
Upper-Middle-Income Economies[2]	0.57	589	0.88	0.82	0.37
World	0.65	677	0.88	0.81	0.30

Footnotes:

1. LAC countries include: Anguilla, Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bermuda, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, Uruguay, and Venezuela.
2. Upper-Middle-Income Countries include: Albania, Algeria, Angola, Azerbaijan, Belarus, Belize, Bosnia and Herzegovina, Botswana, Brazil, Bulgaria, China, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, Fiji, Gabon, Grenada, Hungary, Iran, Iraq, Jamaica, Jordan, Kazakhstan, Lebanon, Libya, Macedonia, Malaysia, Maldives, Marshall Islands, Mauritius, Mexico, Montenegro, Namibia, Palau, Panama, Peru, Romania, Serbia, Seychelles, South Africa, St. Lucia, St. Vincent and the Grenadines, Suriname, Thailand, Tunisia, Turkey, Turkmenistan, and Venezuela.

ANNEX 2: Collecting Taxes Indicators Glossary

CITR is the general rate applied for the corporate income tax. In most countries only one corporate income tax is applied to corporate profits. In most countries, business enterprises that are owned by sole proprietors or unincorporated partnerships pay tax under the personal income tax system.

CITY is the level of corporate income tax collections as percentage of GDP.

CITPROD represents how well the corporate income tax does in terms of revenue collection, given the tax rate. CITPROD is the portion of GDP in revenue that is mobilized for each point of CIT rate.

PITMINR is the lowest non-zero positive tax rate applied to the lowest income group in the personal income tax system.

PITMINL is the lowest level of income at which the lowest marginal personal income tax rate (PITMINR) is imposed, expressed as a multiple of per capita GDP.

PITMAXR is the highest tax rate applied under the personal income tax system.

PITMAXL is the lowest level of income at which the top marginal personal income tax rate is imposed, expressed as a multiple of per capita GDP.

PITY is the level of personal income tax collections as percentage of GDP.

PITPROD provides an indication of how well the personal income tax in a country does in terms of producing revenue. PITPROD is the portion of GDP in revenue that is mobilized for each point of the average PIT rate.

SSR is the combined rate for employer and employee social security contributions.

WEDGE is an estimate of the overall taxation of labor income, represented as a percentage of gross salary. It combines social contributions with personal income tax. The tax wedge represents the ratio of total labor taxes to total labor costs to the employee.

VATR is the general rate at which most goods and services are taxed under the value added tax system. Most countries have a variety of reduced rates for certain basic goods, such as basic food stuffs. Also, all countries have a zero rate on exported goods.

VATY is the level of VAT collections as a percentage of GDP.

VATGCR is the VAT gross compliance ratio which is the ratio of potential VAT collections—if all final household consumption had been taxed at the standard rate--to actual VAT collections.

VATPROD is a measure of how well the VAT produces revenue for the government, given the VAT rate. It is the portion of GDP in revenue that is mobilized for each point of VAT rate.

Threshold indicates the amount of annual turnover, in US $ terms above which taxpayers must register for VAT and file regular VAT returns.

Functional Organization is a binary indicator where 1 indicates that the tax administration is organized along functional lines.

Large Taxpayer Unit is a binary indicator where 1 indicates that there is a large taxpayers unit.

Customs and Tax Administration Combined is a binary indicator where 1 indicates that revenue is administered jointly by a single customs and tax administration.

Dominican Republic *Highlights*

Currency: Dominican Republic Peso (DOP)

Foreign exchange control: The foreign exchange regime is based on the free exchange of national currency against foreign currency.

Accounting principles/financial statements: IFRS applies.

Principal business entities: These are the limited liability company (LLC), corporation and branch of a foreign company.

Corporate taxation:

Residence – A company is resident if it is incorporated under the laws of the Dominican Republic or if it performs a permanent establishment in the Dominican Republic.

Basis – The Dominican Republic taxes primarily on a territorial basis, whereby business income derived from activities performed in, property situated or economically used in, or economic rights used in the Dominican Republic are taxed, regardless of the nationality, domicile or residence of the participants or the contracting location.

Taxable income – Corporate tax is levied on the aggregate net income of various sources of business income, including capital gains derived from the transfer of capital assets (generally land and shares). Certain items of investment income derived by resident corporate taxpayers from foreign sources also are subject to Dominican tax, including dividends, interest on loans and bank savings, gains from banking or financial operations, bonds, shares in capital companies, bills of exchange and other movable capital or securities on the capital markets.

Taxation of dividends – Local corporations must withhold at 25% on cash dividends paid or credited to shareholders (individuals or legal entities), regardless of the place of residence of the shareholders. If the company fails to withhold tax on a payment to a nonresident, the foreign recipient will be obliged to pay the tax due. The withholding acts as a credit against income tax and may be used to offset any further tax payment if, and when, income tax is paid on the amount distributed. Dividends paid in shares are not subject to withholding. Branches of foreign companies are not obliged to withhold when repatriating profits to their headquarters.

Capital gains – Capital gains derived from the sale of assets, immovable property or shares, are included in gross income and subject to corporate income tax at a rate of 25%. The capital gain is calculated by deducting from the sale price the acquisition cost adjusted for inflation and adding the accumulated earnings/losses.

Losses – Net operating losses may be carried forward for 5 years. Carryback is not allowed. The deduction is limited to 20% of the annual total net losses carried forward. For the fourth year, the 20% deduction may not exceed an amount equivalent to 80% of taxable income and, for the 5th year, the 20% deduction may not exceed 70% of taxable income. For newly formed entities, losses from the first year of operations should be fully deducted in the second year.

Rate – 29%

Surtax – No

Alternative minimum tax – A 1% asset tax paid in two instalments applies to the value of a corporation's total assets as it appears in the company's financial statements. The asset tax is considered a minimum tax payable when it is higher than the company's corporate income tax liability. Some deductions apply.

Foreign tax credit – Taxes paid abroad corresponding to foreign source income that is taxable in the Dominican Republic may be credited up to the amount of Dominican tax payable on the same basis.

Participation exemption – No

Holding company regime – No

Incentives – Various tax incentives are available and include regimes (e.g. those for free trade zones, tourism and renewable energy) that may provide a 100% exemption from national taxes and contributions.

Withholding tax:

Dividends – See under "Taxation of dividends".

Interest – Interest paid to a foreign financial institution is subject to a 10% withholding tax; the rate is 25% for non-financial institutions.

Royalties – Royalties and management fees paid to nonresidents are subject to a final 25% withholding tax.

Branch remittance tax – No

Other taxes on corporations:

Capital duty – Capital duty is levied on the formation of a corporation at a rate of 1% of the capital amount.

Payroll tax – Employers must pay a monthly tax equal to 1% of the regular payroll to finance "INFOTEP", a special training fund. The fringe benefits tax is levied at a 25% rate and is payable by the employer on a monthly basis.

Real property tax – Real estate tax is levied on residential and commercial property valued at more than DOP 5 million, at a rate of 1% on the value exceeding this amount.

Social security – Both employers and employees are required to make monthly contributions to the social security system. The system is comprised of the pension funds and family health insurance (financed 70% by employers and 30% by employees), and labour risk insurance (financed completely by employers). Contributions are calculated on the employee's earnings - i.e.

the daily salary as increased by any additional payment of bonuses and holiday allowances. The upper limits for calculating theses contributions are based on multiples of the minimum salary (USD 180) and are 20, 10 and 4, respectively.

Stamp duty – Stamp duty is levied on most written contracts; the registration and renewal of trademarks; documents evidencing loans, debts, shares and guarantees; and all documents prepared or registered by notaries and registrars. The rates vary depending on the taxable event.

Transfer tax – All transfers of real property located in the Dominican Republic are subject to a transfer tax at a rate of 3% on the price of the property declared in the purchase and sale agreement.

Other – No

Anti-avoidance rules:

Transfer pricing – Transfer pricing rules/regulations are based on the OECD guidelines. The following transfer pricing methodologies are accepted: (1) cost plus method; (2) comparable uncontrolled price method; (3) transactional net margin method; (4) profit split method; (5) residual profit split method; and (6) resale price method. An annual information return must be submitted, starting with the 2011 tax year. Advance pricing agreements are possible in the hotel, pharmaceutical and energy sectors.

Thin capitalisation – No

Controlled foreign companies – No

Other – No

Disclosure requirements – No

Administration and compliance:

Tax year – There are four possible tax year ends: 31 March, 30 June, 30 September and (most popular among entities) 31 December.

Consolidated returns – Consolidated returns are not permitted; each company must file its own return.

Filing requirements – All entities operating in the Dominican Republic must file a tax return within 120 days after the fiscal year closes. A request for an extension to file may be made to the tax authorities (at least fifteen days before due date).

Penalties – Penalties may be imposed for late filing, failure to file and tax avoidance or evasion. Surcharges are 10% for the first month or fraction thereof and 4% thereafter. Interest of 1.73% applies for each month or fraction thereof.

Rulings – Taxpayers may request rulings from the tax authorities on the tax treatment of specific transactions. Such rulings are binding on the tax Administration with respect to the taxpayer that filed the request.

Personal taxation:

Basis – The Dominican Republic primarily operates a territorial system of taxation, although resident individuals are subject to tax on certain foreign investment income. Nonresident individuals are taxed only on Dominican-source income.

Residence – An individual is considered a resident if he/she remains in the country for more than 182 days in a fiscal year, whether or not continuous. Foreign individuals who become resident are subject to tax on their foreign-source income as of the third taxable year or period in which they become resident. For tax purposes, partnerships are treated as separate taxable persons from their members.

Filing status – Individuals are required to file separate returns.

Taxable income – The Dominican Republic applies a broad concept of income, which includes all income constituting earnings or profits resulting from goods or activities, all benefits and earnings accrued or collected, and capital gains, whatever their nature, origin or description. For resident taxpayers, business income includes foreign-source investment income.

Capital gains – Capital gains derived from the disposal of capital assets located in the Dominican Republic, whether the sale is of an occasional nature or otherwise, are subject to a 25% tax. Gain must be reported in the personal tax return for the same period in which the disposal took place.

Deductions and allowances – Resident individuals who carry out activities other than employment activities may deduct all expenses incurred that are necessary to obtain, maintain and preserve the taxable income or its source.

Subject to documentation requirements, an individual may deduct up to 10% of his/her net taxable income for educational expenses incurred for his/her benefit or that of self-employed direct dependents. The expenditure will not be considered additional remuneration in the case of employees if the compensation granted to employees is exempt from the income tax on salaries.

Rates – The following progressive rates apply to net taxable income (NTI) for FY 2010: 0% up to USD 9,291; 15% on NTI of USD 9,291 to USD 13,936; 20% on NTI of USD 13,936 to USD 19,355; and 25% on NTI of USD 19,355 and up. These amounts are adjusted for inflation at the beginning of each year according to the Central Bank inflation index.

Other taxes on individuals:

Capital duty – No

Stamp duty – Stamp duty is levied on most written contracts; the registration and renewal of trademarks; documents evidencing loans, debts, shares and guarantees; and all documents prepared or registered by notaries and registrars. The rates vary depending on the taxable event.

Capital acquisitions tax – No

Real property tax – Real estate tax is levied on residential and commercial property valued at more than DOP 5 million, at a rate of 1% on the value exceeding DOP 5 million.

Inheritance/estate tax – Inheritance and gift tax is levied on personal and real property that forms part of the gross estate of a deceased person, a gift of property located in the Dominican Republic and foreign-situs personal property of a deceased person who had Dominican nationality or whose last domicile was in the country. The rate is a flat 3% of the amount of the inherited estate.

Net wealth/net worth tax – See under "Real property tax".

Social security – Dominicans and foreigners residing in the Dominican Republic must contribute to the social security system. Contributions are calculated on the basis of each employee's earnings - i.e. the daily salary increased by any additional payment in cash or in kind, although certain deductions apply. The employee rates for 2010 are 3.04% for family health insurance, 2.87% for the pension fund. The upper limits for calculating theses contributions are based on multiples of the minimum salary (USD 180) and are 20, 10 and 4, respectively. Contributions are deductible for calculating the employee income tax due.

Administration and compliance:

Tax year – Calendar year

Filing and payment – The tax return must be filed by 31 March of the year following the taxable year. Taxpayers whose only source of income is salary are not required to file (withholding serves as the final tax payment).

Penalties – Penalties and interest apply for late filing or failure to file. Surcharges are

10% for the first month or fraction thereof and 4% thereafter. Interest of 1.73% applies for each month or fraction thereof.

Value added tax:

Taxable transactions – VAT is levied on the supply of goods and services within the Dominican Republic and upon the import of goods.

Rate – 16%

Registration – VAT registration is included in the general registration as a taxpayer.

Filing and payment – Filing is required on a monthly basis by the 20th day of the month.

Source of tax law: Tax Code of the Dominican Republic, Law 11-92

Tax treaties: The Dominican Republic has 1 treaty (with Canada).

Tax authorities: *Dirección General de Impuestos Internos* (DGII)

International organisations: None

SOURCE: Deloitte International Tax Source: Tax Highlights, http://www.deloitte.com/taxguides.