Doing Business

in DOMINICAN REPUBLIC

Content

1. About Andersen Global

Andersen Global

Andersen Global® was established in 2013 as an association of legally separate, independent member firms, with a worldwide presence and comprised of professionals that share a common background and the same vision no matter the location where they are.

Our growth is a byproduct of the outstanding client service delivered by our people, the best professionals in the industry and our objective isn't to be the biggest firm, it is to provide best-in-class client services in seamless fashion across the globe.

> Outstanding client service has and will continue to be our top priority.

Our professionals are selected based on quality, like-mindedness, and commitment to client service and each and every one of the professionals that are a part of Andersen Global share our core values.

Andersen Global was established to create an enduring place – ONE FIRM where clients across the globe are afforded the best, most comprehensive tax and legal services provided by skilled staff with the highest standards.

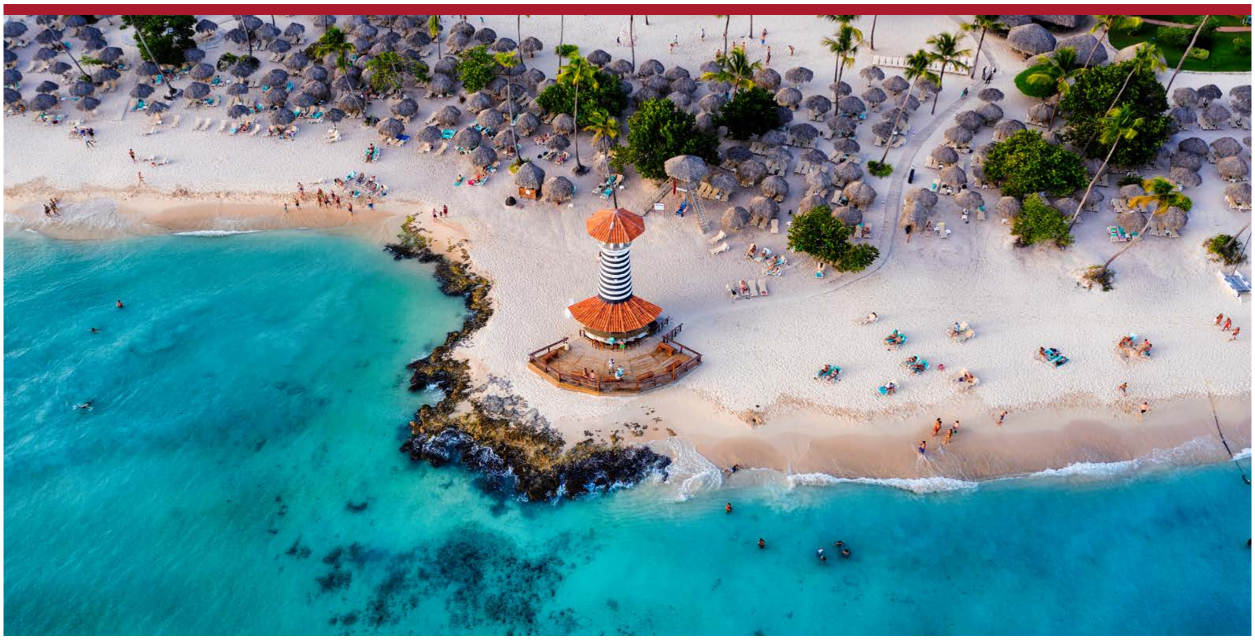
Outstanding client service has and will continue to be our top priority.

2. Country Highlights

The Dominican Republic is located in the Caribbean, occupying the eastern two-thirds of the island of Hispaniola, shared with Haiti. After Cuba, the Dominican Republic is the second-largest country in the Caribbean and enjoys a competitive advantage by virtue of its enviable geographic location, allowing direct access with relative ease to the North, South, and Central American markets. The strategic location also allows the connection between those markets and the European continent for the commercialization of goods and services.

The Dominican Republic has a large geographical diversity: extensive white sandy beaches, fertile valleys with beautiful vegetation, desert areas with dune formations and salt extractions, impressive mountain chains, areas with temperatures that may reach zero degrees Celsius. With a population of approximately 11 million people, the Dominican population is the result of an intense mixture of races, in which three main components participated: Indians, Europeans and Africans. This process has made the Dominican a synthesis of the best of several different worlds. Spanish is the country's official language, even though professionals and people linked to high-standard general business and tourist trade generally speak English and its currency is the Dominican Peso (DOP).

The Dominican Republic's government is a representative democracy, and its powers are divided into three independent branches: executive, legislative and judicial, while its civil law legal system is based on the French Napoleonic Codes.



By virtue of a regular government effort to ensure the development of, and investment in, the country's markets, the Dominican Republic has seen a consistent and growing economic stability during the last several years. The Dominican Republic grew an impressive 11.5% in 2021, evidencing to be one of the Latin American economies to have best overcome the COVID-19 pandemic.

> Currently, the Dominican Republic is the leading investment and most popular tourist destination in the Caribbean.

Traditionally, its economy has been based primarily on agriculture, with sugar, coffee, cacao and tobacco as the main export crops, and in recent years, with the installation of large-scale projects of gold and ferronickel mining, the country has increased its minerals exports to the point that, together with manufacturing, it constitutes one of the most important export items. It is important to note, also, that, over the past three decades the services sectors, led by tourism, as well as export free trade zones have comprised about 60% of the country's GDP. Remittances also represent an important part of the Dominican economy.

Currently, the Dominican Republic is the leading investment and most popular tourist destination in the Caribbean. Its strategic geographic location and the macroeconomic, political, and legal stability it has maintained over the past 25 years, other attributes that make the Dominican Republic an attractive investment destination include the following:

- The country offers preferential access to nearly 900 million consumers globally and wide advantages to companies doing business in the country, through trade agreements with favorable and flexible rules of origin.
- The Dominican Republic is one of the few countries with free trade and preferential entry to the U.S. market (DR-CAFTA) and the European Union (EPA).
- It has strong legal frameworks and incentive programs.
- The country is bilingual, competitive and experienced, with a qualified workforce.
- Its modern transport logistics infrastructure enables fast and reliable shipment of goods.
- It has the most advanced telecommunication infrastructure in the Caribbean and among the best in Latin America.
- It has competitive costs.
- The country offers a quality of life.

3. Corporate Aspects

The Dominican law recognizes several types of corporate structures and business forms, and regulates, among other things, everything from an entity's name, capital, and transfer provisions to the administration and supervision of these entities, decision making of their corporate bodies, transformations, mergers, divisions and dissolutions. The law also regulates corporate processes such as mergers and divisions, the increase and reduction in the subscribed capital and the dissolution, and liquidation of commercial companies. The law also provides detailed fiduciary duties of directors and includes penal provisions to punish violations of the law by companies and their managers.

The main business vehicles used in the Dominican Republic are:

- Corporations (*sociedades anónimas* or SA)
- Limited liability companies (*sociedades de responsabilidad limitada* or SRL)
- Simplified stock corporations (*sociedades anónimas simplificadas* or SAS)

Corporations

The corporation (*sociedad anónima*) is an entity with a legal existence, formed by two or more shareholders who only assume the risk of losses up to their capital contributions in the entity. The corporation structure has been designed with the purpose of organizing large companies that require, above all, important levels of control over their corporate governance. A corporation's capital is represented by shares, which are essentially negotiable securities. The minimum authorized corporate capital is DOP 30 million and 10% of such amount must always be paid and represented by outstanding shares.

Simplified Corporations

The simplified corporation (SAS) is a limited liability company formed by two or more shareholders whose losses, with respect to the company's activities, are limited to their capital contributions. Unlike a corporation, this company allows some freedom to shareholders to regulate the organizational structure of the entity in its bylaws, according to the needs and objectives of the company. The capital of a simplified corporation is divided into shares, which can only be issued in registered form. The minimum authorized capital required is DOP 3 million and at least 10% of such amount needs to be subscribed and paid in.

Limited Liability Companies

A limited liability company (SRL) is the entity formed by a minimum of two and a maximum of 50 partners, none of whom are personally liable for company debts. The social capital of an SRL is divided into equal parts denominated social quotas or units, which are not in essence negotiable securities. This form of commercial organization is used for medium-sized businesses and closed capital entities and is the business vehicle most commonly used by foreign companies. The company does not have mandatory corporate governance, its administration is handled by one or managers and the minimum capital requirement is DOP 200.

Branches of Foreign Entities

Foreign entities can also operate through a branch in the Dominican Republic by fulfilling certain registration requirements. The law provides that foreign companies, as to their existence, capacity, operation, and dissolution, are governed by the law of the place of incorporation, and regarding its operations and activities in the country are subject to Dominican law. Foreign companies that establish a branch or permanent establishment in the Dominican Republic or when performing commercial transactions regularly in the country must be registered in the Commercial Registry and the National Taxpayers Registry kept by the Directorate General of Internal Revenue.

4. Payroll Charges and Labor Rights

The relationship among employers, whether natural or juridical, with their employees, is regulated by the Dominican Labor Code and related laws, which offer numerous guarantees to workers. Below are some of the key legal employer's obligations.

Quotas for Dominican Employees

At least 80% of the workers in a company must be Dominican citizens, unless qualified individuals from the local market cannot fulfill this quota in case of technicians whose work requires scientific knowledge. These restrictions do not apply to those who perform managerial or direction duties. Similarly, salaries paid to Dominican citizens must rise to, at least, 80% of the total of the employees' payroll; excluding salaries of those performing technical, direction or managerial duties.

Moreover, employees who perform duties of administration or direction must be, preferably Dominican citizens.

Work Periods

The normal working shift is that agreed upon between the parties subject to not exceeding 44 hours per week and eight per day. Weekly rest must be at least 36 uninterrupted hours. The most common practice is to work from Monday to Friday and, in some companies, until midday Saturday.

Paid Leave

The law grants five days of paid leave in case of marriage, three days in case of a close family member's death, and two for a father whose wife has had a child.

Vacations

After one year of uninterrupted services, it is mandatory to grant 14 working days of paid vacation. After five years, the salary to be paid corresponds to 18 daily salaries while the vacation period remains the same.

Forbidden Practices and Behaviors

The law prohibits employers or their representatives to commit actions that may be considered to be sexual harassment, abuse of authority, mobbing, repression of free speech, and other violations of employees' privacy and other behaviors that violate the employees' fundamental rights as individuals in the workplace.

During the hiring process, certain practices are also forbidden such as, performing pregnancy tests on female candidates, HIV or AIDS tests, credit history background checks which are considered as discriminatory.

> Dominican labor legislation establishes a minimum salary for employees.

Maternity Protection

Female employees are entitled to a paid maternity leave of 14 weeks with subsidy payment through the social security system for pregnancy and delivery birth, which they can administer to their convenience within the parameters established by law, before or after birth, and with the right to enjoy her corresponding vacation immediately said period expires. Similarly, during the first year of the child, the mothers are entitled to half day of work each month to take the child to the pediatrician, and three paid periods of 20 minutes each or the reduction of the working day for the total of those periods.

Employers are forbidden to undertake dismissal without cause during pregnancy and until maternity leave elapses; while until six months after delivery birth, being entitled to terminate with cause subject to proving that such termination is not due to the pregnancy or the delivery birth, to be attested by a labor inspector.

Minimum Salary

Dominican labor legislation establishes a minimum salary for employees. The minimum salary for the private sector is revised periodically – every two years – by the National Salary Committee, a tripartite organ conformed by representatives of the employers, the workers and the government. The minimum salary applicable to employees depends on the industry in which they work. The most recent increase to the minimum salary was made on July 2021, with an effective first increase on July 16, 2021 and a second increase applicable from January, 2022.

Overtime, Night Work, Work on Weekly Rest and Holidays

Overtime up to 68 weekly hours must be paid with an increase of 35%, and, in excess of that, the increase shall be 100%, as well as for work during weekly rest or holidays. In another hand, night shift (work from 9 PM and 7 AM) is paid with an increase of 15% over the regular salary. In case of work during weekly rest, the employee has the option between being paid salary with a 100% increase or enjoying a similar rest during next week.

Other Benefits

Other benefits established by law, include the Christmas salary (equivalent to 1/12 of salary earned during the calendar year; it is tax exempt) and profit sharing of the company's benefits (equivalent to 10% of yearly net profits distributed among employees under indefinite term employment contracts).

Termination of Labor Contracts

An employment contract may be terminated, among other reasons, by i) dismissal without cause undertaken by any of the parties; ii) by dismissal with cause when one of the parties has committed a major fault; or iii) by mutual consent.

During the first three months of work, employees may be terminated without the right to be paid severance and compensation on prior notice (the so-called termination benefits). After this period, in principle, they may only be entitled to payment of those termination benefits in case of dismissal without cause undertaken by the employer.

Nevertheless, in case of a labor lawsuit initiated by an employee whose employment contract was terminated due to an alleged major fault on his part, the verdict could acknowledge the right of the employee to be paid termination benefits if such termination is declared unjustified; a similar situation applies for dismissal with cause undertaken by the employee against the employer if declared justified by the appointed labor court.

Termination benefits are tax exempted.

Health and Safety in the Workplace

The employer must comply with the regulations on Health and Safety in the workplace since otherwise it may commit its liability before the employees for not having created the Health Committee, or appointing the individual in charge of Health and Safety issues in the work place and duly noticing the Ministry of Labor, or putting in place a Health and Safety Program. Such lack of compliance is considered as a *Very Major Fault* sanctioned with fines.

Remote Work

The Ministry of Labor has issued a couple of Resolutions ruling the modality of remote work which includes among others, the employees' right to privacy, health and safety of the place where it shall be implemented, right to disconnect, the possibility of the parties to go back to in person work modality, among others.

Employer Tax and Social Security Obligations

Employees are subject to both income tax and social security contributions to be withheld to their salaries by the employer as required by applicable law. Employers are designated as withholding agents for income tax, social security and governmental training agency contribution purposes, thus subject to withhold income tax and said contributions from the wages of its employees and pay such taxes and contributions directly to the competent authorities. Both withholdings and contributions are collected and paid monthly on the basis of the gross remuneration, except for the governmental training agency, which is only charged to employees on the payment of the yearly profit sharing (0.5%), while monthly contributions (1%) must be done by the employer. The top limits established for each of the insurances under the Social Security Law are indicated below.

- Retirement Contributions: The employee's withholding for retirement funds equals to 2.87%, calculated on the employee's wage. Employers must also contribute to the social security system for retirement funds in an amount equivalent to 7.10% of the monthly wage paid to the employee. The maximum wage applicable would be the equivalent of 20 minimum wages.

- Health Contributions: The employee must be affiliated with Family Health Insurance (FHI). Contributions to the Treasury of the Social Security corresponding to FHI must be equal to 10.13% of the employee's wage, 7.09% of which is paid by the employer while the remaining 3.04% is contributed by the employee. The employer is responsible for withholding the employee's corresponding 3.04% and for paying the Treasury of the Social Security 100% of the monthly health contribution for its distribution. The maximum wage applicable shall be the equivalent of 10 minimum wages.

- Lack of Employer's Compliance with its Obligations: Under Social Security Law may entitle the employees to undertake dismissal with cause against the employer, which is typically followed by labor lawsuits claiming payment of termination benefits and even damages.

- Workers Compensation Insurance System: This insurance is financed with an average contribution of 1.20% of the wages, covered totally by the employer. The total contribution from the employer will have two components:

  – A fixed base rate of 1% to be applied evenly to all employers
  – A variable rate of up to 0.3% established in agreement with the field of activity and risk factor of each enterprise as per the following four employer categories:

    1. 0.10%
    2. 0.15%
    3. 0.20%
    4. 0.30%

In both cases, said percentages shall be applied on the basis of the applicable wages. The maximum contribution in this insurance is four wages. All applicable as per an average national minimum wage of DOP 16,252.50 (approximately USD $285).

- Technical Professional Training Institute: All companies are subject to the payment of a monthly contribution to the governmental Institute of Technical Professional Training (INFOTEP). This contribution is equivalent to 1% of the total payroll. The employee must pay 0.5% of the annual profit sharing, when applicable.

- Payroll Taxes and Contributions: Payroll taxes and contributions in the Dominican Republic shall be made in accordance with the following chart.

Annual income tax rates on salaries paid to employees will depend on the amounts, as follows:

Income Tax Rates on Salaries

Annual Salaries	Rate
Income until DOP 416,220	Exempt
Income from DOP 416,220.01 to DOP 624,329	15% of the surplus of DOP 416,220.01
Income from DOP 624,329.01 to DOP 867,123	DOP 31,216 plus 20% of the surplus of DOP 624,329.01
Income from DOP 867,123.01 and beyond	DOP 79,776 plus 25% of the surplus of DOP 867,123.01

Early each year, the established scale is adjusted for cumulative inflation for the previous year, according to the figures published by the Central Bank of the Dominican Republic. The scale was not adjusted up to June 30, 2021.

Social Charges on Salary

Social Charges	Employee	Employer	Comments
		Contributions	
		Social Security	
Old Age, Disability and Survival Insurance (Pensions)	2.87%	7.10%	Limit: Up to 20 minimum social security quotable salaries.
Family Health Insurance	3.04%	7.09%	Limit: Up to 10 minimum social security quotable salaries.
Worker's Compensation		1.20%	• Basic Contribution: 1% • Additional variable contribution up to 0.6%, established according to the degree of risk of each company. (Up to four minimum social security quotable salaries)
	5.91%	15.39%	
		Other Contributions	
Professional and Technical Training National Institute (INFOTEP)	0.50%	1.00%	• Employer: Monthly contribution of payroll's total amount. • Employee: once per year after receiving its payment of profit sharing.
Subtotal	6.41%	16.39%	
		Legal Mandatory Benefits	
Christmas Salary		8.33%	1/12 part of the salary earned by the worker during the calendar year.

Social Charges	Employee	Employer	Comments
Vacations		6.00 %	• From 1-5 years: 14 days of ordinary wage. • More than five years: 18 days of ordinary wage. • It is not an additional cost unless it is necessary to substitute the employee. • Not applicable for employees under employment contracts for a certain period.
Profit Sharing (not applicable to free zone companies)		18.00 %	• Up to three years: up to 45 days of ordinary salary • More than three years: up to 60 days of ordinary salary • (Only payable if the company effectively has net income and exclusively for indefinite term employment contracts.)
Total of Benefits	—	32.33%	
Sub-Total Contributions Plus Benefits	6.41%	48.72%	
Employment Termination			
Severance		8%	• 21 daily salary per year • 3 - 6 Months: 6 days of ordinary salary • 6 -12 Months: 13 days of ordinary salary • 12 months - 5 Years: 21 days per year • More than 5 Years: 23 days per year • Not applicable for employees under employment contracts for a certain period.
Prior Notice		10%	• 0 - 6 Months: 7 days of ordinary salary • 6 -12 Months: 14 days of ordinary salary • After 1 Year: 28 days of ordinary salary • Not applicable for employees under employment contracts for a certain period.
Total of Employment Termination Benefits		18%	
TOTAL:	**6.41%**	**66.72%**	

5. Dominican Republic Taxes Overview

The tax system in the Dominican Republic is governed by Law No. 11-92, also known as the Dominican Tax Code (DTC), and other modifications, and it is of territorial nature with the exceptions established further below. The DTC covers the following national taxes:

1. Income Tax (IT)
2. Value-Added Tax (VAT)
3. Excise Tax (ET)
4. Asset Tax (AT)

Additional taxes have been created by other laws and regulations, but these conform to the tax system as well.

In order to comply with the taxes and obligations in the Dominican Republic, as established by the DTC, all natural persons, juridical persons or other entities that the tax law has classified as a taxpayer, are required to obtain a National Taxpayers Registry or Tax Identification Number (RNC, for its acronym in Spanish) from the tax administration.

6. Corporate Income Taxes

Income Tax (IT) or Advance Tax Payment

The income tax applies to income from Dominican sources obtained by individuals, juridical persons, or undivided estates. The exception to the territoriality principle is the income tax applicability to income generated from investments and financial gains from abroad (for non-residents, this exemption applies after the third year of tax residence).

Individuals

Income Tax

Income generated by individuals, whether from a salary or from an independent economic activity, whether by profession or occupation, is subject to income taxes. The applicable rate changes in accordance with the income amount received as well as the annual threshold exemption, which varies depending on the inflation rate established by the Central Bank of the Dominican Republic. Resident individuals (those who reside for more than 6 months in the country, whether continuously or not in the same calendar year) will be subject to progressive tax rates ranging from 0% to 25% (please refer to the chart in the previous section), while non-residents (individuals who reside for less than six months in the country) shall be subject to a fixed rate of 25%. For independent individuals, the income tax payment shall be made through the filing of the annual income tax return for individuals (IR-1) within 90 days after fiscal year-end (December 31).

Observation

For individuals whose only source of income originates from a job on the basis of dependency (salaried employee), and are paid via payroll, will be taxed by the withholding made by their employer (withholding agent), according to the progressive scale mentioned above, and who will remit such income taxes withheld at the source to the tax authorities within the first 10 days of the following month through monthly IR-3 tax returns. The employer shall also make other withholdings related to social security and INFOTEP (training fund for professional technicians) contributions, as established by other laws and indicated in the previous section.

Income Tax Advance

In addition to the income tax and upon the filing of IR-1 Tax Return, tax advances will be generated, which the individual may deduct from the annual income tax that results when filing IR-1. These advances are calculated based on the liquidated tax and shall be paid in one or three installments: 50% by June 30, 30% by September 30, and 20% by December 30. The individual may require total or partial exemption of the advance, at least 15 days before the due date of the first advance payment, provided the request is duly supported with documentation evidencing a reduction of the individual's income. Individuals whose income derives from commercial and industrial activities shall pay advances of 1.5% of the total gross income of each month.

Juridical Persons

Income Tax

Juridical persons are subject to the payment on the income generated in a fiscal year after applying the deductions established in the DTC. The applicable rate to legal resident entities for the 2018 fiscal period is 27%, provided they are subject to the ordinary tax system and are not operating under a special tax regime. This tax shall be paid within 120 days of fiscal year-end through the annual corporate income tax return (IR-2 tax return). The filing of the IR-2 tax return is also applicable to legal entities under special tax regimes, which even if they are exempt from the income tax, shall file the form in an informative manner.

The DTC provides four different dates for fiscal year closing: December 31 (which is the default date), March 31, June 30 and September 30. The tax administration must authorize the date other than the ordinary one for the closing of the fiscal period.

Income Tax Advance

Within 45 days of the filing of the IR-2, income tax advances will be generated to be paid within the first 15 days of each month.

For legal entities under the ordinary tax regime, tax advance installments are determined by the effective tax rate (ETR): if the ETR is greater than 1.5%, the tax advance is calculated based on the liquidated Income Tax divided by 12 months and if lower or equal to 1.5%, the advance is calculated applying 1.5% to the income of the declared fiscal period.

The legal entities with commercial activities which generate income for regulated margins shall pay the advance based on 1.5% of the gross income for said margins plus any other income.

The legal entities that generate income from commissions shall pay advance for 1.5% of the gross income.

Capital Gains

Capital gains are subject to a 27% tax and apply for the disposal, transfer or sale – whether directly or indirectly – of a capital asset placed or used in the Dominican Republic. In order to determine the gain, the cost of acquisition or production, adjusted for inflation, is deducted from the price or value of the transfer of the asset.

This tax is generated for the seller or transferor and shall be paid through the IR-1, in the case of individuals, or the IR-2, if it is a legal entity.

Withholding

Legal entities and businesses of sole ownership shall act as withholding agents when making payments or crediting the account of other natural persons and undivided estates, as well as to other entities not exempt from the tax, except to legal entities. The withholding is made on gross income as indicated below:

- 10% on sums paid or credited on account of rent or lease of any type of movable or immovable property, as payment on account
- 10% on the fees, commissions and other remunerations and payments for the rendering of services generally provided by individuals, not executed in a subordinate work relationship, whose provision would require the direct intervention of employee; as payment on account
- 25% on prizes or profits obtained in lotteries, or any type of prize offered through promotional or advertising campaigns, as a final payment; in case of gains obtained through betting and lotteries, progressive rates will apply
- 10% on dividends paid or credited in the country
- 5% on payments made by the State and state bodies including companies and autonomous and decentralized entities, to individuals and legal entities, for the acquisition of goods and services in general, not executed due to a subordinate work relationship, as payment on account
- 10% on payments of interest to resident individuals as a single and definitive payment
- 10% on interest paid abroad to individuals, legal entities or non-resident entities
- 1% of the value paid or credited to the juridical persons shall be withheld by the financial institution as well as the centralized securities deposits, regulated by the Monetary and Financial Administration and by the securities authorities
- 10% on dividend payments/profit remittances made to individuals, legal entities or non-resident entities as a single and definitive payment
- 10% for any type of income not expressly contemplated in these provisions, as payment on account
- 27% on payments in general from Dominican source income made to individuals, legal entities or entities residing or domiciled abroad as single and definitive payment

7. Indirect Taxes

Value-Added Tax (VAT)

The tax on transfer of industrialized goods and services (ITBIS, for its acronym in Spanish) is applicable on the transfer and import of industrialized goods, as well as on the provision of all services except education, health, transportation, electricity, water, garbage collection, personal care, financial services and pension and retirement plans. The taxpayers are resident individuals and legal entities that carry out transfers and imports of industrialized goods or render services.

This tax is transferable to the final consumer. The current rate for 2018 is 18% on the invoiced price; a reduced rate of 16% applies to certain goods.

Excise Tax (ET)

ET rates vary and are applicable to the manufacture and/or import of some goods such as tobacco, alcohol, luxury items, among others, as well as the provision of services such as telecommunications, insurance and cable television.

For 2021, the applicable ET will depend on the good or service, as listed below:

- Alcohol: based on the number of liters of absolute alcohol
- Tobacco: based on cigarette packets
- Telecommunications: 10%
- Insurance in general: 16%

Resident individuals and companies that produce or manufacture these goods are obliged to pay these taxes in the last phase of the process; importers of taxed goods, on their account or on account of third parties and the providers of taxed services are also expected to pay this tax.

Taxes on Motor Vehicles

This tax was created by Law No. 241-67 on the transit of vehicles. This tax is generated by the registration, license plate assignment, circulation, and changes in the vehicle registration, whether by change of owner, application for duplicate or color change. The annual circulation of motor vehicle tax will depend on the year of manufacture of the same. The transfer tax is 2% on the value that is greater between that stipulated in the purchase and exchange agreement, and that assigned by the tax authorities.

The buyer shall make the corresponding tax payment within three months from the date of the purchase agreement, otherwise surcharges and interests will apply.

Company Incorporation or Capitalization Tax

The incorporation of corporate vehicles regulated by Law No. 479-08 are subject to a 1% tax of the authorized share capital. This tax may not be less than DOP 1,000. Entities that do not issue shares, such as branches, are not subject to the payment of this tax.

Capitalization is also subject to 1% tax, specifically on the value increased.

8. Property Taxes

Asset Tax (AT)

The AT levies the assets, not adjusted for inflation, which are included in the balance sheet of the taxpayer (juridical persons or sole owner enterprises), including real estate, after applying deductions for depreciation, amortization, and provision for bad debts. The asset tax base excludes investments in shares, land located in rural areas, real estate for agricultural purposes and advance taxes. The current rate is 1%.

The following entities shall pay AT on its fixed assets, net of depreciation, as reflected in the general balance:

- Financial intermediation entities (as defined by the Monetary and Financial Law No. 183-02)
- The National Export Bank
- The pension fund managers
- Stock market intermediaries
- Investment fund managers
- Securitization companies
- Electricity generation, transmission and distribution companies (as defined by the General Power Law No. 125-01)

This tax is a substitute for the income tax; therefore, it is only paid when the amount due for the income tax is less than the asset tax and must be paid even if at the end of the fiscal year the legal entity has declared losses and if the company had no operations during the fiscal period. The asset tax, if applicable, must be paid through the corresponding annex of IR-2 Tax Return.

Juridical persons that are income tax exempt, are also asset tax exempt.

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Other Taxes Created by Different Laws in Real Estate Property Tax (REPT)

The REPT is an annual tax of 1% that is applied on the total amount of taxed real estate that individuals and trusts have registered. The same was created by Law 18-88 of 1988.

Within the scope of this tax are real estate properties intended for residential, commercial and industrial activities, belonging to natural or physical persons, provided that the total property owned by the taxpayer exceeds DOP 7,138,384.8 (for 2018). This value is adjusted annually by inflation. This tax is paid in two semi-annual installments:

1. Before March 11

2. Before September 11 of each year

The penalty for late payment is 2% per month on the amount due.

The following properties are exempt from the REPT:

- Housing (and the plot on which it is built) whose owners are over 65 years of age, provided this constitutes their only real estate property
- Properties of passive investors and retirees of foreign source by 50%
- Rural lands
- Properties for agricultural use located on rural land

Tax on Real Estate Transfers

According to Law No. 831-45, real estate transfers are subject to a flat tax of 3% on the value that is greater between the one established in the purchase agreement, and the one assigned by the tax authorities to the property in question by means of an authorized appraiser. This tax is also applicable to the transfer of real estate through financing granted by the regulated financial intermediation entities, provided that the acquired housing or the land is destined for sale at a value higher than DOP 8,829,763.30, which is adjusted by annual inflation.

The buyer shall make the corresponding tax payment within six months from the date of the purchase agreement, otherwise surcharges and interests will apply.

9. Funding Alternatives (Debt x Equity)

Banking System

The assets of the financial sector account for more than half of the country's Gross Domestic Product (GDP), being one of the most dynamic sectors of our economy. After a severe crisis in 2003, already surpassed, this sector is strongly and clearly regulated. With the objective of keeping the exchange rate under control, easing the access to capital, and fostering trust in the savers nationwide, the financial system is under the supervision and control of the Central Bank, as the entity responsible for the issuance of currency and the custody of the financial reserves; the Superintendence of Banks as the regulating agent; and, the Monetary Board as the highest hierarchical organ and responsible for issuing authorizations to operate in the sector, as well as the corresponding policies.

Securities Market

Since the year 2000, a burgeoning and constantly diversifying Securities Market has been operating in the Dominican Republic. The sector has a strong regulatory framework and is supervised and controlled by the Superintendence of Securities as the regulating agent and the National Council of Securities as the appellate organ for the Superintendence's decisions. The development of the Dominican Securities Market until September 2019 had consisted only in the public offering of securities representing debt, issued by the private and public sector, incorporating novel structures such as public offering trusts, having as underlying assets the shares of corporations.

Foreign Investment Policy

Dominican law accords equal treatment to domestic and foreign investment. Certain restrictions or regulations on foreign investment apply to some particularly sensitive sectors from a strategic point of view, such as (i) mining, in the sense that no other sovereign state may invest in Dominican mining projects; (ii) aviation; (iii) the handling of toxic waste; (iv) radio transmissions require a minimum of the Dominican capital, since in principle public media managers must be Dominicans; (v) among other specific restrictions such as activities that affect public health and environmental balance, the production of materials and equipment directly linked to national defense and security, unless authorized by the Executive Power and any other restriction by sector, provided by law or special provisions.

There are no exchange control or currency regulations in the Dominican Republic. The Monetary and Financial Law provides that monetary and financial operations are to be undertaken under free-market conditions, with the exchange market based on the principle of free convertibility of the local currency with foreign currencies. Economic agents may freely undertake transactions in the currencies of their choosing.

> There are no exchange control or currency regulations in the Dominican Republic.

It is also important to note that, in compliance with our Law 155-17 on anti-money laundering and financing of terrorism, the Ultimate Beneficiary Owners (UBO's; natural persons) who, directly or indirectly, own 20% or more of the shared interest of a company must be declared to the tax authorities.

In case none of the shareholders owns 20% or more of the company's share interest, then the UBO's to be declared are the ones that hold the effective control (those with decision-making power authorized signature and can dispose of the company's assets).

Nevertheless, if the event that UBO's quotes 85% or more of the entity's capital on the stock market, this will have to be proved to the tax authorities through a document issued by the supervisory or regulatory body of the securities market of the jurisdiction in question indicating the percentage of the company's capital that is under this condition, among other requirements.

When opening a bank account, the UBO's of the company will also have to be declared.

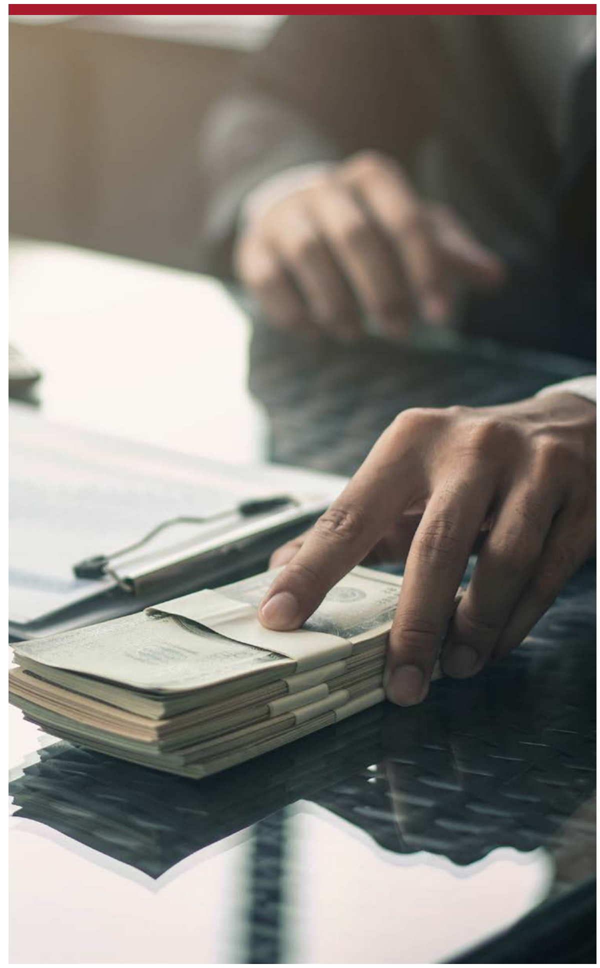
10. Tax Succession and Tax Penalties

Cash Repatriation

Foreign investors may remit profits and repatriate capital without prior authorization, provided they comply with local tax regulations, which are the same as for nationals. The remittable amounts also include royalties, capital gains, and capital upon liquidation of the company receiving the investment, up to the amount of the capital invested.

The distribution of dividends by local entities or corporations, as well as the repatriation by branches registered in the Dominican Republic to natural persons or legal entities residing or domiciled in the country or abroad, are subject to a 10% withholding to be made and paid by the local entity or corporation making the distribution or the branch remitting the profits abroad.

Royalty payments made to non-domiciled companies or natural persons are subject to a 27% withholding tax. If the double taxation treaty with Canada or Spain applies, an 18% or 10% withholding will apply, respectively.



11. Import of Goods

Since the year 2000, the country adopted the Single Spanish version of the Harmonized Commodity Description and Coding System, used internationally and thus simplified the process of calculation and collection of tariffs.

The customs taxes are calculated and paid in Dominican pesos, with most being *ad valorem* taxes. The value of products is determined according to the World Trade Organization Agreement on Customs Valuation. The General Directorate of Customs (DGA) has simplified the import process by eliminating the consular invoice and allowing the electronic transmission of most documents. For conversion of the value of the goods into Dominican pesos, the official exchange rate in effect at the time of the payment is used. In addition to tariffs, which have followed a downward trend since 1996, the importer must pay the value-added tax that corresponds to the product, called in the Dominican Republic, tax on the transfer of industrialized goods and services (ITBIS) as well as a selective consumption tax (ISC) for certain goods, mainly alcohol and tobacco.

Customs Duties

Importation of goods and are subject to import VAT at a rate of 18% plus custom duties that range between 0% to 40%, depending on the type of asset imported, and with the exception for assets with special treatment.

Trade Agreements

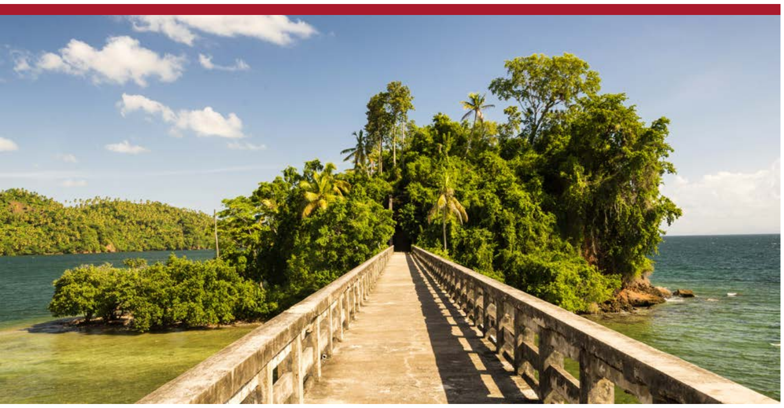
The Dominican Republic has developed a policy of promoting trade integration in Latin America and the Caribbean. The position of the country has been geared towards an approach to its closest geographic region, which will expand the market and exporting capacity of these countries, easing the negotiation with the large commercial blocks of the hemisphere.

The Dominican Republic has developed a policy of promoting trade integration in Latin America and the Caribbean.

In this regard, the country is a signatory of a Free Trade Agreement with the United States and Central American (DR-CAFTA), a Free Trade Agreement with Central America, a Preferential Trade Agreement with Panama, and a similar agreement with the Caribbean Community (CARICOM-RD). With the other Caribbean nations, the Dominican Republic forms part of the CARIFORUM, with whom at the same time it belongs to the Forum of African, Caribbean and Pacific States, which have signed a Free Trade Agreement called the Economic Partnership Agreement (EPA) with the European Union.

Additionally, the Dominican Republic has maintained an active policy of multilateral trade relations, signing numerous bilateral investment treaties with Argentina, Chile, South Korea, Spain, Finland, France, Italy, Morocco, Panama, Republic of China, Kingdom of the Netherlands and Switzerland. At the same time, it has signed treaties to avoid double taxation with Canada and Spain.

12. Transfer Pricing



The Dominican Republic has transfer pricing rules applicable to transactions with related entities or with non-related entities that the TP legislation considers as related, depending on their commercial agreement and/or the jurisdiction in which the non-resident entity is established. The general principle is that when legal acts between a local enterprise of foreign capital and a natural person or legal entity domiciled abroad that directly or indirectly controls it shall be, in principle, made between independent parties when their provisions adhere to normal market practices between independent entities.

This rule applies to resident-related parties and entities residing in low or null tax jurisdictions. The transfer pricing rules shall also apply when a resident performs commercial or financial transactions with either (i) a related resident or (ii) natural person or legal entity domiciled, organized or located in states or territories with fiscal paradise or with low taxes, related or not. To determine the price or amount of the operations between related parties, the conditions of the transactions between them must be compared with other comparable transactions executed between independent parties.

For the purposes of determining the price of the operations executed between related enterprises, one of the following methods must be chosen:

- Non controlled comparable price method (MPC)
- Resale price method (MPR)
- Additional cost method (MCA)
- Comparable profits method (CPM)
- Transactional net margin method (TNMM)

Taxpayers may submit an Advanced Pricing Agreement request to the tax authorities on transfer prices that set the values of the operations or financial or commercial transactions carried out with other related parties, prior to their execution and for a limited time. Likewise, Cost-Sharing Agreements are permitted, as long as they comply with Article 3 of Decree 78-14.

TP rules establish the mandatory filing of an informative TP return which shall depict the intercompany operations within 180 days from year-end for 2021 and reduced to 120 days after year-end from 2022 going forward. The taxpayer shall have a TP study (local file) if the intercompany operations exceed DOP 13,229,945.70 on a yearly basis (this cap is adjusted by inflation rate on a yearly basis).

13. Low Tax Jurisdiction (LTJ) and Privileged Tax Regime (PTR)

Aside from TP rules, specific provisions for the tax treatment of low tax jurisdictions or privileged regimes are not regulated in the Dominican legislation.

14. Holding Company Analysis

The tax treatment of holding companies is not regulated in the Dominican legislation.

15. Tax Succession and Tax Penalties

The Dominican Tax Code sets forth certain penalties for incompliance with formal requirements and for incompliance with material obligations. Penalties for non-compliance with the formal requirements are imposed on the following infractions:

- Overdue taxes are penalized with a surcharge of 10% of the first month and an additional 4% of each month or fraction thereof, interests of 1.10% per each subsequent month or fraction of a month and omitting presentation of tax declarations within a set period is sanctioned with a fine of five to 30 minimum salaries (a minimum salary is equal to approximately USD $235). In addition to this fine, a sanction of 0.25% of the income declared in the previous fiscal year may be imposed on the taxpayer. However, the surcharges, interests and fines may be reduced up to 40% or 30% if the taxpayer voluntarily pays the due tax by rectifying its tax declarations prior to any requirement made by the tax administration and if no tax audit has been initiated for the tax or the corresponding fiscal period.

- The close down of businesses may be applied on establishments for lacking registry books, not registering determined goods or equipment, the delay in making the accounting registration after it has been required to do so, the destruction or hiding of goods, documents, books and accounting records, among others.

Amongst penalties for incompliance with substantial obligations:

- Tax Evasion: This is fined with a penalty of two times the tax that has been omitted, notwithstanding the closure of the establishment. In the event that the amount of the tax evasion could not be determined, a fine will be set between 10 to 50 minimum salaries.

- Tax Fraud: This is fined with a penalty from two to 10 times the tax being evaded; the confiscation of the merchandise or products and the vehicles or other elements utilized for committing the fraud; closure of the establishment for a maximum period of two months; cancelation of the license, permits related to the activities performed by the taxpayer for a maximum period of two months. In the event of withholding or perception agents, this will be sanctioned with a penalty equal to the payment of two to 10 times of the tax withheld or perceived after the expiration of the time limits in which they must remit them to the tax administration. When the amount of the tax fraud cannot be determined, the sanction will be from five to 30 minimum salaries. Imprisonment of six days to two years may apply in some circumstances. The amounts of the fine may be reduced whenever the incompliance is not repeated and upon rectification or voluntary filing of the tax.

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