

Dominican Republic Adopts Significant Incentives for Use and Development of Renewable Energy Sources

Law 57-07 provides significant incentives for the use and development of renewable sources of energy in a wide variety of projects. The renewable energy sources subject to this law include bio-fuel, bio-diesel, ethanol, and wind, solar, and other renewable energies.

Law 57-07 on Renewable Sources of Energy Incentives and its Special Regimes seeks to encourage and regulate the development of, and investments in, projects that benefit from renewable sources of energy and provides incentives for such activity.

TAX EXEMPTION

There are numerous provisions in this law. Among the key provisions is one that provides 100 percent exemption of import tax on equipment, machinery, and accessories imported into the Dominican Republic for the production of renewable sources of energy. This incentive also includes the importation of equipment devoted to the transforming, transmission, or interconnection of electric energy to the National Interconnected Power System («SENI»). Moreover, this equipment also is exempt from payment of VAT (ITBIS) and from all other taxes that would otherwise be levied on such sales.

The items eligible for the tax exemption include:

- a)** Individual photovoltaic panels and solar cells to assemble the panels in the country;
- b)** Long duration stationary accumulators;
- c)** Investors and converters needed for the functioning of the renewable sources of energy;

- d)** Fuel batteries and equipment and devices designed to generate hydrogen;
- e)** Hydrogen generating equipment and its purifiers, rectifiers and meters for production coming from water, alcohol, or bio-mass;
- f)** Hydraulic turbines and regulators;
- g)** Turbines, wind motors, or wind generators;
- h)** Solar water heaters;
- i)** Certain steam turbines; and
- j)** Fuel alcohol production equipment.

INCOME TAX EXEMPTION

In addition, the new law provides a 10 year exemption for income tax with respect to income derived from the generation and sale of power, hot water, steam, motor power, bio fuels, or synthetic fuel generated from renew-

able sources of energy. There is also an exemption from income tax with respect to the sale and installation of equipment, parts, and systems produced in the country with a minimum added value of 35 percent for installations that have been approved by the National Energy Commission («CNE»).

TAX INCENTIVE FOR SELF-PRODUCERS

This law also provides, in connection with the renewable energy technology associated to each project, a credit of up to 75 percent of the cost of the investment made on equipment that can be deducted from the income tax payable by owners or tenants of family houses, commercial houses, or industrial properties that change or enlarge to renewable sources of energy systems for the provision of private power, where such projects have been approved by the government.

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.

Pellerano & Herrera has extensive experience in providing comprehensive advice to all participants in the energy industry, including leading power plant operators and generators and leaders in the field of wind and renewable energy in general. The firm provides clients interested in becoming involved in the renewable energy market with the advice necessary to benefit from the substantial incentives provided by applicable law and it assists them throughout the permitting process and subsequent negotiations for the implementation of these projects.

We also provide legal assistance to energy companies in connection with all phases of their operations. Our advice includes the areas of permits and project financing. With respect to energy contracts, we add value to our clients' businesses by drafting and helping to negotiate turn-key contracts for the implementation of hydroelectric companies, coal plants, and wind farms. The firm's lawyers, who participate in industry events and educational programs, also are involved in the development of power purchase agreements.

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