A country’s tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions. This handy reference guide provides clients and professional practitioners with comprehensive tax and business information for over 90 countries throughout the world.

As you will appreciate, the production of the WWTG is a huge team effort and I would like to thank all tax experts within PFK member firms who gave up their time to contribute the vital information on their country’s taxes that forms the heart of this publication.

I hope that the combination of the WWTG and assistance from your local PKF member firm will provide you with the advice you need to make the right decisions for your international business.

Richard Sackin
Chairman, PKF International Tax Committee
Eisner Amper LLP
richard.sackin@eisneramper.com
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PREFACE

The PKF Worldwide Tax Guide 2013 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world’s most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current on 1 January 2013, while also noting imminent changes where necessary.

On a country-by-country basis, each summary addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country’s personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

In addition to the printed version of the WWTG, individual country taxation guides are available in PDF format which can be downloaded from the PKF website at www.pkf.com

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MAY 2013

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PKFI is the 11th largest global accountancy network and its member firms have $2.68 billion aggregate fee income (year end June 2012). The network is a member of the Forum of Firms, an organisation dedicated to consistent and high quality standards of financial reporting and auditing practices worldwide.

Services provided by member firms include:

- Assurance & Advisory
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- Taxation
- Corporate Finance
- Forensic Accounting
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PKF member firms are organised into five geographical regions covering Africa; Latin America; Asia Pacific; Europe, the Middle East & India (EMEI); and North America & the Caribbean. Each region elects representatives to the board of PKF International Limited which administers the network. While the member firms remain separate and independent, international tax, corporate finance, professional standards, audit, hotel consultancy and business development committees work together to improve quality standards, develop initiatives and share knowledge and best practice cross the network.

Please visit www.pkf.com for more information.
STRUCTURE OF COUNTRY DESCRIPTIONS

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX
CAPITAL GAINS TAX
BRANCH PROFITS TAX
SALES TAX/VALUE ADDED TAX
FRINGE BENEFITS TAX
LOCAL TAXES
OTHER TAXES

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DEPRECIATION
STOCK/INVENTORY
CAPITAL GAINS AND LOSSES
DIVIDENDS
INTEREST DEDUCTIONS
LOSSES
FOREIGN SOURCED INCOME
INCENTIVES

C. FOREIGN TAX RELIEF

D. CORPORATE GROUPS

E. RELATED PARTY TRANSACTIONS

F. WITHHOLDING TAX

G. EXCHANGE CONTROL

H. PERSONAL TAX

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES
INTERNATIONAL TIME ZONES

AT 12 NOON, GREENWICH MEAN TIME, THE STANDARD TIME ELSEWHERE IS:

A
Algeria .............................. 1 pm
Angola .............................. 1 pm
Argentina .......................... 9 am
Australia -
   Melbourne .......................... 10 pm
   Sydney ............................. 10 pm
   Adelaide ........................... 9.30 pm
   Perth ............................... 8 pm
Austria ............................. 1 pm

B
Bahamas .............................. 7 am
Bahrain ............................... 3 pm
Belgium .............................. 1 pm
Belize ................................. 6 am
Bermuda .............................. 8 am
Brazil ................................. 7 am
British Virgin Islands ............. 8 am

C
Canada -
   Toronto ............................. 7 am
   Winnipeg ............................ 6 am
   Calgary .............................. 5 am
   Vancouver ........................... 4 am
   Cayman Islands ..................... 7 am
   Chile ................................. 8 am
   China - Beijing ...................... 10 pm
   Colombia ............................ 7 am
   Cyprus ............................... 2 am
   Czech Republic ...................... 1 pm

D
Denmark .............................. 1 pm
Dominican Republic .............. 7 am

E
Ecuador ............................... 7 am
Egypt ................................. 2 pm
El Salvador .......................... 6 am
Estonia ............................... 2 pm

F
Fiji .................................. 12 midnight
Finland ............................... 2 pm
France ............................... 1 pm

G
Gambia (The) ......................... 12 noon
Germany .............................. 1 pm
Ghana ................................. 12 noon
Greece ................................. 2 pm
Grenada ............................... 8 am
Guatemala ............................. 6 am
Guernsey ............................. 12 noon
Guysey ................................. 7 am
Hong Kong ........................... 8 pm
Hungary .............................. 1 pm
India ................................. 5.30 pm
Indonesia ............................. 7 pm
Ireland ............................... 12 noon
Isle of Man ........................... 12 noon
Israel ................................. 2 pm
Italy ................................. 1 pm
Jamaica ............................... 7 am
Japan ................................. 9 pm
Jordan ............................... 2 pm
Kenya ................................. 3 pm

L
Latvia ................................. 2 pm
Lebanon ............................... 2 pm
Luxembourg ......................... 1 pm

M
Malaysia ............................. 8 pm
Malta ................................. 1 pm
Mexico ............................... 6 am
Morocco ............................. 12 noon

N
Namibia .............................. 2 pm
Netherlands (The) ................. 1 pm
New Zealand ......................... 12 midnight
Nigeria ............................... 1 pm
Norway ............................... 1 pm

O
Oman ................................. 4 pm

P
Panama ............................... 7 am
Papua New Guinea .................. 10 pm
Peru ................................. 7 am
Philippines ........................... 8 pm
Poland ............................... 1 pm
Portugal .............................. 1 pm
Qatar ................................. 8 am

R
Romania ............................. 2 pm
Russia -
  Moscow .................. 3 pm
  St Petersburg .......... 3 pm

S
Singapore .................. 7 pm
Slovak Republic ............ 1 pm
Slovenia .................... 1 pm
South Africa ................ 2 pm
Spain ........................ 1 pm
Sweden ........................ 1 pm
Switzerland .................. 1 pm

T
Taiwan ...................... 8 pm
Thailand .................... 8 pm
Tunisia ..................... 12 noon
Turkey ........................ 2 pm
Turks and Caicos Islands ...... 7 am

U
Uganda ....................... 3 pm
Ukraine ..................... 2 pm
United Arab Emirates ...... 4 pm
United Kingdom ...... (GMT) 12 noon
United States of America -
  New York City ............ 7 am
  Washington, D.C. ....... 7 am
  Chicago .................. 6 am
  Houston .................. 6 am
  Denver .................... 5 am
  Los Angeles ............... 4 am
  San Francisco ............ 4 am
  Uruguay ................... 9 am

V
Venezuela .................... 8 am

Z
Zimbabwe .................... 2 pm
DOMINICAN REPUBLIC

Currency: Dominican Pesos (RD$)  
Dial Code To: 1809  
Dial Code Out: 00

Member Firm:  
City: Santo Domingo  
Name: Hector Guzman  
Contact Information: Desangles guzmanpkf@codetel.net.do

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

GENERAL REGIME

Resident or branch corporations are subject to Dominican Corporate income tax (ISR) on their local income (only) or income generated by activities within the country.

Non-resident companies also pay ISR on income sourced in Dominican territories where there is an absence of a permanent business. The Resident Corporation in the Dominican Republic will withhold 29% of the payment for items including publicity, royalties, interest (10% from overseas banks), etc.

The general IRC rate is 29% for tax or 1% of the company’s total assets (after deducting depreciation) or 1.5% of the gross sales (after deducting discount and devolution). Companies will pay monthly advance taxes (1/12th) of the equivalent of the amount paid as taxes from the prior year and, at the end of the year, it should match the aforementioned 29% or 1% calculated taxes. When the taxes for the current year are calculated, the monthly payment is compensated in the following period. If the monthly payment was below, then the corporation completes the payment.

Tax payments for the current year are based on the previous tax year’s liability less any tax withheld at source. This amount is limited to the higher of the prior year tax (for those with turnover) paid in 12 instalments or one percent of total assets.

CAPITAL GAINS TAX

The gain (or loss) is calculated on the difference between the sale of assets proceeds and cost, which may be adjusted for the effects of inflation.

The gains realised on the disposal of shares by qualified holding companies (SGPS) are not subject to taxation. However, capital losses with the sale of shares, as well as interest on loans to purchase shares, are not deductible for ISR purposes at the SGPS level.

BRANCH PROFITS TAX

Only the income attributable to the Dominican branch (permanent establishment) is subject to corporation tax.

SALES TAX/VALUE ADDED TAX (VAT)

The standard rate is 18% (except for some products sold in supermarkets where the rate of tax from January 2013 is 8%).

FRINGE BENEFITS TAX

This tax does not apply.

LOCAL TAXES

No taxes apply.

OTHER TAXES

MUNICIPAL TAX

Owners of real estate properties are subject to municipal tax at 1%. No tax applies for rural properties.

B. DETERMINATION OF TAXABLE INCOME

GENERAL REGIME

Net income or taxable income is arrived at by adjusting the accounting profits for non-taxable income and non-deductible expenses. As a general principle, costs are only deductible when necessarily incurred for the purpose of producing income.

SIMPLIFIED SCHEME

Companies which have not elected to be assessed under the general regime referred to above are subject to the simplified taxation scheme. Under this scheme, taxable
income is computed as 29% of the turnover from sale of goods and merchandise.

DEPRECIATION
All the items of fixed assets except land can be depreciated or amortised for tax purposes. The depreciation rates are set by specific legislation and include 5% for office buildings, 25% for cars and furniture, and 15% for other assets.

STOCKS/INVENTORY
Inventory must normally be valued at the effective cost of acquisition or production (historical cost). Other methods which may be adopted include:
- the standard cost method, which must be calculated in accordance with the appropriate technical and accounting principles
- the sale price method, based on the market value less a normal profit margin.

CAPITAL GAINS AND LOSSES
Gains realised by resident entities from the disposal of shares are exempt from tax.

DIVIDENDS
Dividends are normally subject to withholding tax at 10% (when paid in cash only).

INTEREST DEDUCTIONS
Interest is deductible on an accrual basis. The Fiscal Administration is entitled to disregard expenses with interest where related parties are involved.

LOSSES
Operating losses incurred by ordinary corporate taxpayers may be carried forward for five years to set off against taxable profits but only 20% of the amount each year.

FOREIGN SOURCED INCOME
Taxation of resident companies takes into account only their Dominican-sourced income.

INCENTIVES
Incentives under Dominican tax legislation include the free trade zones, investment in tourism, and companies established on the border between Dominican Republic and Haiti.

C. FOREIGN TAX RELIEF
There is no foreign tax relief in the Dominican Republic.

D. CORPORATE GROUPS
This does not apply in the Dominican Republic.

E. RELATED PARTY TRANSACTIONS
This does not apply in the Dominican Republic.

F. WITHHOLDING TAX
The income paid to non-residents, expenses and royalties, is subject to withholding tax of 29%.

Paid interest for a loan given by a recognised non-resident financial entity to a Dominican company is subject to withholding tax of 10% and, if it is non-resident non-financial entity, it is subject to withholding tax of 29%.

G. EXCHANGE CONTROL
Capital movements are freely transferable.

H. PERSONAL TAX
Income tax is payable by individuals on income obtained from:
- Employment
- A business
- An independent profession
- Investment income
- Immovable property, capital gains, pensions
- Betting and gambling profits.

Resident and non-resident individuals are subject to income tax on Dominican-sourced income only.
When determining the taxable income, besides some specific deductions concerning each category of income, other deductions such as expenses on health and education may be allowed.

Tax returns are due on 15 March of the subsequent tax year for taxpayers with income derived solely from employment or pension.

The following rate table applies in tax year 2013 to the aggregate net results of employment income, business income, investment income (except interest on bonds and deposits), income from land, capital gains and income from pensions:

<table>
<thead>
<tr>
<th>Taxable Income (DR)</th>
<th>Rate on Excess</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 399,923.00</td>
<td>0%</td>
</tr>
<tr>
<td>399,923.01 to 599,884.00</td>
<td>15% of the amount over RD$ 399,923.01</td>
</tr>
<tr>
<td>599,884.01 to 773,173.00</td>
<td>RD$29,994.00 plus 20% of the amount over RD$ 599,884.01</td>
</tr>
<tr>
<td>Over 833,171.01</td>
<td>RD$ 76,652.00 plus 25% of the amount over RD$833,171.01</td>
</tr>
</tbody>
</table>

I. TAX TREATIES

The Dominican Republic has a double tax treaty with Canada and has negotiated one with Spain that is not yet in effect.