

EVERYTHING YOU NEED TO KNOW ABOUT THE

TAX MODERNIZATION PROJECT



THE REASONS FOR TAX MODERNIZATION

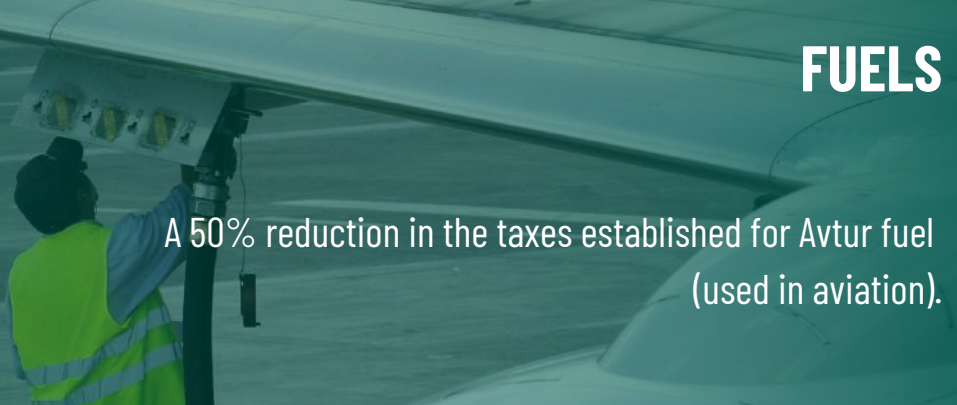
- **Reduction of public debt:** The law aims to reduce the public sector's indebtedness and increase public spending on basic services without relying on external financing.
- **Increase in tax revenue:** A comprehensive reform of the tax system is proposed to enhance progressivity and reduce tax evasion, ensuring that more taxpayers pay their fair share.
- **Control of public spending:** Measures will be implemented to control the growth of public spending, including the merging and elimination of institutions to improve governmental efficiency.

INDUSTRIES AND SECTORS

TEXTILES

The exemptions for the Textile Industry outlined in Articles 2 and 4 of Law 56-07 are eliminated. These include the total exemption from customs duties, the Tax on the Transfer of Industrialized Goods and Services (ITBIS), and any other import taxes on machinery, equipment, materials, spare parts, and accessories used for the production of goods within the country, as well as the exemption from paying Income Tax resulting from industrial activities for a period of 10 years.





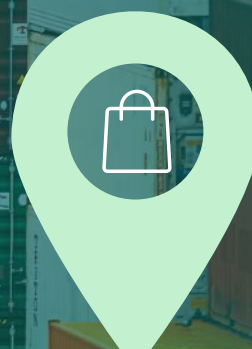
A 50% reduction in the taxes established for Avtur fuel (used in aviation).

FREE ZONES

The income tax on local sales made by free zone companies will increase from 3.5% to 5%.

Companies will have the option to submit a sworn declaration under the regular regime for the proportion of local sales.

A 27% Income Tax (ISR) will be established for activities provided by operators of free zone parks.



SUGARY AND ALCOHOLIC BEVERAGES

Specific tax on sugary beverages (RD\$0.58 for beverages with 5-10 grams of added sugar per 100 ml and RD\$1 for beverages with more than 10 grams).

Increase in the Specific Excise Tax (ISC) for alcoholic beverages to RD\$840 (US\$13.91) per degree of alcohol.

Increase of 11% in the Ad Valorem tax for alcoholic beverages..



TOBACCO AND ELECTRONIC CIGARETTES

A 20% tariff and a 75% ad-valorem tax on the imports of electronic cigarettes and their inputs.



VEHICLES

Exemption from ITBIS for the importation of non-conventional energy vehicles, benefiting the first purchaser.

The vehicle circulation tax will be set as a one-time payment of RD\$3,000 (US\$49) for vehicles manufactured more than 5 years ago and RD\$6,000 (US\$99) for those manufactured less than 5 years ago.



TOURISM

Modifications to the Border Development Law and CONFOTUR propose the repeal of paragraphs II, III, and IV of Article 1, Article 2, and several other articles of Law No. 158-01 on the Promotion of Tourism Development (CONFOTUR).

This entails the elimination of tax exemptions granted to tourism investments, aimed at reducing the number of tax incentives in the sector and ensuring that tourism companies contribute more equitably to the treasury.



INDUSTRY AND COMMERCE

Modification of incentives under the ProIndustria Law.

The Textile Chain and trusts are also affected by changes in rates.



DIGITAL PLATFORMS

Tax on digital services, including platforms and low-value shipping services (couriers under US\$200).



CINEMATOGRAFIC

Modifications under the Film Law repeal items 2), 3), 4), and 5) of Article 6, item 6) of Article 10, Article 19, as well as items 3) and 4) of Article 26, and several other articles (33, 34, 35, 37, 38, 39, 40, 41, 42, 44, and 45) of Law 108-10.

These articles provided various benefits and tax incentives to the film industry, such as tax exemptions for film production companies.

PROPERTY TAXES

Modification of the IPI: The exempt minimum for the Property Tax is adjusted to RD\$5,025,380.00 (approximately US\$88,944.78). Currently, it is RD\$9,860,649.00 (approximately US\$163,228.75). The total value of improvements and lots is included in the taxable real estate assets.

CONSUMPTION AND SERVICES TAXES

ITBIS/VAT: The ITBIS will be replaced by a VAT with a general rate of 18%, excluding certain essential goods.

The maximum withholding tax on prizes or winnings from gambling is increased from 25% to 27%.

New rates for freight from transportation companies and insurance premiums.



OTHER RELEVANT ASPECTS

The obligation to file an annual sworn declaration for dependent workers (employees) is established, except for those whose annual income does not exceed RD\$624,329.

A significant increase in the minimum wage for the unregulated private sector is proposed.

The minimum wage for the public sector will be increased from the current RD\$10,000 (US\$165) to RD\$15,000 (US\$248.30).

Article 50 of Law 392-07 on Competitiveness and Innovation (Proindustria) is repealed, which included incentives for industries such as the exemption from paying taxes on goods imported by industries benefiting from the incentives of this law, as well as tax benefits like exemption from Income Tax (ISR) for a specified period and exemption from municipal taxes and other levies that may affect industrial activities.

The exemption from the payment of Income Tax and Dividends established by the Trust and Real Estate Development Law is repealed to equalize the treatment of trusts with that of legal entities. The ITBIS bond and the tax treatment of Successor and Guarantee Trusts are maintained.



***The project was presented on October 7, 2024, and is currently under review in Congress; it has not yet been approved.**



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