



# DOMINICAN REPUBLIC: LEGAL QUICK GUIDE FOR EXPORTS & INVESTMENT

## EXTRACT:

The following document briefly describes the Dominican legal framework related to foreign investment and exports and the main Dominican entities pertaining to these matters.



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## LEGAL FRAMEWORK:

### Law No. 8-90 on Promotion of Free Zones

Promulgated on 15 January 1990, with the purpose of promoting the establishment of companies under the free zone framework as a permanent force towards social and economic development via massive employment. This law governs the establishment of new free zones and the growth of existing ones, regulating their functioning and development, defining the basis of identification of the goals and objectives which may be of national interest, to achieve adequate coordination by public and private sectors in pursuit of the identified purposes.

The sales of articles coming out of the free zone companies into the Dominican territory will be considered to be exports from the free zones and imports into Dominican territory. The sale of articles coming from companies in Dominican territory into the free zones will be deemed to be exports from Dominican territories and imports into the free zones.

There are three kinds of free zone parks:

- **Industrial or Service Free Zones** can be installed throughout the national territory to engage in manufacturing goods and providing services.
- **Border Free Zones** must be located between three (3) and twenty-five (25) kilometers from the border separating the Dominican Republic and the Republic of Haiti. They are granted special incentives as foreseen in the Law and others which the State may grant within its constitutional attributions.
- **Special Free Zones** must be located near geographically fixed natural resources when being located far away would make transformation difficult.

Free Zones can export up to one hundred percent (100%) of goods and/or services, duty-free, when they are finished products in the chain of textiles, assembly and accessories; leather goods, manufacture of shoes, manufacture of leather. Other products (with some exceptions) must pay 100% of the duties and taxes established for similar imports.

Companies within free zones receive 100% exemption from income tax established by Law No. 5911 of 22 May 1962 and its modifications, referring to share companies; exemptions from the payment of taxes on construction, loan contracts and the registration on the transfer of real properties as of the constitution of the corresponding free zone operator; exemptions from the payment of the tax on the constitution of commercial corporations or the increase of their capital of; exemptions of all import taxes, tariffs, customs duties and other related levies affecting raw



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materials, equipment, construction materials, building parts, office equipment, etc., dedicated to build, equip or operate in free zones; exemptions from patent taxes, assets or patrimony, as well as the ITBIS value added tax, and others.

#### **Law No. 84-99 on Re-activation and Promotion of Exports**

Promulgated on 6 August 1999 with the purpose of re-inserting and promoting Dominican products in international markets. It exempts from the payment of customs levies the importation of certain merchandise to be incorporated into goods for later export.

Merchandise imported to be incorporated into goods for export within eighteen months (discounting the first 30 days after admission into Dominican customs territory) are treated under the Temporary Admission Framework, suspending duties and taxes.

Exporters will have the right to compensation of customs levies paid in advance for up to the equivalent of three percent (3.0%) of the FOB value of the merchandise, via “Tax Compensation Bonds” up to but not exceeding the amount of the customs taxes paid in advance.

#### **Law No. 16-95 On Direct Foreign Investment**

Promulgated on 8 November 1995, with the purposes of contributing to the growth of the economy and social development via direct foreign investment and the transfer of technologies. The Dominican State treats foreign investors and agents for the transfer of technologies who meet the requisites set by the law, under the same conditions as local investors.

Foreign corporations and persons, like nationals, can be engaged in the Dominican Republic in promoting or processing the importation, sale, rental or any other kind of marketing or exploitation of merchandise or products of foreign origin or which are produced in the country, acting as an agent, representative, giver of commissions, exclusive distributor or holder of a concession under any other name.

#### **Law No. 28-01 On Border Development**

Promulgated on 1 February 2001 to create a development program stimulating industrial, farming, agro-industrial, metallurgical, free zone, tourism energy projects and any kind of enterprise permitted by Dominican laws, which promote and sustain the Dominican economy, specifically in the border provinces of Pedernales, Independencia, Elías Piña, Dajabón, Montecristi, Santiago Rodríguez and Bahoruco.



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Via this law, a Special Border Development Zone is created, and companies established therein will enjoy diverse exemptions. Those operating in the provinces of Pedernales, Independencia, Elías Piña, Dajabón, Montecristi, Santiago Rodríguez and Bahoruco will enjoy a 100% exemption from internal taxes, customs duties over raw materials, equipment and machinery, as well as any kind of tax, for twenty years. They are also granted fifty percent of the payment for the free transit and use of ports and airports. A five-year term is granted to any established company to enjoy the full period of the exemptions.

**Law No. 56-07 on textiles, assembly and accessories; leather items; manufacture of shoes and manufacture of leather**

Promulgated on 18 April 2007 to substantially reduce the purchase cost of products manufactured by sectors belonging to the chain of textiles, assembly and accessories; leather products, manufacture of shoes and the manufacture of leather.

This law creates a national regulatory framework for industries operating under the free zone framework as well as the local market. The importation and/or purchase in the local market of inputs, raw materials, machinery, equipment and services established in Article 3, and carried out by the companies in the sectors belonging to the chain of textiles, assembly and accessories; leather items, the manufacture of shoes and the manufacture of leather, are exempted from the payment of the ITIBIS (*Impuesto Sobre la Transferencia de Bienes Industrializados y Servicios*) value-added tax, and other taxes set by Law 11-92 of 11 May 1992, modified by Law No. 147 of 27 December 2000.

**Law No. 392-07 on Industrial Innovation and Competitiveness**

Promulgated on 4 December 2007 this law creates a legal framework to allow the development of competitiveness in the manufacturing industry to attain greater diversification and innovation of same, and re-insertion in international markets.

The Industrial Promotion Corporation (Corporación de Fomento Industrial - CFI) is called the Center for Industrial Competitiveness and Development (PROINDUSTRIA), a functional organic regulatory body which sees to the implementation of policies which promote the insertion of the manufacturing industry into the new world currents of openness and technological and industrial exchanges.

Article 57 of Law No. 392-07 exempts raw materials, industrial machinery and capital goods detailed in Article 24 of Law No. 557-05 of 13 December 2005 from the ITBIS value-added tax in



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the General Customs Agency (*Dirección General de Aduanas* - DGA), as well as the other capital goods and raw materials enjoying a customs rate of zero percent (0%).

For the export sector, foreign or national corporations qualified by PROINDUSTRIA, exporting to third parties have the right to reimbursement of the payment of the ITBIS value-added tax, Selective Consumption Tax on Telecommunications, Selective Consumption Tax on Insurance, the Selective Consumption Taxes on Fuels established in Law No.495-06, and the tax on checks, at a percentage equal to the percentage of income from exports of total income from sales. The reimbursement will be calculated on the basis of payments in advance not compensated which the company may make for these taxes.

### **General Rule No. 03-2007**

Promulgated on 9 March 2007, it governs compensation or reimbursement of the amounts paid to the ITBIS value-added tax arising by exporters which reflect credits for advanced taxes on goods acquired for their productive process and producers of goods exempted from ITBIS.

In order to enjoy the benefits of this General Rule, exporters must be duly registered with the General Agency of Internal Taxes (DGII) and must also send to the DGII a certificate of exportation of the past 12 months issued by the Center of Exports and Investment of the Dominican Republic (*Centro de Exportación e Inversión de la República Dominicana* - CEI-RD) and a copy of the Registration with ADOEXPO.

The companies becoming exporters after March 2007 must apply for registration as exporter with the DGII at least 60 days before the request of the first reimbursement and no later than 30 days after the first exportation. Applicants must take into account that the reimbursement of ITBIS will be in order, taking into account the possibility of outstanding tax debts.

The DGII can authorize producers selling to exporters to benefit from General Rule 03-2007, as long as the manufactured product represents a major part of the ITBIS making up the balance to the benefit of the exporters and/or producers of the exempted goods and therefore, of the production cost.

### **RELEVANT INSTITUTIONS:**

#### **NATIONAL COUNCIL FOR EXPORT FREE TRADE ZONES (CNZFE)**

The CNZFE has the mandate to promote and develop free zones in the Dominican Republic that operates like a “One Stop Shop”. It provides personalized attention at the highest level, with a



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direct line to the Office of the President of the Dominican Republic. It also assists investors during the process for the approval and installation on new companies and Free Zone Parks in a period of between 2-45 days. The new company can be set up as an “Off Shore”.

The CNZFE is recognized by Harvard University as a model “broadband” institution, in reference to the high capacity for interinstitutional coordination, dialogue, and administration of public supplies required for the growth and development of enterprises.

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## PRODOMINICANA

ProDominicana is the Dominican Republic’s investment promotion agency. It provides personalized services to foreign firms considering the Dominican Republic as an investment destination, accompanying them through the whole process, from the early stages of due diligence to installation, start of operations and aftercare services. As the main ally of foreign investors in the Dominican Republic, they serve as an agile and effective channel of communication with the key decision makers of the Dominican Government.

Incrementing Dominican exports through the development of the local value chain, technological advancement, enhancing competitiveness, and working hand in hand with the exporters and other relevant entities, such as chambers of commerce, sectorial associations, government institutions, and commercial sections of the diplomatic missions abroad, is an essential part of ProDominicana’s mission.

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## ADOEXPO

The Dominican Association of Exporters (*Asociación Dominicana de Exportadores - ADOEXPO*) is a not-for-profit association, private-public alliance initiated by a group of businesspersons committed to the social and economic development of the country via the export sector. The fundamental objective of ADOEXPO is to defend the export sector and promote the strategies necessary for the promotion of Dominican exports.



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For over four decades, ADOEXPO has promoted Dominican exports, driving best practices for national manufacturing and production and, thereby, the ability to export goods and services at the highest international standards. ADOEXPO began to award its “Exporter Excellence Prizes” in 2012, to acknowledge companies in the Dominican Republic who have met the challenges of quality, innovation and commitment and increased their participation in foreign markets.

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