FOREWORD

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.

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

The PKF Worldwide Tax Guide 2016/17 (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 30 April 2016, while also noting imminent changes where necessary.

On a country-by-country basis, each summary such as this one, 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.

Services provided by member firms include:

- Assurance & Advisory;
- Financial Planning / Wealth Management;
- Corporate Finance;
- Management Consultancy;
- IT Consultancy;
- Insolvency - Corporate and Personal;
- Taxation;
- Forensic Accounting; and,
- Hotel Consultancy.

In addition to the printed version of the WWTG, individual country taxation guides such as this are available in PDF format which can be downloaded from the PKF website at www.pkf.com
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JUNE 2016

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STRUCTURE OF COUNTRY DESCRIPTIONS

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MEMBER FIRM

For further advice or information please contact:

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<tr>
<th>City</th>
<th>Name</th>
<th>Contact information</th>
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<tbody>
<tr>
<td>Santo Domingo</td>
<td>Hector Guzman Desangles</td>
<td>+1809 540 6668 <a href="mailto:hguzman@guzmantapiapkf.com.do">hguzman@guzmantapiapkf.com.do</a></td>
</tr>
</tbody>
</table>

BASIC FACTS

Full name: Dominican Republic  
Capital: Santo Domingo  
Main languages: Spanish  
Major religion: Christianity  
Monetary unit: Dominican Pesos (DOP)  
Internet domain: .do  
Int. dialling code: +1809

KEY TAX POINTS

- Corporate income tax is only due on business income generated by enterprises operating in the Dominican Republic. Certain types of investment income derived by Dominican residents from sources outside the Dominican Republic are also subject to Dominican taxation.
- Non-resident companies operating through a permanent establishment in the Dominican Republic are taxed on income attributable to the permanent establishment as well as on Dominican-source income. Non-residents without a permanent establishment in the Dominican Republic are taxed on Dominican source income only.
- Corporate income tax is charged at a flat rate of 28% or 1% of the company's total assets (after deducting depreciation).
- Capital gains (or loss) is calculated on the difference between the sale of assets proceeds and cost, which may be adjusted for the effects of inflation. Gains realised by qualifying holding companies on the disposal of shares are not subject to taxation.
- The standard rate of VAT is 18%.
- The income paid to non-residents, namely interest and royalties, is subject to withholding tax of 27%.
- Resident and non-resident individuals are subject to income tax on Dominican sourced income only.
- There is no fringe benefits tax.
- Capital movements are freely transferable since there are no exchange controls.

A. TAXES PAYABLE

COMPANY TAX – GENERAL REGIME

Resident or branch corporations are subject to Dominican corporate income tax (ISR) on their local income (only) or income coming from activities within the country. Non-resident companies also pay ISR on income sourced in Dominican territories where an absence of a permanent business. The Resident Corporation in the Dominican Republic will withhold 27% of the payment, includes publicity, royalties, interest (from overseas banks is 10%), etc.

The general IRC rate is 27% for tax or 1% of the company's total assets (after deducting depreciation). Companies will pay a 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 already mentioned 28% 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 is payable as follows:
• Payments on account are estimated on the basis of the previous tax year’s IRC liability, less any tax withheld at source, and are subject to the following limits:
• Twelve instalments of (Total 100%) – taxpayers with turnover or 1 percent of their total assets (whichever is higher when calculate

**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 realized 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.

**VALUE ADDED TAX (VAT)**

The standard rate is 18% and 8% (except some products sold in supermarkets).

**FRINGE BENEFITS TAX**

No tax applies.

**LOCAL TAXES**

No tax applies.

**OTHER TAXES**

Municipal tax: owners of real estate properties are subject to tax at 1%. For rural properties, no tax applies.

**B. DETERMINATION OF TAXABLE INCOME (ISR)**

**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 who a) during the previous year had a total turnover under DOP 6 million; and b) 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 28% of the turnover from sale of goods and merchandise.
DEPRECIATION

All the items of fixed assets, except land, can be depreciated or amortized for tax purposes. The depreciation rates are set by specific legislation and includes 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 (historic 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 it is paid in cash).

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 5 years to set off against taxable profits, but only 20 percent of the amount each year.

FOREIGN SOURCED INCOME

Taxation of resident companies takes into account only their Dominican sourced income.

TAX INCENTIVES

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

C. FOREIGN TAX RELIEF

None.

D. CORPORATE GROUPS

None.
E. RELATED PARTY TRANSACTIONS

Related party transactions must be informed to the local IRS.

F. WITHHOLDING TAX

The income paid to non-residents, namely interest and royalties, is subject to withholding tax of 27%.

G. EXCHANGE CONTROL

Capital movements are freely transferable.

H. PERSONAL TAX

Income tax is payable by individuals on income obtained from employment, from a business, from an independent profession, from investment income, from immovable property, capital gains, pensions, and 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 may be allowed, such as expenses on health and education.

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 2016 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 (DOP)</th>
<th>Rate on Excess (%)</th>
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<tbody>
<tr>
<td>Below to 409,281</td>
<td>0</td>
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<tr>
<td>409,281.01 – 613,921</td>
<td>15% over DOP 409,281.01</td>
</tr>
<tr>
<td>613,921.01 – 852,667</td>
<td>20% over DOP 613,921.01</td>
</tr>
<tr>
<td>Over 852,667.01</td>
<td>25% over DOP 852,667.01</td>
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I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

None.