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EXECUTIVE SUMMARY

Tax Reform Law 253-12

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I. INCOME TAX

Any legal entity or individual residing in the Dominican Republic as well as undivided estates located in the country, are subject to the payment of taxes over their income from Dominican sources and from sources outside the Dominican Republic deriving from investments and financial gains.

Individuals residing or domiciled in the country pay an income tax from any income earned for the work rendered as employees, as well as from income earned from the exercise of a profession or liberal profession, commercial activities, return on investments, or financial earnings from abroad. The tax rate varies depending on their income and change annually when adjusted for inflation.

For the purposes of the Law, are considered legal entities capital companies, public companies with income of commercial nature, and other entities, undivided estates, association of persons, societies in fact, irregular societies, and any other form of organization. In accordance with Dominican tax law, these entities are subject to the payment of taxes on their net income, revenues, utilities and benefits obtained in a fiscal year, minus the deductions allowed by law. The applicable income tax rate for legal entities with domicile in the country is 27% over their net income, after deductions allowed by law.

The law establishes mandatory monthly advanced payments of the income tax, which ultimately are reconciled with the annual payment required to be made at the end of the year. Individuals or legal entities carrying out commercial and industrial activities do not have to pay the advanced payment as long as the annual income from those activities is equal to or less than DOP$5,000,000.00. In the special case of Free Zones, since 2013 they must pay a rate of 3.5% by

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way of Income Tax for the transfer of goods and services rendered in the Dominican Republic. From 2013 to 2015 (inclusive) does not apply the adjustment to the tax scale based on which individuals are taxed

II. CAPITAL GAINS

Other income taxed at the same rate of 27% as the income tax is that which comes from capital gains. In order to determine the taxable capital gain amount, a taxpayer deducts, from the price or value of an asset being transferred, the cost of acquisition or production of such asset, adjusted by inflation.

III. WITHHOLDING

Legal entities and single owner businesses act as withholding agents for the tax authorities whenever they make a payment or credit to the account of other individuals or undivided successions, as well as other entities not exempt from the payment of taxes, except to legal entities. The withholding provided is performed in the percentages of gross income listed below:

a) 10% over the amounts paid or credited as payment for leases or rental of any type of movable property or real estate, as payment on account;

b) 10% over the fees, commissions, and other remunerations and payments for the rendering of services provided by individuals, unexecuted as employees, whose provision requires the direct intervention of human resources, as payment on account;

c) 25% over the amount of prizes or profits earned in lotteries, or any type of the prize offered through promotional or advertising campaigns, as a definitive payment. In case of gains obtained through betting parlors, apply a scale;

d) 10% for dividends paid or credited in the country;

e) 5% over the payments made by the state and its dependencies, including state enterprises and decentralized and autonomous agencies, to individuals and legal entities for the acquisition of goods and services in general, unexecuted as employees, as payment on account;

f) 10% over interest payments to resident individuals; and,

g) 10% for any other kind of payment not established above, as an advance payment.

Whoever pays or credits into account of taxed income from Dominican sources to non-resident persons or persons not domiciled in the country, which are not interest paid or credited into account to foreign financial institutions, nor dividends, must withhold and pay to the Dominican tax authorities, as sole and final tax payment, 27% of such income.

Whoever pays or credits into account interests of Dominican sources from loans contracted with foreign credit institutions, must withhold and pay to the Dominican tax authorities 10% of those interests.

IV. TAX ON THE TRANSFER OF INDUSTRIALIZED GOODS AND SERVICES (ITBIS)

ITBIS is the tax applicable to the transfer and import of industrialized goods, as well as the rendering of services in the Dominican Republic. Individuals and legal entities (foreign and domestic) transferring and importing industrialized goods or rendering services in the country must pay this tax. The services exempted are education, health, transport, electricity, water, garbage collection, personal care, financial services and pension and retirement. The applicable rate of this tax for 2015 is 18% and is calculated over the price of the transfer of the good or the service provided. Certain goods which were taxed at a reduced rate since 2013 will have to pay a rate of 13% for the fiscal year 2015.

V. REAL ESTATE PROPERTY TAX

A tax of 1% of its total value is levied on real estate properties that are destined for housing, commercial, and industrial activities belonging to individuals, when the total value of real estate owned by the taxpayer surpasses RD$6,500,000.00. The value is adjusted annually for inflation.

VI. TAX ON ASSETS

A tax is applied to all assets registered in the general balance of the taxpayer, not adjusted by inflation, after applying deductions for depreciation, amortization, provision for unrecoverable receivables, stock investments, real estate properties located in rural areas, agricultural real estate, and taxes that have been paid in advance.

Financial intermediary entities, intermediaries in the securities exchange market, investment funds administrators, and title companies, as well as electric generation, transmission and distribution enterprises, pay this tax on the basis of the total of their fixed assets.

The tax on assets is currently a substitute tax for the income tax, therefore it must be paid only when the amount due in respect of income tax would be less than the tax on assets. It must be paid even if at the end of the fiscal year the person had losses. The current Tax on Assets rate is 1% which applies to taxable assets

VII. TAX ON THE INCORPORATION OF COMPANIES

The incorporation of limited liability companies and corporations is subject to the payment of a tax of 1% of the corporate capital, with a minimum tax of DOP$1,000.00.

VIII. SELECTIVE TAX ON CONSUMPTION (EXCISE TAX)

This Excise Tax levies with variable rates the manufacturing or importation of certain goods such as tobacco, alcohol, luxury goods, etc., as well as the provision of telecommunications services, insurance and from the fiscal year 2013 the TV cable service was included to be taxed at a rate of 10%. For 2015 remains the same rate of ISC Ad-Valorem for alcohol products which changed from 7.5% to 10% in 2013. The specific for alcohol products varying since 2013 to 2017, increasing its value, as well as the specific for products of snuff since 2013 to 2015.

Persons, companies, or enterprises, both national and foreign, that produce or manufacture these goods in the last stage of the production process are obligated to pay this tax, in addition to importers of goods, on their own account or for third parties, and services providers.

IX. TAX ON THE TRANSFER OF REAL ESTATE

Real estate transfers are subject to a one-time tax of 3% over the higher value, if any, that results between the amounts stated in the purchase agreement and the value assigned by the Dominican tax authorities by means of an authorized appraiser. This tax also applies to the transfer of real estate properties purchased through loans granted by financial intermediaries as long as the purchased house or lot paid for with said loan has a value of over DOP$1,400,000.00, amount adjusted by inflation.

X. TAX ON THE TRANSFER OF MOTOR VEHICLES

The transfer of motor vehicles is subject to a one-time tax of 2% over the greater value between the one stated in the purchase contract and the value assigned by the Dominican tax authorities.