

Law No. 171-07 regarding Special Incentives to Foreign Retirees and Passive Investors of Non-Dominican Source

**NATIONAL CONGRESS
IN THE NAME OF THE REPUBLIC**

Law No. 171-07

Considering: That the Foreign Investment Law No. 16-95 dated November 20, 1995, establishes the Principle of the National Treatment, inspired in the need that both foreign and national investors, have similar rights and obligations in investment matters;

Considering: That the role of the government to facilitate the flow of investment into the country, makes it necessary to implement a joint strategy of the diverse public agencies in order to take coherent actions aimed at promoting them, optimizing the undertaken efforts and their competitive advantages;

Considering: That the Dominican State recognizes that the capital and currency contributions coming from abroad contribute to the development and general well being of the population, dynamizing the economic activity and national production;

Considering: That the Dominican Republic has sufficient natural, cultural, technological and human resources to project itself as an ideal place for retirees and those who receive steady income from foreign sources, as a retirement destination;

Considering: That the countries in Central American and Caribbean areas have developed in their territory this program with highly satisfactory results;

Having Seen: Law 14-93 dated August 26, 1993 on Customs Tariffs of the Dominican Republic, (which exempts from taxes home furnishings and personal assets);

Having Seen: Law 168 dated May 27, 1967 on Partial Exemption of the Tax on Motor Vehicles, modified by Law 146-00 on Tariff Reforms and Fiscal Compensations;

Having Seen: Law 16-95 dated November 20, 1995 on Foreign Investment;

Having Seen: Law 11-92 dated May 16, 1992 which establishes the Tax Code and its amendments;

Having Seen: Decree No. 950-01 dated September 20, 2001, which creates the Residence Permit through Investment, establishing the regulation for the application of Articles 5, 6 and 7 of Law No. 95 on Immigration dated April 24, 1939;

Having Seen: Decree No. 756-03 dated August 12, 2003, which grants special incentives to retirees whom receive income from foreign sources

HAS GIVEN THE FOLLOWING LAW:

TITLE I

DEFINITIONS, OBJECT AND CONDITIONS

ARTICLE 1.- For purposes of the application of this Law, the following definitions are hereby introduced:

a) Retired Individuals or Retirees: Foreign or Dominican individuals, who benefit from a monthly income payment corresponding to a pension or a retirement payment from a foreign government, official organization or private company of foreign origin, who has expressed his intention to relocate his definite residence to the country and to receive the benefits of such pension or retirement fund in the Dominican Republic;

b) Pension: Foreign source income resulting from any income constituting utility or benefit, which derives from an asset or activity, and all the benefits perceived or accrued from patrimony realized, not justified by the taxpayer, whichever its nature, origin or denomination may be;

2) Passive Investors: Individuals that enjoy stable, permanent income, whose principal is generated or is paid from abroad by reason of any of the following:

- i. Deposits and /or investments in foreign banks;
- ii. Remittances from foreign banking or financial institutions;
- iii. Investments in foreign companies or companies established abroad;
- iv. Remittances generated from real estate property;
- v. Interests derived from securities issued in foreign currency generated abroad, deposited at financial institutions legally authorized to operate in the Dominican Republic;
- vi. Benefits obtained from investments made in securities issued in foreign and/or national currency, with the State or its agencies, as long as the capital has been generated abroad and the currency exchange is made at any of the country's financial institutions;
- vii. Interests, income or dividends from investments made in the Dominican Republic on real estate or movable assets provided that the principal has been generated mostly abroad.

ARTICLE 2.- Main objective of the Law. Both retirees and passive investors that comply with the requirements and conditions established by this Law, may adopt the same benefits and exemptions granted to foreign investors and citizens residing abroad, by means of the following legal provisions:

- a) Residence Program by Investment, created pursuant to Decree No. 950 dated as of September 20, 2001, which allows foreign investors to obtain definite residence within 45 days;
- b) Dominican Republic's Customs Law No. 14-93 dated August 26, 1993, that exempts home furnishings and personal assets from tax payments;
- c) Law 168 dated May 27, 1967, on the Partial Exemption from the Motor Vehicles taxes;

Additionally, retirees and passive investors, who adopt the present Law, will have the following benefits, according to the conditions and stipulations indicated in this law:

- a) Exemption of the real estate property transfer tax, for the first property acquired;
- b) Exemption of 50% of the mortgage registration tax, when the creditors are financial institutions duly regulated by the Monetary and Financial Law;
- c) Exemption of 50% of the real estate property tax, when applicable;

- d) Exemption from taxes levied in dividend and interest payments, accrued in the country or abroad
- e) Exemption of 50% of the Capital Gains Tax, as long as the passive investor is the majority shareholder of the company that is subject to payment of this tax and that such company does not have commercial and/or industrial activities as its main activities.

ARTICLE 3.- Minimum Amount of the Pension or Monthly Passive Income. In order to take advantage of the preferential regime established in this Law, the retiree shall receive a monthly income of no less than one thousand five hundred US Dollars (US\$1,500.00) and the passive investor shall receive a monthly amount of two thousand US Dollars (US\$2,000.00) or its equivalent in national currency.

Paragraph: For each dependant as defined in Article 5 of this law, who applies along with the main applicant, the main applicant shall be required to receive an additional monthly amount of two hundred and fifty US Dollars (US\$250.00).

ARTICLE 4.- To be eligible for this program, the main applicant is not required to have a minimum age, and shall simply comply with the requirements established in this Law.

TITLE II

THE RESIDENCE PERMIT THROUGH INVESTMENT

ARTICLE 5.- Beneficiaries. Under the provisions of this law, retirees and passive investors as defined by Article 1 herein, may apply to the Residence Program through Investment; as well as their spouse and unmarried children ages 18 years or less, adults with disabilities or adults who demonstrate being college students and economically dependant on the main applicant. Likewise, the main applicant may include children who are under his/her legal guardianship or that of his/her spouse.

ARTICLE 6.- Application Procedure. Those foreigners who acquire the category of retiree resident and passive investor resident, through the Investment Residence Permit Program, shall comply with all the requirements established for these purposes at the foreign investment window of the General Migration Bureau.

Paragraph I.- In the case of retirees, the applicants shall submit a certification from the government, official agency or private company of international origin, where they performed their services; such certification must be duly translated into Spanish by a judicial interpreter and legalized by the Dominican Consulate in the country of origin of the document. This certification shall include the general information of the applicant, time of employment in the company, duties performed and the amount received as pension.

Paragraph II.- In the case of passive investors, they shall demonstrate that they have permanent and steady income from abroad, for a period of time no less than five (5) years, by means of a copy of the agreement providing for such income, which must be duly translated into Spanish by a judicial interpreter and legalized by the Dominican Consulate in the country of origin of the document. Likewise, they shall submit evidence of receipt of the hard currency in the country, by means of a copy of the check (s) or wire transfer notice(s) from foreign financial entities located abroad.

ARTICLE 7.- Once the documents have been filed at the foreign investment window, the corresponding personnel will proceed to verify and filter its validity according to the requirements established in this law and send them immediately to the General Direction of Immigration for approval. If approved, the General Direction of Immigration will issue a letter approving the Residence through Investment Permit, which will confirm that this application has been

satisfactorily accepted and thus authorizing the issuance of a residency card within a term of no longer than forty five (45) working days, starting on the date in which the request was received.

ARTICLE 8.- Renewal of the Residency Permit. Upon the expiration of the one year validity of the residence permit, the retiree and/or passive investor may request its renewal at the foreign investment window of the General Direction of Immigration. For these purposes, the interested party shall file the following documents:

1. Renewal Form for Residency Permit for retirees and/or passive investors;
2. Copy of the Identification Card;
3. A certification of no criminal record issued by the District Attorney of the applicant's Jurisdiction or by the National Police of the Dominican Republic.
4. Expired Residency Card.

Paragraph I.- Retirees and passive investors shall file at the General Direction of Immigration the documentation evidencing receipt of the pension or passive income in the national territory, for the same period of time for which the previous residence was granted.

Paragraph II.- Once the application for renewal is approved, the General Direction of Immigration will issue the residency card within no less than eight (8) working days, from the date of the application. The residency card will be valid for two (2) years or for the time stipulated by the General Direction of Immigration and may be renewed upon the arrival of its expiration.

ARTICLE 9.- Loss of the Residency Card. In the event that the residency card is lost, the interested party shall complete and file before the General Direction of Immigration the form requesting the replacement of the card by reason of loss, which form shall be accompanied by two (2) 2" x 2" photographs and a loss certification issued by the National Police.

ARTICLE 10.- Tax Exemption on the Pensions or Passive Received. The sums declared as income in order to benefit from the provisions of this Law, will be exempted from income taxes (Article 271 of the Tax Code is modified).

TITLE III ON THE BENEFITS OF LAW 14-93, WHICH EXEMPTS FROM TAX PAYMENTS FURNISHINGS AND PERSONAL OF FOREIGNERS WHO WILL PERMANENTLY RESIDE IN THE DOMINICAN REPUBLIC.

ARTICLE 11.- The retirees and passive investors whose residency application has been accepted, according to the provisions of this law, may benefit from the exemption of customs duties for house furnishings and personal assets, as well as used operating and professional equipments, according to Law 14-93, which exempts foreigners who will be definitely residing in the country, from tax payments on furnishings and personal assets. In addition to the requirements and formalities normally required by the General Direction of Immigration for the application of law 14-93, retirees and passive investors shall include in the application a copy of their Definite Residency Card.

Paragraph I.- Retirees and passive investors, whose application for Residence through Investment has been duly approved by the General Direction of Immigration and are in the process of waiting for the issuance of the residency card, will be allowed to start the process to obtain the benefits of Law 14-93 at the General Direction of Customs. For these purposes, it will be necessary to present a certified copy of the Investment Residence approval letter issued by the General Direction of Immigration.

This document shall be accompanied by all the other requirements usually demanded by the General Customs Direction for the granting of the benefits provided under Law 14-93.

Paragraph II.- The provisions of the present article will only and exclusively benefit the retirees and passive investors, who have submitted a request for Residency through the Investment Program duly approved by the General Direction of Immigration. Consequently, the benefits of Law 14-93, shall not be extensive to the applicant's spouse or dependents.

Paragraph III. - All the goods exempted as home furnishings, shall not be sold, without first paying the corresponding taxes to the Dominican State.

TITLE IV
ON THE BENEFITS OF LAW 168 ON THE PARTIAL EXEMPTION OF THE TAXES
LEVIED ON MOTOR VEHICLES, AMENDED BY LAW NO. 146-00 ON
CUSTOMS REFORM AND FISCAL COMPENSATION.

ARTICLE 12.- The retirees and the passive investors and their spouses, whose definite residence request has been favorably accepted in compliance with the provisions of this law, may benefit from the Regime for the Partial Exemption of the Taxes levied on Motor Vehicles, established pursuant to Law 168 dated May 27, 1967, modified by Law 146-00 on Custom Duty Reform and Fiscal Compensation.

In addition to the requirements and formalities normally required by General Direction of Customs for the application of the Regime for the Partial Exemption of the Taxes levied on Motor Vehicles, the interested party shall include in his/her application a copy of the definite residence card.

Paragraph I.-The retirees and passive investors, whose application for Residence through Investment has been duly approved by the General Direction of Immigration and are in the process of waiting for the issuance of the residency card, will be allowed to start the process to obtain the benefits of Law 168 before the General Direction of Customs. For these purposes, it will be necessary to present a certified copy of the investment residence approval letter issued by the General Direction of Immigration. This document shall be accompanied by all the other requirements demanded by the General Direction of Customs for the granting of the benefits provided under Law 168, modified by Law 146-00 on Customs Duty Reform and Fiscal Compensation, which establishes the Partial Exemption of the Taxes levied on Motor Vehicles.

Paragraph II.- The motor vehicles favored with the benefits of the present provision may not be sold nor transferred to third parties within a period of time of five (5) years starting from the day of their arrival into the country, unless the total the difference of the total payable for corresponding fees and taxes is actually paid.

Paragraph III.- For the purposes of application of these provisions the following shall be considered as motor vehicle:

Automobile: The applicant will be allowed to import one (1) automobile under the program; however, those vehicles that are acquired in the local market shall be exempted from the tax on the Transfer of Industrialized Goods and Services (ITBIS), as well as the Selective Consumption Tax.

TITLE V
ON THE EXEMPTION OF THE TRANSFER TAX, MORTGAGES, THE REAL ESTATE
PROPERTY TAX AND THE CAPITAL GAINS TAX

ARTICLE 13.- The retirees, passive investors and their respective spouses, whose definite residence request has been favorably accepted, in compliance with the provisions of this law may benefit from the exemption of the transfer taxes payable in connection with the first acquisition of real estate property. Likewise, and while the Residence by Investment remains in effect, may benefit from an exemption of 50% of the taxes on documents and taxes on real estate property. Likewise, they shall be exempted from 50% of the taxes on mortgages. Consequently, for the

beneficiaries of this law and while their Residence by Investment permit is in effect, the following taxes are modified in the indicated proportions:

- Law No. 18-88, as of January 19, 1998 and its amendments;
- Law No. 145-02, as of September 9, 2002, which modifies Law No. 18-88;
- Law No. 3341 as of July 13, 1952, on Real Estate Operations and its amendments, including Law No. 288-04, as of September 28, 2004.
- Law No. 33-91, as of November 8, 1991;
- Law 80-99, as of July 29, 1999, on Documents.

ARTICLE 14.- All the real estate properties acquired by the retirees and passive investors, under the provisions of this law, will be exempted from payment of 50% of the capital gains tax.

TITLE VI POSSIBILITY OF PERFORMING COMPENSATED LABOR IN THE COUNTRY

ARTICLE 15.- The retirees and passive investors protected by this law may be in charge of compensated labor. However, the salary received by reason of such activity will be taxable by the Dominican State, as any other national employee, by virtue of the equal treatment principle established in the Foreign Investment Law No. 16-95, as of November 20, 1995.

TITLE VII GENERAL PROVISIONS

ARTICLE 16.- The benefits of this law are equally extensive to Dominican citizens retired from government agencies of other countries, and to those that without having such character, demonstrate that they derive income in the conditions established under Article 1 of this law and that they have permanently resided abroad for at least ten (10) years.

Paragraph I: Those foreigners that residing in the country acquire the condition of retirees and/or passive investors may also obtain the benefits of this law.

ARTICLE 17: In the event of death of the main applicant, his/her acquired rights as beneficiary shall be vested on his/her spouse, or in his/her absence on any other dependant, as defined under Article 5 of this law, as long as they comply with the legal requirements required from the main applicant, as established in Articles 3 and 6 of this legislation.

ARTICLE 18.- Sanctions for Violation of this Law. The individuals, who apply to benefit from this Law, and who knowingly submit false information in order to obtain the benefits granted by the Law, will be subject to sanctions and shall pay a fine for an amount equivalent to double the amount of the taxes that he/she would have to pay to the Dominican tax administration.

ARTICLE 19.- The present law abrogates any other disposition that may be contrary for the purposes of its application.

GIVEN in the Hall of Sessions of the House of Representatives, National Congress, in Santo Domingo de Guzman, National District, capital of the Dominican Republic, on April 10 of the year Two Thousand and Seven (2007), year 164 of the Independence and 144 of the Restoration.

Julio César Valentín Jiminián
President

María Cleofia Sánchez Lora
Secretary

Teodoro Ursino Reyes
Secretary

GIVEN in Hall of Sessions of the Senate, National Congress, in Santo Domingo de Guzman, National District, capital of the Dominican Republic, on June 19 of the year Two Thousand and Seven (2007), year 164 of the Independence and 144 of the Restoration.

Reynaldo Pared Pérez
President

Amarilis Santana Cedano
Secretary Ad-Hoc

Luis René Canaan Rojas
Secretary

LEONEL FERNANDEZ REYNA
President of the Dominican Republic

Exercising the authority granted under Article 55 of the Constitution of the Dominican Republic, I **PROMULGATE** the present Law and order its publication in the Official Gazette, for its acknowledgment and compliance.

GIVEN in Santo Domingo de Guzman, National District, Capital of the Dominican Republic on July 13 of the year Two Thousand and Seven (2007), year 164 of the Independence and 144 of the Restoration.

LEONEL FERNÁNDEZ