

Main Fiscal Obligations in the Dominican Republic

I. RENDERING A LABOR OR SERVICE, FREE LANCE OR SUBORDINATE

During the first 10 working days of each month, the employers must file and pay the taxes withheld to its employees as well as to any personnel that rendered any services as an independent contractor. Such payment will be related to the taxes withheld to the employees during the previous month to which the payment is being made. Payment shall be made by certified or bank check issued to the Internal Tax Collector.

COMMERCIAL AND INDUSTRIAL ACTIVITIES

During the first 15 working days of each month, all businesses, corporations or organizations and wholly owned businesses, with an effective tax rate (which results from the division of the liquidated tax in the fiscal period by the gross income of the same fiscal period) of 1.5% or less, shall pay their corresponding advance tax on the basis of twelve equal monthly installments, by applying 1.5% to the gross income declared in the previous fiscal year. If the effective tax rate is greater than 1.5% , such corporations must pay as advance tax one twelfth of the liquidated tax of its previous income tax return on a monthly basis. The 1.5% advance shall not be paid if an individual is developing a commercial or industrial activities, provided that the annual income generated from such activities is equal or less than RD\$5,000,000.00. The payment shall be made by a certified check in the name of the Internal Tax Collector.

PERSONAL INCOME TAX AND INCOME TAX TO EMPLOYEES WORKING ON A SALARY BASIS

The income tax levies the income received by the work rendered by employees, as well as for the income obtained by those individuals who exercise a profession or liberal work, commercial activities or financial investments com-

TABLE OF CONTENTS

- I. Rendering a Labor or Service, Free Lance or Subordinate
- II. Assessment of the Tax Obligation
- III. Real Estate Property Tax
- IV. Nil Rates for Exporters
- V. Designation of a Withholding Agent

ing from abroad. Section 296 of the Tax Code sets forth an Income Tax Brackets for individuals as follows:

a) Income up to RD\$399,923.00 are exempted.

b) Income from RD\$399,923.01 to RD\$599,884.00 15% of the amount which exceeds RD\$399,923.01

c) Income from RD\$599,884.01 to RD\$833,171.00 shall pay RD\$29,994.00 plus 20% of the amount which exceeds RD\$599,884.01

d) Income from RD\$833,171.01 and beyond, shall pay RD\$76,652.00 plus 25% of the amount which exceeds RD\$833,171.01.

At the latest, on the 15th day of March of each year, the tax payers must file separately their income tax declaration on the withheld and paid taxes in the previous calendar year, for the salaries paid to their employees as well as the independent personnel who rendered work or services. The individuals perceiving income from other sources must file their income tax returns by no later than the 31st March of each year. Such income tax return shall include the income received in the previous calendar year.

The following income is exempted from income tax:

a) Income up to RD\$399,923.00 (amount adjusted annually by inflation)

b) Indemnities paid with respect to previous notice and severance in accordance to the provisions of the Labor Code

c) Dividends paid in cash or in shares, originating from a corporation paid to its shareholders, when such payment has been subject to

the withholding set forth by Section 308 of the Tax Code, and

d) Interests received by individuals from financial entities regulated by the Superintendence of Banks, the Superintendence of Pensions and the Superintendence of the Stock Exchange Market.

INCOME TAX FOR CORPORATIONS

The corporations domiciled in the Dominican Republic must pay 29% on their net taxable income. For the Dominican Republic Tax Code, a corporation shall be considered to be the following entities:

a) Capital corporations

b) Public entities for their income of a commercial nature, amongst other entities;

c) Non divided inheritance;

d) Associations

e) Joint Ventures

f) Irregular corporations; and

g) Any other structure not expressly contemplated herein whose main purpose is to obtain utilities or benefits, not exempted from this tax.

TAX LOSSES

The losses suffered by corporations in the year shall be deducted from their taxable income obtained in the subsequent fiscal periods, without exceeding five years in accordance to the following rule:

In no case, the losses from other entities shall be deducted on the current or future fiscal period, from which the taxpayer has made any reorganization process (mergers, spin-off or any other reorganization process), or those generated on non-deductible expenses. The losses may only be deducted up to 20% of their total amount for the first three (3) fiscal

periods, at a rate of 20% for each separate fiscal period (non accrued). On the 4th and 5th fiscal period, the losses shall only be deducted under the following conditions:

Fourth fiscal period: Up to 20% of such losses but without exceeding in any case 80% of the Net Taxable Income of that same fiscal period.

Fifth fiscal period: Up to 20% of the losses, but without exceeding in any case 70% of the Net Taxable Income in that same period. The corporations that file losses in their first fiscal period may offset up to 100% of their losses in their second fiscal period, and if this is not possible, it can be done by covering the same requirements set forth in the previous paragraph.

TAX ON THE TRANSFER OF INDUSTRIALIZED GOODS AND SERVICES (ITBIS) OR (VAT)

During the first 20 working days of each month, all tax payers transferring industrialized goods or services or who are importers of those industrialized goods shall declare and pay the taxes on the industrialized goods and services (ITBIS) with a certified or bank check to the Internal Tax Collector. The payment to be made shall be construed as a balance in

favor of the tax payer before the Tax Authorities, which shall result from the surplus of ITBIS invoiced to clients in the sale of goods or services, against the ITBIS advanced to suppliers in acquiring goods and services used to produce taxable income with the referred tax or the amounts paid in Customs by introducing in the country goods assessed with such tax.

II. ASSESSMENT OF THE TAX OBLIGATION

a) In the transfer of goods: The tax shall be levied on the moment of issuing the invoice, or, in the event such document does not exist, it will be considered as the moment in which the good is delivered or withdrawn.

b) Imports: The tax shall be levied at the moment that the goods are available to the importers pursuant to the law that regulates the customs regime.

c) Services: The tax shall be levied at the moment of rendering or renting services, from the issuance of the invoice or from the moment the service being rendered has concluded or when the total or partial price is received, whichever occurs first.

d) Leases: The tax shall be levied at the moment of the execution of the lease agreement or at the moment of delivery of the rented property to the lessee, whichever occurs first.

TAXABLE BASE

a) In the sale of goods: The taxable base shall be the net transfer price, plus the accessory services granted by the seller, such as: transportation, packaging, freight, or financing interests, whether they are invoiced separately or not, plus the amount of the selective consumption tax that may apply, with the reduction of bonuses and discounts granted by the market practice.

b) Imports: The taxable base shall be the result of adding the value defined for the application of the tariff's rights, all the import taxes or related thereto, including the selective consumption tax, when applicable.

c) Services: The taxable base shall be the total value of the services rendered, excluding the mandatory legal tip.

EXEMPTED SERVICES

The following services are exempt from IT-BIS:

- a) Educational Services
- b) Health Services
- c) Financial Services, including insurances
- d) Pension and retirement plans
- e) Land and Cargo Services
- f) Electricity, water and waste collection services
- g) Home Rent Services
- h) Personal care services

The following items are also exempted: raw material, packing material, machinery, equipment and parts used to manufacture medicines for human and animal use, when they are purchased directly by the laboratories. This same tax treatment will apply to animal food and fertilizer manufacturers.

III. REAL ESTATE PROPERTY TAX

Real estate properties that are destined for housing, commercial and industrial activities belonging to individuals, whose value -including the land- surpasses RD \$5,000,000.00, are levied with a 1% tax on the value of the real estate property determined by the tax administration. Such value is annually adjusted by inflation. This tax must be filed during the first 60 days of each year, and it must be paid in two installments, one installment equaling 50% on March 11 of each year, and the remaining balance of 50% on September 11 of the same year.

OBLIGATIONS RELATED TO THE ASSETS TAX

An assets tax of 1% is levied on all assets which are included in the tax payer's general

ledger, not adjusted by inflation, after applying all deductions by depreciation, amortization, provision for non recoverable accounts, investments in shares in other companies, land located in rural areas, properties affixed to rural production plants and the advanced tax. The financial intermediation entities defined by the Monetary and Financial Law 183-03, The National Bank for Housing Development as defined by Law 6-04, The Pension Fund Administrators as defined by Law 87-01 which creates the Dominican Social Security System and the Pension Funds Administrated therein, the intermediating companies for the stock market, the investment funds managers and those equity issuing companies as defined in Law 19-2000, as well as the electrical companies devoted to generation, transmission and distribution, as defined by the General Electricity Law No. 125-01 shall pay these taxes on the basis of their total fixed assets, net of depreciation as it appears in their general ledger.

CREDIT OF THE ASSETS TAX AGAINST THE INCOME TAX

The liquidated amount in respect of this tax, when applicable, shall be considered as a tax credit against the Income Tax corresponding to the same fiscal year. In the event that this liquidated amount is equal or exceeds the Assets Tax to be paid, the payment obligation shall be considered extinguished. If after the payment, there is a difference to be paid, in the event that the assets tax exceeds the income tax, the tax payer shall pay the difference in two equal installments, the first due within 120 days from the end of the fiscal year and the remaining balance within a term of six (6) months from the deadline established for the first payment.

EXEMPTIONS TO THE ASSETS TAX

The following tax payers shall be exempted from this tax:

a) The corporations that are exempted from Income Tax (IT)

b) Those investments as defined by the Internal Revenue Office (DGII) as Intensive Capital Investment, meaning:

– Those tax payers that use more capital than other factors of production to manufacture goods or services.

– Those tax payers whose acquired net assets value (machinery, equipment, movable and Immovable property) is greater than 50% of their total assets.

c) Those investments that by the nature of its activities have an installation, production and operation cycle that exceeds 1 year. In accordance to the above, those tax payers who are operating under the umbrella of a law that includes tax exemptions in connection to income tax shall not be subject to pay assets tax. The investments usually defined by the tax administration as intensive capital or that investment that by its nature has an installation, production and commencement of operations cycle exceeding one (1) year, performed by new or already formed companies, may benefit from a temporary waiver of this tax, after providing proof that their assets qualify as new or derive from an investment capital as per the criteria defined in the regulation. Those tax payers that declare losses in their income tax returns may request a temporary exemption of the Assets tax. Such request shall be made at least three months before the filing of the income tax returns. The declaration of the Assets Tax shall be filed along with the income tax return of the company

and shall be paid in two equal installments: 50% at the moment of filing of the declaration and the 50% remaining balance shall be paid six months later. If an extension shall be granted in filing the income tax return, it will also extend the term to file the assets tax declaration.

IV. NIL RATES FOR EXPORTERS

The exported goods will be assessed on a nil rate. The exporters shall have the right to deduct the amount of the taxes charged when acquiring the goods destined for their exporting activities. If a positive balance shall result in favor of the exporter, it must be reimbursed by the Internal Revenue Office. The same process applies to the Selective Consumption Tax paid to the exporters of goods, provided that such exporters demonstrate a credit in ITBIS and in Selective Consumption Tax on a recurring manner for 6 months or more. In order to apply for this exemption, the exporters shall file a request for reimbursement or compensation to the Tax Administration which shall respond this request in a two (2) months term. If the Tax Administration does not render a response in this term, the exporter will be authorized to compensate such balance in its favor against any tax except for those taxes withheld to a third party, including the tax withheld from the payment of dividends in cash.

DETERMINING CAPITAL GAIN TAX

To determine the capital gain subject to this tax, the purchase value of the good shall be deducted from the acquisition cost, adjusted by inflation. The capital gain received by the tax payer shall be subject to an income tax of 29%. In order to determine the capital gain

generated by the sale of goods and services located, placed or used economically in the Dominican Republic by a foreign company, the Tax Administration shall determine the sell value taking into account the sale value of the shares of the corporation which owns the goods or rights and its full value in respect to the full net worth of the corporation whose shares has been subject to transfer.

TRANSFER PRICING RULES

The transfer price between related companies shall be in accordance to the income of Dominican source of branches or other corporate structures of permanent establishments of foreign companies operating in the country, on the basis of the real results obtained during their operation in the country. In the event that it would not be possible to determine the real results obtained in the country, the Tax Administration may determine the taxable income applied to the gross income of the Dominican branch, the proportion between the total income of the parent company and the gross income of the Dominican branch. The Tax Administration may also be entitled to fix the taxable income by applying to the assets of the branch the existing ratio between the total income of the parent company and the total assets of the branch. The Tax Administration may invalidate the values charged and the expenses registered by the Dominican branch to its parent company abroad, when such values do not correspond to the amounts charged by similar operations between independent companies.

Recently, the Tax Administration issued Ruling 4-2011 which establishes transfer pricing methods.

ALL INCLUSIVE AND DETERMINATION FOR PAYMENT OF ITBIS AND INCOME TAX

Hotels operating under the «All Inclusive» system, the Tax Administration may define Advance Pricing Agreements (APA). The hotel sector shall be represented by the National Association of Hotels and Restaurants (ASO-NAHORES). Prices or tariffs set forth under such method shall be applicable to determine the taxable income for ITBIS and the operational income for the Income Tax. The Tax Administration may invalidate the tax payers under APA's, when their declared values are inconsistent with the criteria included in those values, and shall apply the penalties set forth by the Tax Code. Equal treatment shall be granted to those sectors related to foreign operations, such as insurance, energy and pharmaceuticals.

WITHHOLDINGS AT THE SOURCE. GENERAL PAYMENTS MADE ABROAD

Whoever pays or credits into accounts the taxable income of a Dominican source to nonresident or non-domiciled individuals or corporations in the Dominican Republic, that are not interests paid or credited in account to financial institutions abroad, nor dividends, shall withhold and enter into the Administration, as a sole and definitive payment of the tax, 29% of such income.

INTERESTS PAID OR CREDITED ABROAD

Whoever pays or credits into account interests of a Dominican source from loans engaged with nonresident financial institutions, shall withhold and enter to the Tax Administration as a sole and definitive payment of the tax, 10% of such interest.

V. DESIGNATION OF A WITHHOLDING AGENT

The corporations and the sole owned businesses shall act as withholding agents when they pay or credit into accounts of other individuals and non divided heirs, as well as any other entities non exempted from tax, except for other corporations. The withholding set forth herein shall be made in the percentages of the gross income indicated below:

- a)** 10% on the amounts paid or credited in respect of tax or lease of any kind of personal or real estate property, to be construed as payment on account.
 - b)** 10% on fees, commissions and other payments for the rendering of services in general, by individuals, not provided under a dependency relationship, whose provision requires the direct intervention of a human resource, as a payment on account;
 - c)** 15% on the prizes or profits obtained in lotteries, lotos, lotto quiz, electronic games, bin-gos, horse racing , gambling places, casinos and any other type of prize offered through promotional or advertising campaigns as a definitive payment;
- In the event of profits earned through prizes earned in bookies and lotteries will apply in the following scale:
- The prizes from RD\$100,001.00 to RD\$500,000.00 will pay 5%;
 - The prizes from RD\$500,001.00 to RD\$1,000,000.00 will pay 10%;
 - The prizes that exceed RD\$1,000,001.00 will pay 15%
- d)** 3% on payments made by the state and its dependencies including state owned enter-

prises and non centralized and autonomous organizations, to individuals for the acquisition of goods and services in general, not provided in a subordination relationship, as a payment on account,

- e)** 10% for any type of income not contemplated in these provisions, as an advance payment on account.
- f)** 3% on prizes and profits obtained in slot machines to be considered as a definitive payment. to be paid monthly to the Dominican Tax Authorities.

TAXES PAID THROUGH BANK CHECKS AND WIRE TRANSFERS

A tax of DOP\$1.50 for each DOP\$1,000.00 on the values paid by checks or wire transfers. Payments made to public entities such as Social Security Treasury, the Tax Administration and the General Customs Department are exempted from the payment of such tax.

TAXES ON REAL ESTATE PROPERTY TRANSFERS

Real estate property transfers are subject to a one unified tax of 3% on the higher value resulting from the amount set forth in the purchase and sale agreement and that assigned by the Internal Revenue Office. Moreover, the real estate transfers acquired by loans granted by intermediary financial institutions, and the mutual cooperation agencies, will be subject to this tax, provided that the residence or lot purchased with this loan exceeds the value of 1 million Dominican pesos, which will be adjusted by inflation each year. These transfer taxes shall be paid within a period of six (6) months from the moment the transfer of the property has concluded, which in the event of a default, the defaulting party shall pay in addi-

tion to such 3% interests and penalties as per the provisions of the Dominican tax code.¹

MOTOR VEHICLE TRANSFER TAX

Vehicle transfers are subject to a one unified tax of 2% on the highest value resulting from the stipulated in the purchase and sale agreement or the assigned by the Internal Revenue Office, which shall be paid within three (3) months from the moment that this act is executed, otherwise it shall pay, in addition to this 2% tax, all interests and penalties as set forth in the Dominican Tax Code.

TAX ON THE INCORPORATION OF A COMPANY

The incorporation of a joint-stock company, stock company or corporation shall be subject to a 1% tax on their authorized capital, which in no case shall be less than DOP\$1,000.00. This tax shall also apply to investment trusts, and shall be calculated on the basis of the capital agreed on the articles of association or bylaws which incorporates the company. Capital increases shall pay the same tax rate on the increased amount. This tax shall be paid to the Internal Revenue Office and the payment receipt must be filed upon the Director of the Mercantile Registry as well as any other public or private institution requiring the registration of the incorporation documents or the investment trust incorporated.

SELECTIVE CONSUMPTION TAX

The selective consumption tax levies all transfers of goods locally produced at the manufacturing level, as well as its importation or

the rendering of local services. The applicable tax to these services is as follows

- a) 10% on telecommunications.
- b) Specific amounts per liter of pure alcohol.
- c) Specific amount per cigarettes packages. The individuals, corporations, national or foreign companies that produce and manufacture these goods are obligated to pay these taxes at the last phase of the process, regardless of the fact that their intervention occurs through services rendered by third parties, importers of goods levied by this tax by their own account or by third parties, and the service providers levied by this tax. The payment of this tax shall be made within the first 20 working days of the month following the declared fiscal period. Importers shall pay this tax along with any custom taxes.

Insurances are levied by this tax at a rate of 16%. Insurances set forth by Law 187-01 are exempted. Electrical appliances are levied with a selective consumption tax between 20% and 10% respectively.

SELECTIVE CONSUMPTION TAX DERIVED FROM TOBACCO AND ALCOHOL

The products derived from tobacco and alcohols are levied with a selective consumption tax, which shall apply on the retail prices of such products. The rates are of 7.5% for the products derived from alcohol and 20% for products derived from tobacco. For the application of the foregoing taxes, the retailed prices shall be determined by increasing the price lists without any discounts, gratuities, donations or other similar items, as follows:

- a) An increase of 30% for alcohol products

¹ Is common practice that the tax administration uses the highest value between the one set forth in the contract or agreement and the amount determined by the Internal Revenue Office.

- b)** An increase of 20% for beer
- c)** An increase of 10% for tobacco products.

The table of specific amounts to collect the Selective Consumption Tax to the products deriving from alcohol and tobacco shall be modified annually.

CASINOS

During the first 5 working days of each month, the Casino owners must pay the taxes corresponding to the previous month which shall be liquidated taking into account the number of tables in the casino under operation and the number of slot machines installed, as well as the business' geographic location. The sports gambling agencies as well as the lottery businesses shall pay their taxes based on a fixed tax.

TAX RECEIPTS

As of the January 1st 2007, all individuals or corporations domiciled in the Dominican Republic having their main source of operations in this country and performing transfer of goods, deliveries, or rendering onerous or free services shall issue a tax invoice, as follows:

- a)** Invoices Generating a Tax Credit and or Support Costs and Expenses. Refers to tax receipts registered by the tax payers in trading transactions involving purchase and sale of goods or services and allow the buyer to support expenditures and costs in order to offset against income tax or credits against ITBIS.
- b)** Invoices for final consumers (without a tax credit). Refers to tax receipts that provide a credit to the tax payer in the transfer, delivery of goods or the rendering of services to final consumers.

c) Debit Notes. Refers to the documents issued by the sellers' or service providers to recover costs and expenses, such as default interests, freights and others incurred by the vendor after the original tax receipt has been issued.

d) Credit Notes. Documents issued by the sellers of goods and/or service providers with subsequent changes to the original agreed sales conditions, i.e., to cancel operations, make returns, agree on discounts and gratuities, correct errors or similar cases. In the cases of goods acquired abroad it shall be utilized as a tax receipt in the declaration issued by the Customs Department at the moment of the custom clearing of the goods imported. Tax payers shall issue an annual report containing the tax numbers that were write off during the previous period, specifying the reason for such write off. Equally, they shall issue an annual report with the transactions that shall cover in detail the monthly expenses which are not registered with any tax receipt as they reflect payments to service providers established abroad, such as interest payments, loans, royalties, advertising and others.

OTHER TAX RECEIPTS

In order to avoid inconveniences in the development of trading activities, Presidential Decree 254-06 on Tax Receipts allows the use of special tax receipts for the registration of informal suppliers and minor expenditures. Every tax receipt must contain an authorization number in order to be issued which shall be granted by the Tax Administration and such number must always be printed in the receipts. Moreover, the number must also indicate the type of receipts issued, i.e. « Valid for Tax Credit» and «Valid for Final Consumer»

Additionally, General Ruling 02-07 was issued by Tax Administration and is applicable to authorized money exchange operations for those entities related to currency exchange services. The entities regulated by this norm are the authorized entities in accordance to the provisions of the Financial and Monetary Law and its regulations, which shall include the following entities:

- a)** Multiple Banks;
- b)** Saving and Loan Banks;
- c)** Credit Corporations;
- d)** Savings and Loans Associations;
- e)** Exchange Agents
- f)** Agents for Remittance and Currency Exchanges
- g)** Mutual Fund agencies, undertaking activities of financial brokerage, with authorization of the Monetary Board;
- h)** Other entities that the Monetary Board may consider to be included. These entities shall register their daily income in a Special Tax Receipt of Unique Registration per day, duly authorized by the Tax Administration. As per the provisions of this Ruling, the income to be registered shall result from the difference between the currency purchase price and the sales price, as well as the commissions charged for related services. When the currency purchase generates income or expenses caused by an exchange difference and related services, the tax payer may register them without a tax receipt.

The authorized exchange brokers shall remit annually within the 60 working days after their closing date, a detailed report of the purchase and sales operations made, indicating the

commercial name, the Tax ID Number, identification card number and any other document for identification of the purchaser or seller, the date of the transaction, type of currency, volume and exchange rate.

REGISTRATION FOR SUPPLIERS AND INFORMAL SUPPLIERS

In the event that the tax payer has to issue a tax receipt and does not issue the same, whether it is an occasional sale or because this good is exempted or it is a small contributor or in other particular cases, the buyer or the person receiving the service may issue to itself a special tax receipt called registration for special or informal suppliers, duly authorized by the Tax Administration in order to validate those operations as deductible expenses for their income tax and as a credit for ITBIS. This special tax receipt shall be subject to the same requirements than the normal receipts, except that in this case the buyer will issue the receipt instead of the seller which shall receive the tax receipt.

It is mandatory to include the supplier's name and identification card number.

To informal suppliers, 100% of ITBIS should be retained when services are provided and 75% when goods or products are involved. Also, 10% of the amount invoiced should be withheld, for income tax purposes, for services provided and 2% when the invoice also includes materials, parts and equipment.

REGISTRATION OF MINOR EXPENDITURES

As opposite to the aforementioned tax receipt, the Registration for Minor Expenditures is a kind of tax receipt issued by the company to itself to cover minor expenditures such as

sellers expenditures, tire repairs, cash box replenishment, fishing services, agricultural workers, carpenter services, masonry, wood workers, electrical workers and similar services.

SOLE REGISTRATION OF INCOME

The Tax Receipt for Sole Daily Registration may be used by tax payers that by the nature of their activities make the majority of their operations with final consumers and whose sales are based mainly on products or services exempted from ITBIS. When these companies or institutions sale to tax payers requiring invoices to use as expenditure claimed against Income Tax or Tax Credit for ITBIS, they shall issue a valid invoice for tax credit with a tax receipt number.

VALIDATION OF TAX RECEIPTS THAT SUPPORT TAX CREDITS, COSTS AND EXPENSES

The buyers that use tax receipts to support a tax credit of ITBIS or supporting costs and expenditures in order to determine and liquidate the Income Tax, shall consult in the Tax Administration the validity of such tax receipts, which can be done by accessing to the data provided of the specific tax receipts, or through the general access to all the other tax receipts approved for a specific tax payer, in such cases that it can be justified by the value of the operations made by the buyer. If the tax payer fails to consult through the information provided by the Tax Administration the validity of the tax receipts, the same will not be able to argue its lack of information of the consultation system and use it to oppose to the determination or observation made by DGII regarding the tax credit or the costs or expenditures with non authorized tax receipts.

REPORT ON INFORMATION OF TAX RECEIPTS

All tax payers filing monthly declarations of ITBIS must report the information of the operations supporting the costs and expenditures for Income tax, the advances used as credits for ITBIS and the withholding of ITBIS made to third parties, which shall be sent electronically to the Tax Administration within the first 15 days of each month. Tax payers who are not obligated to file ITBIS declarations and do not make withholdings of such taxes shall file an annual report, 60 days after the closing date of their fiscal year in case of corporations and on February 28 of each year in the case of individuals and sole owned businesses. Tax payers listed in the General Norm 01-07 shall sent annually on the 60 days after their closing date the information with all the income generated during the fiscal year supported with the tax receipts in a pre-established format. The tax administration may include new tax payers to such list, but this has to be done with 30 days in advance. Corporations with a fiscal year closing on December 31st, shall report sales information and operations corresponding to the fiscal year 2007, using the format available in the Tax Administration web site used exclusively for this type of businesses with fiscal year closing on March 31st, June 30 and September 30.

PENALTIES, SURCHARGES AND INTERESTS

Payment made after the maturity date shall entail a surcharge of 10% for the first month and an additional 4% for each month or fraction thereof, as well as interests of 1.73% per each month or fraction. These sums are not deductible of the net taxable income when filing the Income Tax Returns. If the deadline

to pay these taxes ends on a holiday or is declared a non labor date, the payment may be done on the following Labor Day without paying surcharges or interests.

NOTICES BY THE TAX ADMINISTRATION

Notices made from the tax administration shall take place by personal delivery, by telegram, certified letter with acknowledgment of receipt, by written evidence or electronic mail, fax or any other electronic mean of communication set forth by the Administration.

TAX PAYER'S DUTIES

Tax payers are obligated to comply with the formal duties set forth by the Tax Code, such as:

- a)** Registering at the National Tax Registry (RNC).
- b)** Informing the changes of domicile, commercial name, telephone, activity or any other change that modifies the tax liability.
- c)** To keep the mandatory registries and account books.
- d)** File the Tax Returns related to the documents and information required and give the proper clarification.
- e)** Assist the Internal Revenue Office when required.

f) To facilitate to the officers the inspections and verifications.

g) To communicate sales, liquidation, dissolution or any other related transaction, in a term of 60 days in order to obtain authorization from the Internal Revenue Office.

h) To keep hard copies (paper) as well as in electronic documents for a period of 10 years, all documents of accounts, such as receipts, checks and others.

TAX PAYER'S RIGHTS

The most important rights for tax payers are:

- a)** Right to extensions
- b)** Right to flexible payment
- c)** Rights to advance tax payment exemptions
- d)** Right to offset
- e)** Right on information on any legal action made by the Tax Administration
- f)** Right to confidentiality
- g)** Right to challenge any adverse decision made by the Tax Administration through legal administrative and judicial remedies.
- h)** Right to reimbursement.

CAN PELLERANO & HERRERA HELP YOU?

Yes. Pellerano & Herrera has been the leading law firm in the Dominican Republic for over 20 years. The firm is well known for providing pragmatic, strategic, and constructive legal advice to clients to help them meet their business goals. Pellerano & Herrera is committed to innovation and to the application of best practices, and it regularly identifies new opportunities for clients and designs legal strategies accordingly. As one example: The firm and its affiliates provide comprehensive assistance to clients establishing greenfield or brownfield projects by identifying not only the legal issues involved – and by helping to solve them – but also by assisting in tax planning and personnel recruitment.

Our tax specialists, with the significant tax resources of the firm available to them, are able to provide first line assistance on all tax matters, including litigation. The firm's lawyers are experts in accounting and business management, which enables them to comprehensively analyze each matter. Our tax services include tax audits and tax planning for both commercial entities and individuals.

Contact our expert:



Adolfo Toca

Partner

a.toca@phlaw.com

809-541-5200 Ext. 5006



Pellerano & Herrera
Abogados

Av. John F. Kennedy No. 10
Santo Domingo, Dominican Republic
Tel. (809) 541-5200 Fax (809) 567-0773

www.phlaw.com
ph@phlaw.com

Mailing Address P.O. Box 25522
EPS A-303, Miami, FL 33102 USA