

Executive summary of the Amnesty Bill Project to strengthen the collection capacity of the State, Fiscal Sustainability, and Sustainable Growth

Due to the amendments made to Article 268 of the Dominican Republic's Tax Code to be replaced by Article 42 of law 253-12 dated November 9 2012 to strengthen the collection capacity of the State, Fiscal Sustainability and Sustainable Growth ("Law 253-12") the Executive Power has recently lodged to the Dominican Congress for approval, the Amnesty Law to strengthen the collection capacity of the State, Fiscal Sustainability and Sustainable Growth (hereon referred to as the "Law" or the "Amnesty Law"), whose scope is limited, exclusively, to Income Tax (ISR), Tax on the Transfer of Industrialized Goods and Services (ITBIS), Inheritance Taxes, Real Property Tax (IPI), Real Property Transfer Tax, Assets Tax applied to immovable property, and interests, surcharges and fines related to the importation of merchandises; all of which up to the fiscal year that concluded in the year 2011.

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I. PARTICULARITIES

TYPES OF TAX AMNESTIES	BENEFITS	COSTS/TAXES TO BE PAID/ COMMENTARIES
1) Amnesty for ITBIS and ISR up to the fiscal year 2011 (included)	Relief of surcharges and interests.	<p>Payment of an additional 0.30% over its TET¹ for year 2011.</p> <p>Limits and requirements:</p> <p>a) TET of the Tax Declaration \leq Average TET of the sector = You must pay the TET of its Sector² increased by 0.30%;</p> <p>b) For payment in installments, the tax authorities require an advance payment of 40% of the total accrued debt. The installments cannot exceed 2 in a monthly period for which period the default interests established in the Tax Code will apply.</p> <p>c) Waiver of the tax losses that may be offset for the non-statute barred years up to 2011.</p>
2) Amnesty on failure to comply with the duty of filing the tax declarations for ITBIS and ISR	Relief of surcharges, interests and fines.	<p>Payment of the income tax assessed in the income tax return.</p> <p>a) Limits</p> <p>b) TET of the ISR \leq Average TET of the Sector or economic activity in its range of declared income = payment of TET of its Sector increased by 0.30%</p> <p>c) Declared sales volume \leq sales volume registered in the tax administration in the crossed information system of the tax authorities.</p>
3) Amnesty on non-justified Equity Increases	Relief of surcharges, interests, and fines.	<p>Payment of 2% of the acquisition value of the asset not previously declared by the tax payer.</p> <p>Limits:</p> <p>In the event payment will be made in cash, a 0.30% rate will be levied over the declared amount.</p> <p>Consequences:</p> <ul style="list-style-type: none"> - An increase in equity will be deemed as declared income and, therefore, the tax paid will be considered as payment of ISR; thus, it will not create any effect related to any future capital gains.

¹ Effective Tax Rate (TET): For juridical persons or entities, TET= corporate income tax (Form IR-2)/ Net Operating Income (Form IR-2). For individuals, TET= income tax (Form IR-1)/ Total Gross Income (Form IR-1).

² This will be determined by a table to be published by the tax authorities (DGII).

4) Amnesty for individual property tax (IPI ³) (It covers any omission in the declaration or any default in payment of this tax)	Relief of surcharges, interests and fines.	Payment of only the assessable IPI tax for the year 2012
5) Amnesty on Assets Tax	Relief of surcharges, interests and fines.	Payment of the assessable Assets Tax.
6) Amnesty on accrued tax debts (debts notified under the administrative or judicial procedure)	Relief of surcharges, interests and fines.	<ul style="list-style-type: none"> - Payment of the assessable tax - A penalty of 20% will apply to importers as set forth under Law 1546-00 <p>Conditions:</p> <ul style="list-style-type: none"> a) Relinquish/Withdraw from any ongoing remedies (if applicable). b) Payment made in installments will accrue interests.
7) Amnesty on real property transfer and inheritance tax	Relief of surcharges, fines and interests.	<ul style="list-style-type: none"> - Payment of the real property transfer and inheritance tax.
8) Amnesty on Interests, Surcharges, and Fines related to the import of merchandises (Debts from settlement agreements, whether they are determinable or in process of being determined)	Relief of surcharges, fines and interests.	<ul style="list-style-type: none"> - Payment of the assessable taxes or un-accrued installments (whichever is applicable)

II. TERM AND METHOD OF PAYMENT

The term for a taxpayer to avail itself of the Amnesty Law (in all cases) is of 60 days from the date this law entered into force.

Methods of payment:

a) Immediate payment within the first 20 days from the date the authorization of pay-

ment document is issued by the tax administration (DGII); or,

b) Differed payment up to three (3) installments to be applied as follows: 40% of the total accrued amount, within 20 days from the date the payment authorization has been issued by the tax administration (DGII), and two (2) monthly and consecutive installments from the date of the initial payment.

Any failure to pay will entail the revocation of the benefits granted under the Amnesty law.

³ Real Property Tax on Individuals: 1% over the joint value of all real property owned by the taxpayer over the excess of RD\$6,500,000.00 (exempt amount) as determined by the DR National Cadastral Institution. All taxpayers whose joint value of their real property do not exceed RD\$6,500,000.00 will be exempt from the payment of this tax.

III. RELEVANT ASPECTS

The tax administration, in its sole discretion, may reject the request to benefit from the amnesty law.

No clawback by the tax administration for accrued taxes related to the last 3 fiscal years (statute of limitations under the DR Tax Code).

The taxpayers that reflect debts due to open investigations made by the tax administration (DGII) related to forgery of tax receipts (NCFs) or customs receipts will not have the right to claim the tax amnesty law.

The fiscal year 2012 will still be open for auditing by the tax administration.

There will be no exemption of criminal liability for taxpayers who commit illegal criminal acts (if applicable).

The tax credits from corporate income tax (IR2) and value added tax (ITBIS) will be maintained by the taxpayer and may be carried forward.

The taxpayer must waive all rights to deductible tax losses.

The payment of the tax amnesty is a non-admitted expense.

All taxpayers that are involved in an auditing process or are under a tax assessment made by the tax authorities will have the right to claim the tax amnesty law.