

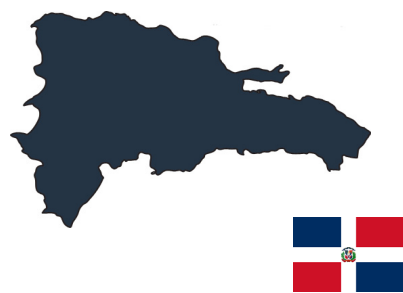
Business in Dominican Republic



The Dominican Republic is located in the center of the Caribbean, occupying two-thirds of Hispaniola, shared with Haiti. The Dominican Republic is the second-largest country in the Caribbean and enjoys a competitive advantage for its strategic geographic location, enabling access with the North, South and Central American markets, and connecting those markets and the European continent for the commercialization of goods and services.

The country has a population of approximately 11 million, and Spanish is the official language, although professionals and people linked to high-standard business and tourist trade generally speak English. Its currency is the Dominican Peso (DOP).

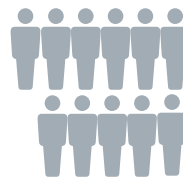
Due to its strategic geographic location and its macroeconomic, political and legal stability, the Dominican Republic has maintained robust economic growth over the past 25 years, having one of the leading investments and most popular tourist destinations in the Caribbean.



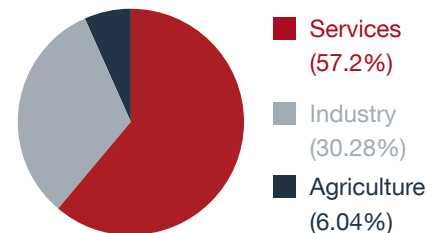
Population

11
million

 = 1 million



GDP Breakdown by Sector



Currency

Dominican Peso
(RD\$)

Foreign Direct Investment

3 billion (USD)

GDP Growth (est. 2019)

5.1%

Business Climate

The Dominican economy has been one of the fastest-growing in the region for many years, with a sustained annual growth rate of approximately 5%. Its economy is based primarily on agriculture, with sugar, coffee, cacao and tobacco as the main export crops. 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 also important to note that over the past three decades, the services sectors, led by tourism and export free trade zones, have comprised about 60% of the country's GDP. Remittances also represent an important part of the Dominican economy.

The 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 mining, aviation, handling of toxic waste, radio transmissions, among other specific restrictions including activities that affect public health and environmental balance, the production of materials and equipment directly linked to national defense and security.

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

Foreign investors may remit profits and repatriate capital without prior authorization, provided that they comply with local tax regulations, 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.

International Trade

The Dominican Republic developed a policy of promoting trade integration in Latin America and the Caribbean. This proposition is geared towards the 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.

Additionally, the country is a signatory of the following treaties: Free Trade Agreement (FTA) with the United States and Central America (DR-CAFTA), FTA 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 country forms part of the Caribbean Forum (CARIFORUM), with whom at the same time belongs to the forum of Africa, the Caribbean and the Pacific States, which have signed an FTA called the Economic Partnership Agreement (EPA) with the European Union.

Furthermore, 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. Effective treaties to avoid double taxation remain with Canada and Spain.

The Dominican economy has been one of the fastest-growing in the region for many years, with a sustained annual growth rate of approximately 5%.



Tax Regime

The tax system in the Dominican Republic, which follows the territoriality principle, is governed by Law No. 11-92 and other modifications about the Dominican Tax Code (DTC). The DTC covers the following national taxes:

- Income Tax (IT): 27%
- Value-Added Tax (VAT): 18% on sales, services and imports
- Excise Tax (ET): generally 20%, with the highest being 78%
- Asset Tax (AT): 1% on personal property and assets

Additional taxes have been created by other laws and regulations.

In order to comply with tax 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 taxpayers, are required to obtain a National Taxpayer Registry or Tax Identification Number from the tax administration.

Establishing a Business

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)

Branches of Foreign Entities

Foreign entities can also operate through a branch in the Dominican Republic by fulfilling certain registration requirements.

Employment Affairs

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

- **Quotas for Dominican Employees**
At least 80% of the headcount 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.
- **Work Periods**
The normal working shift is that agreed between the parties, subject to not exceed 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 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 vacations period remains the same.
- **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, before or after birth, and with the right to enjoy her corresponding vacation immediately said period expires.

Similarly, during the first year post-birth, 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 cannot undertake dismissal without cause during pregnancy and maternity leave; while 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, which is revised periodically for the private sector and depending on the industry.
- **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. The 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 the enjoyment of a similar rest during the next week.
- **Other Benefits**
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) are additional benefits.
- **Termination of Labor Contracts**
An employment contract may be terminated, among other reasons, by dismissal without cause undertaken by any of the parties, dismissal with cause when one of the parties has committed a major fault, or mutual consent.
- **Employer Tax and Social Security Obligations**
Employees are subject to both income tax and social security contributions to be withheld from their salaries by the employer as required by law. Employers are the withholding agents for income tax, social security and professional training contribution purposes. Both withholdings and contributions are collected and paid monthly on the gross remuneration, except for the professional training contribution, which is only charged to employees on the payment of the yearly profit sharing (0.50%) while 1% monthly contributions (1%) shall be made by the employer.

Contact Us

Pellerano & Herrera, Dominican Republic
A collaborating firm of Andersen Global

For more information, please contact your Andersen advisor or visit global.andersen.com to view our global office locations.

 @AndersenGlobal1

 Andersen Global

 @AndersenGlobal



Updated: May 23, 2022

**Andersen Global is an international association of legally separate, independent member firms
comprised of tax and legal professionals around the world.**

Visit global.andersen.com for more locations.