

Executive Summary

Main Fiscal Obligations in the Dominican Republic

RENDERING A LABOUR OR SERVICE, FREE LANCE OR SUBORDINATE

During the first 10 days of each month, the employers shall file and pay the taxes withheld to its employees as well as to any staff rendered any service in an independent manner. Such payment will be related to the taxes withheld to the staff during the previous month to which the payment is being made. Payment shall be made by certified or bank check issued to the Internal Tax Collector.

COMMERCIAL AND INDUSTRIAL ACTIVITIES

During the first 15 days of each month every business, corporation or organization and single owner's business, with an effective tax rate (resulting from the division of the liquidated tax in the fiscal period by the gross income of the same fiscal period) of 1.5% or less, shall pay their corresponding advance tax on the basis of twelve equal monthly installments, resulting from applying 1.5% to the gross income declared in the previous fiscal year. If the effective tax rate is over 1.5% , such entities must pay monthly as an advance tax one twelfth of the liquidated tax of its previous declaration.

The 1.5% advance shall not be paid if an individual is developing a commercial or industrial activities, provided that the annual income generated from such activities is equal or less than RD\$5,000,000.00. The payment shall be made by a certified check in the name of the Internal Tax Collector.

INCOME TAX TO EMPLOYEES WORKING ON A SALARY BASIS

The income tax levies the income received by the work rendered on a subordinate basis, as well as for the income obtained by exercising a profession or liberal work, commercial activities or financial investments coming from abroad. Section 296 of the Tax Code sets forth a Withholding Chart

applicable to individuals, which establishes the following withholding:

- Income until DOP\$349,326.00 are exempted.
- Income from DOP\$349,326.01 to DOP\$523,988.00; 15% of the surplus of DOP\$349,326.01.
- Income from DOP\$523,988.01 to DOP\$727,761.00 shall pay DOP\$26,199.00 plus 20% of the surplus of DOP\$523,988.01.
- Income from DOP\$727,761.01 and beyond, shall pay DOP\$66,954.00 plus 25% of the surplus of DOP\$727,761.01.

At the latest, on the 15th day of March of each year, the tax payers shall file separately their income tax declaration on the withheld and paid taxes on the previous calendar year, for the salaries paid to their employees as well as the independent staff who rendered work or services.

The individuals perceiving income from other sources shall file their income tax returns by no later than the 31st March of each year. Such income tax return shall include the income received in the previous calendar year.

The exemptions to the income tax are as follows:

- Income until DOP\$349,326.00 (amount that shall be adjusted annually by inflation)
- Indemnities paid in respect of previous notice and severance as per the provisions of the Labor Code
- Dividends paid in cash or in shares, originating from a capital corporation paid to its shareholders, when such payment has been subject to the withholding set forth by Section 308 of the Tax Code, and
- Interests received by the individuals from financial entities regulated by the Superintendence of Banks, the

Superintendence of Pensions and the Superintendence of the stock exchange market.

Income Tax for Corporations

The corporations with domicile in the country shall pay, for the fiscal year 2007, 25% on their net taxable income. For the DR Tax Code, a corporation shall be considered to be the following entities:

- a) Capital corporations
- b) Public entities for their income of a commercial nature, amongst other entities;
- c) Non divided inheritance;
- d) Associations
- e) Joint Ventures
- f) Irregular corporations; and
- g) Any other structure not expressly contemplated herein whose main purpose is to obtain utilities or benefits, not exempted from this tax..

Tax Losses

The losses suffered by corporations in the year shall be deducted from their taxable income obtained in the subsequent economic periods from the losses, without exceeding five years as per the following rule:

In no case, the losses from other entities shall be deducted on the current or future fiscal period, from which the taxpayer has made any reorganization process (mergers & acquisitions), or those generated on non deductible expenses.

The losses may be deducted only up to 20% of their total amount in the first three (3) fiscal periods, at a rate of 20% for each separate fiscal period (non accrued). On the 4th and 5th fiscal period, the lossess shall only be deducted on the following conditions:

Fourth fiscal period: Up to 20% of such losses but without exceeding in any case 80% of the Net Taxable Income of that same fiscal period.

Fifth fiscal period: Up to 20% of the losses, but without exceeding in any case 70% of the Net Taxable Income in that same period.

The corporations that file losses in their first fiscal period may offset up to 100% of their losses in their second fiscal period, and if this is not possible, it must be done by covering the same requirements indicated in the previous paragraph.

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

During the first 20 days of each month, all tax payers transferring industrialized goods or services or that are importers of those industrialized goods shall declare and pay the taxes on the industrialized goods and services (ITBIS) with a certified or bank check in the name of the Internal Tax Collector.

The payment to be made shall be construed as a balance in favor of the tax payer before the Tax Authorities, which shall result from the excess of ITBIS invoiced to clients in the sale of goods or services, against the ITBIS advanced to suppliers in acquiring goods and services used to produce taxable income with the referred tax or the values paid in Customs by introducing into the country goods assessed with such tax.

Enforceability of the Tax Obligation:

- a) In the transfer of goods:

The tax shall be levied on the moment of issuing the document that covers such transfer, or, in the event such document does not exist, it will be considered to the moment in which the good is delivered or withdrawn.

- b) Imports:

The tax shall be levied at the moment that the goods are available to the importers pursuant to the law that regulates the customs framework.

- c) Services

The tax shall be levied at the moment of rendering or renting services, from the issuance of the invoice or from the moment the service being rendered has concluded or by receiving the total or partial price is received, whichever occurs first.

- d) Leases:

The tax shall be levied at the moment of the execution of the lease agreement or at the moment of delivery of the rented property to the lessee, whichever occurs first.

TAXABLE BASE

a) In the sale of goods:

Shall be formed by the net transfer price, plus the accessory services granted by the seller, such as: transportation, packaging, freight, or financing interests, whether they are invoiced separately or not, plus the amount of the selective consumption tax that may apply, less the bonuses and discounts granted by the market practices.

b) Imports:

Shall be formed by the result of adding the value defined for the application of the tariff's rights, all the import taxes or related thereto, including the selective consumption tax, when applicable.

c) Services:

Shall be formed by the total value of the services rendered, excluding the mandatory legal tip.

EXEMPTED SERVICES

The following services shall be exempted from ITBIS:

- a) Educational Services
- b) Health Services
- c) Financial Services, including insurances
- d) Pension and retirement plans
- e) Land and Cargo Services
- f) Electricity, water and waste collection services
- g) Home Rent Services
- h) Personal care services

The following items are also exempted: raw material, packing material, machinery, equipment and parts for manufacturing medicines for human and animal use, when they are purchased directly by the laboratories. This same tax treatment will apply to manufactures of animal food and fertilizer manufacturers.

REAL ESTATE PROPERTY TAX

It is levied with a 1% tax, real estate properties that are destined for housing, commercial and industrial activities belonging to individuals whose value -including the land-

surpasses DOP\$5,000,000.00. Such value is annually adjusted by inflation.

This tax shall be filed during the first 60 days of each year, and be liquidated in two installments, one of 50%, on March 11 of each year, and the remaining balance of 50% on September 11 of the same year.

OBLIGATIONS RELATED TO THE ASSETS TAX

An assets tax of 1% is levied on all assets which are included in the tax payer's general ledger, not adjusted by inflation, after applying all deductions by depreciation, amortization, provision for non recoverable accounts, investments in shares in other companies, land located in rural areas, properties affixed to rural production plants and the advanced taxes.

The financial intermediation entities defined by the Monetary and Financial Law. 183-03, The National Bank for Housing Development as defined by Law 6-04, The Pension Fund Administrators as defined by Law 87-01 which creates the Dominican Social Security System and the Pension Funds Administrated therein, the intermediating companies for the stock market, the investment funds managers and those equity issuing companies as defined in Law 19-2000, as well as the electrical companies devoted to generation, transmission and distribution, as defined by the General Electricity Law No. 125-01 shall pay these taxes on the basis of their total fixed assets, net of depreciation as it appears in their general ledger.

CREDIT OF THE ASSETS TAX AGAINST THE INCOME TAX

The liquidated amount in respect of this tax, when applicable, shall be considered as a tax credit against the Income Tax corresponding to the same fiscal year. In the event that this liquidated amount is equal or exceeds the Assets Tax to be paid, the payment obligation shall be considered extinguished. If after the payment, there is a difference to be paid, in the event that the assets tax exceeds the income tax, the tax payer shall pay the difference in two equal installments, the first due within 120 days from the end of the fiscal year and the remaining balance within a term of six (6) months from the deadline established for the first payment.

EXEMPTIONS OF THE ASSETS TAX

The following tax payers shall be exempted from this tax:

- The corporations that are exempted from Income Tax (IT)
- Those investments as defined by the Internal Revenue Office (DGII) as Intensive Capital Investment, meaning:
 - Those tax payers using more capital than other factors of production to manufacture goods or services
 - Those tax payers whose net assets value (machinery, equipment, movable and
 - immovable property) is over 50% of their total assets.
 - Those investments that by the nature of its activities have an installation, production and operation cycle that exceeds 1 year.

In accordance to the above, those tax payers who are operating under the umbrella of a law that includes tax exemptions in connection to income tax shall not be subject to pay assets tax.

The investments defined regularly by Tax Administration as intensive capital or that investment that by its nature has an installation, production and commencement of operations cycle exceeding one (1) year, performed by new or already formed companies, may benefit from a temporary waiver of this tax, after providing proof that their assets qualify as new or derive from an investment capital as per the criteria defined in the regulation.

Those tax payers that declare losses in their income tax returns may request a temporary exemption of the Assets tax. Such request shall be made at least three months before the filing of the income tax returns.

The declaration of the Assets Tax shall be filed along with the income tax return of the company and shall be paid in two equal installments: 50% at the moment of filing of the declaration and the 50% remaining balance shall be paid six months later. If an extension shall be granted in filing the income tax return, it will also extend the term to file the assets tax declaration.

NIL RATE FOR EXPORTERS

The exported goods will be assessed on a nil rate. The exporters shall have the right to deduct the amount of the taxes charged when acquiring the goods destined for its export

activities. If a positive balance shall result in favor of the exporter, it shall be reimbursed by the Internal Revenue Office. The same process applies to the Selective Consumption Tax paid to the exporters of goods, provided that such exporters demonstrate a credit in ITBIS and in Selective Consumption Tax on a recurring manner for 6 months or more. In order to apply for this exemption, the exporters shall file a request of reimbursement or compensation to the Tax Administration which shall respond this request in a two (2) months term. If the Tax Administration does not issue a response in this term, the exporter will be authorized to compensate such balance in its favor against any tax except for those taxes withheld to a third party, including the tax withheld from the payment of dividends in cash.

DETERMINING CAPITAL GAIN TAX

To determine the capital gain subject to this tax, the purchase value of the good shall be deducted from the acquisition cost, adjusted by inflation. The capital gain received by the tax payer shall be subject to an income tax of 25%.

In order to determine the capital gain generated by the sale of goods and services located, placed or used economically in the Dominican Republic by a foreign company, the Tax Administration shall determine the sell value taking into account the sale value of the shares of the corporation which owns the goods or rights and its full value in respect to the full net worth of the corporation whose shares has been subject to transfer.

TRANSFER PRICING RULES

The transfer price between related companies shall be set forth according to the income of Dominican source of branches or other corporate structures of permanent establishments of foreign companies operating in the country, on the basis of the real results obtained during their operation in the country. In the event that it shall not be possible to determine the real results obtained in the country, the Tax Administration may determine the taxable income applied to the gross income of the Dominican branch, the proportion between the total income of the parent company and the gross income of the Dominican branch. The Tax Administration may also be entitled to fix the taxable income by applying to the assets of the branch the existing ratio between the total income of the parent company and the total assets of the branch.

The Tax Administration may invalidate the values charged and the expenses registered by the Dominican branch to its parent company abroad, when such values do not correspond to the amounts charged by similar operations between independent companies. The Dominican Republic does not enforce the transfer pricing rules based on the arm's length principle as defined in the OECD (Organisation for Economic Co-operation and Development) Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations.

ALL INCLUSIVE AND DETERMINATION FOR PAYMENT OF ITBIS AND INCOME TAX

Hotels operating under the "All Inclusive" system, the Tax Administration may define Advance Pricing Agreements (APA). The hotel sector shall be represented by the National Association of Hotels and Restaurants (ASONAHORES). Prices or tariffs set forth under such scheme shall be applicable to determine the taxable income for ITBIS and the operational income for the Income Tax. The Tax Administration may invalidate the tax payers under APA's, when their declared values are inconsistent with the criteria included in those values, and shall apply the penalties set forth by the Tax Code. Equal treatment shall be granted to those sectors related to foreign operations, such as insurance, energy and pharmaceuticals.

WITHHOLDINGS AT THE SOURCE. GENERAL PAYMENTS MADE ABROAD

Whoever pays or credits into accounts the taxable income of a Dominican source to individuals or corporations non resident or non domiciled in the Dominican Republic, that are not interest paid or credited in account to financial institutions abroad, nor dividends, shall withhold and enter into the Administration, as a sole and definitive payment of the tax, 25% of such income.

INTERESTS PAID OR CREDITED ABROAD

Whoever pays or credits into account interests of s Dominican source from loans engaged with financial institutions located abroad, shall withhold and enter to the Tax Administration as a sole and definitive payment of the tax, 10% of such interest.

DESIGNATION OF A WITHHOLDING AGENT

The corporations and the sole owned businesses shall act as withholding agents when they pay or credit into accounts of

other individuals and non divided heirs, as well as any other entities non exempted from tax, except for other corporations. The withholding set forth herein shall be made in the percentages of the gross income indicated below:

- a) 10% on the amounts paid or credited in respect of tax or lease of any kind of personal or real estate property, to be construed as payment on account.
- b) 10% on fees, commissions and other payments for the rendering of services in general, by individuals, not provided under a dependency relationship, which provisions requires the direct intervention of a human resource, as a payment on account;
- c) 15% on the prizes or profits obtained in lotteries, lotos, lotto quiz, electronic games and any other type of prize offered through promotional or advertising campaigns as a definitive payment;
- d) 0.5% on payments made by the state and its dependencies including state owned enterprises and non centralized and autonomous organizations, to individuals for the acquisition of goods and services in general, not provided in a subordination relationship, as a payment on account,
- e) 10% for any type of income not contemplated in these provisions, as an advance payment on account. When payments are made in this respect, they shall be considered as payment on account applicable to a presumable net income as indicated below:
 - a) Payments to cover services to transport cargo or passengers, based on a presumed net income of 20% of the gross value paid, which in this case the withholding will be 2% of said amount.
 - b) Payments to cover non hired personal services. In this regard, non personal services are considered as, but not limited to: fumigation, cleaning, electrical or mechanical repairs, as well as masonry, wood work, painting and plumbing services, based on a presumed net income of 20% of the gross services paid, therefore the withholding shall result in 2% of such amount.
 - c) Payments to contractors, engineers, construction manager and similar workers, in respect of buildings or constructions of civil works, such as roads, motorways, aqueducts, sewage an others, based on a presumed net income of 20% of the gross paid

value, and therefore the withholding shall be 2% of such amount.

- d) In the event of transfer of movable assets subject to registration, 10% shall apply on the basis of a presumed net income of 20% of the gross amount of the asset being sold and therefore the withholding shall be 2% of such amount.
- e) Interests of any nature paid in the country by sole owned businesses and corporations in general that are not regulated financial entities, provided that the beneficiary is not a corporation, are subject to 10% of the interest paid.

TAXES PAID THROUGH BANK CHECKS AND WIRE TRANSFERS

A tax of DOP\$1.50 for each DOP\$1,000.00 on the values paid by checks or wire transfers. Payments made to public entities such as Social Security Treasury, the Tax Administration and the General Customs Department are exempted from the payment of such tax.

TAXES ON REAL ESTATE PROPERTY TRANSFERS

Real estate property transfers are subject to a one unified tax of 3% on the higher value resulting from the amount set forth in the purchase and sale agreement and that assigned by the Internal Revenue Office. Moreover, the real estate transfers acquired by loans granted by intermediary financial institutions, and the mutual cooperation agencies, will be subject to this tax, provided that the residence or lot purchased with this loan exceeds the value of 1 million Dominican pesos, which will be adjusted by inflation each year. These transfer taxes shall be paid within a period of six (6) months from the moment the transfer of the property has concluded, which in the event of a default, the defaulting party shall pay in addition to such 3% interests and penalties as per the provisions of the Dominican tax code¹.

¹The highest value used as taxable rate of the real estate transfer taxes and motor vehicles chosen between the one set forth in the contract or agreement and the assessed by the Internal Revenue Office is a common practice of the tax administration.

MOTOR VEHICLE TRANSFER TAX

Vehicle transfers are subject to a one unified tax of 2% on the highest value resulting from the stipulated in the purchase and sale agreement or the assigned by the Internal Revenue Office, which shall be paid within three (3) months from the moment that this act is executed, otherwise it shall pay, in addition to this 2% tax, all interests and penalties as set forth in the Dominican Tax Code.

TAX ON THE INCORPORATION OF A COMPANY

The incorporation of a joint-stock company, stock company or corporation shall be subject to a 1% tax on their authorized capital, which in no case shall be less than DOP\$1,000.00. This tax shall also apply to investment trusts, and shall be calculated on the basis of the capital agreed on the articles of association or bylaws which incorporates the company. Capital increases shall pay the same tax rate on the increased amount.

This tax shall be paid to the Internal Revenue Office and the payment receipt must be filed upon the Director of the Mercantile Registry as well as any other public or private institution requiring the registration of the incorporation documents or the investment trust incorporated.

SELECTIVE CONSUMPTION TAX

The selective consumption tax levies all transfers of goods locally produced at the manufacturing level, as well as its importation or the rendering of local services. The applicable tax to these services is as follows

- a) 10% on telecommunications
- b) Specific amounts per liter of pure alcohol
- b) Specific amount per cigarettes packages.

The individuals, corporations, national or foreign companies that produce and manufacture these goods are obligated to pay these taxes at the last phase of the process, regardless of the fact that their intervention occurs through services rendered by third parties, importers of goods levied by this tax by their own account or by third parties, and the service providers levied by this tax.

The payment of this tax shall be made within the first 20 days of the month following the declared fiscal period. Importers shall pay this tax along with any custom taxes.

Insurances are levied by this tax at a rate of 16%. Insurances set forth by Law 187-01 are exempted. Electrical appliances are levied with a selective consumption tax between 20% and 10% respectively.

SELECTIVE CONSUMPTION TAX DERIVED FROM TOBACCO AND ALCOHOL

The products derived from tobacco and alcohols are levied with a selective consumption tax, which shall apply on the retail prices of such products. The rates are of 7.5% for the products derived from alcohol and 20% for products derived from tobacco. For the application of the foregoing taxes, the retail prices shall be determined by increasing the price lists without any discounts, gratuities, donations or other similar items, as follows:

- An increase of 30% for alcohol products
- An increase of 20% for beer
- An increase of 10% for tobacco products.

The table of specific amounts to collect the Selective Consumption Tax to the products deriving from alcohol and tobacco shall be modified annually.

CASINOS

During the first 5 days of each month, the Casino owners must pay the taxes corresponding to the previous month which shall be liquidated taking into account the number of tables in the casino under operation and the number of slot machines installed, as well as the business' geographic location.

The sports gambling agencies as well as the lottery businesses shall pay their taxes based on a fixed tax.

TAX VOUCHERS

As of the January 1st 2007, all individuals or corporations domiciled in the Dominican Republic having their main source of operations in this country and performing transfer of goods, deliveries, or rendering onerous or free services shall issue a tax invoice, as follows:

- a) Invoices Generating a Tax Credit and or Support Costs and Expenses. Refers to tax vouchers registered by the tax payers in trading transactions involving purchase and

sale of goods or services and allow the buyer to support expenditures and costs in order to offset against income tax or credits against ITBIS.

- b) Invoices for final consumers (without a tax credit). Refers to the tax vouchers that provides a credit to the taxpayer in the transfer, delivery of goods or the rendering of services to final consumers.
- c) Debit Notes. Refers to the documents issued by the sellers' or service providers to recover costs and expenses, such as default interests, freights and others incurred by the vendor after the original tax voucher has been issued.
- d) Credit Notes: Documents issued by the sellers of goods and/or service providers with subsequent changes to the original agreed sales conditions, i.e., to cancel operations, make returns, agree on discounts and gratuities, correct errors or similar cases.

In the cases of goods acquired abroad it shall be utilized as a tax voucher in the declaration issued by the Customs Department at the moment of the custom clearing of the goods imported.

Tax payers shall issue an annual report containing the tax numbers that were write off during the previous period, specifying the reason for such write off. Equally, they shall issue an annual report with the transactions that shall cover in detail the monthly expenses which are not registered with any tax voucher as they reflect payments to service providers established abroad, such as interest payments, loans, royalties, advertising and others.

OTHER TAX VOUCHERS

In order to avoid inconveniences in the development of trading activities, Presidential Decree 254-06 on Tax Vouchers contemplates the use of special tax vouchers for the registration of informal suppliers and minor expenditures.

Every tax voucher must contain an authorization number in order to be issued which shall be granted by the Tax Administration and such number must always be printed in the vouchers. Moreover, the number must also indicate the type of voucher issued, i.e. "Valid for Tax Credit" and "Valid for Final Consumer".

At the same time, General Norm 02-07 was issued by Tax Administration and is applicable to authorized money exchange operations for those entities related to currency exchange services. The entities regulated by this norm are the authorized entities as per the provisions of the Financial and Monetary Law and its regulations, which shall include the following entities:

- a) Multiple Banks;
- b) Saving and Loan Banks;
- c) Credit Corporations;
- d) Savings and Loans Associations;
- e) Exchange Agents
- f) Agents for Remittance and Currency Exchanges
- g) Mutual Fund agencies, undertaking activities of financial brokerage, with authorization of the Monetary Board;
- h) Other entities that the Monetary Board may consider to be included.

These entities shall register their daily income in a Special Voucher of Unique Registration per day, duly authorized by the Tax Administration. As per the provisions of this Norm, the income to be registered shall result from the difference between the currency purchase price and the sales price, as well as the commissions charged for related services. When the currency purchase generates income or expenses caused by an exchange difference and related services, the tax payer may register them without a tax voucher.

The authorized exchange brokers shall remit annually within the 60 working days after their closing date, a detailed report of the purchase and sales operations made, indicating the commercial name, the Tax ID Number, identification card number and any other document for identification of the purchaser or seller, the date of the transaction, type of currency, volume and exchange rate.

REGISTRATION FOR SUPPLIERS AND INFORMAL SUPPLIERS

In the event that the tax payer has to issue a tax voucher and does not issue the same, whether it is an occasional sale or because this good is exempted or it is a small contributor or in other particular cases, the buyer or the person receiving the service may issue himself or herself a special tax voucher

called registration for special or informal suppliers, duly authorized by the Tax Administration in order to validate those operations as deductible expenses for their income tax and as a credit for ITBIS. This special tax voucher shall be subject to the same requirements than the normal vouchers, except that in this case the buyer will issue the voucher instead of the seller which shall receive the voucher.

It is mandatory to include the supplier's name and identification card number.

REGISTRATION OF MINOR EXPENDITURES

As opposite to the aforementioned tax voucher, the Registration for Minor Expenditures is a kind of tax voucher issued by the company to itself to cover minor expenditures such as sellers expenditures, tire repairs, cash box replenishment, fishing services, agricultural workers, carpenter services, masonry, wood workers, electrical workers and similar services .

SOLE REGISTRATION OF INCOME

The Tax Voucher for Sole Daily Registration may be used by tax payers that by the nature of their activities make the majority of their operations with final consumers and whose sales are based mainly on products or services exempted from ITBIS. When these companies or institutions sale to tax payers requiring invoices to use as expenditure claimed against Income Tax or Tax Credit for ITBIS, they shall issue a valid invoice for tax credit with a tax voucher number.

VALIDATION OF TAX VOUCHERS THAT SUPPORT TAX CREDITS, COSTS AND EXPENSES

The buyers that use tax vouchers to support a tax credit in terms of ITBIS or supporting costs and expenditures in order to determine and liquidate the Income Tax, shall consult in the Tax Administration the validity of such tax vouchers, which can be done by accessing to the data provided of the specific tax vouchers, or through the general access to all the other tax vouchers approved for a specific tax payer, in such cases that it can be justified by the value of the operations made by the buyer.

If the tax payer fails to consult through the information provided by the Tax Administration the validity of the tax vouchers, he/she will not be able to argue its lack of information of the consultation system and use it to oppose to the

determination or observation made by DGII regarding the tax credit or the costs or expenditures with non authorized tax vouchers.

REPORT ON INFORMATION OF TAX VOUCHER

All tax payers filing monthly declarations of ITBIS must report the information of the operations supporting the costs and expenditures for Income tax, the advances used as credits for ITBIS and the withholding of ITBIS made to third parties, which shall be sent electronically to the Tax Administration within the first 15 days of each month.

Tax payers who are not obligated to file ITBIS declarations and do not make withholdings of such taxes shall file an annual report, 60 days after the closing date of their fiscal year in case of corporations and on February 28 of each year in the case of individuals and sole owned businesses.

Tax payers listed in the General Norm 01-07 shall send annually on the 60 days after their closing date the information with all the income generated during the fiscal year supported by the tax vouchers in a pre-established format. The tax administration may include new tax payers to such list, but this has to be done with 30 days in advance.

Corporations with a fiscal year closing on December 31st, shall report sales information and operations corresponding to the fiscal year 2007, using the format available in the Tax Administration web site used exclusively for this type of businesses with fiscal year closing on March 31st, June 30 and September 30.

PENALTIES, SURCHARGES AND INTERESTS

Payment made after the deadline shall entail a surcharge of 10% for the first month and an additional 4% for each month or fraction thereof, as well as interests of 1.73% per each month or fraction. These sums are not deductible of the net taxable income when filing the Income Tax Returns.

If the deadline to pay these taxes ends on a holiday or declared non working date, the payment may be done on the following labor day without paying surcharges or interests.

NOTICES BY THE TAX ADMINISTRATION

Notices made from the tax administration shall take place by personal delivery, by telegram, certified letter with

acknowledgment of receipt, by written evidence or electronic mail, fax or any other electronic mean of communication set forth by the Administration.

TAX PAYER'S DUTIES

Tax payers are obligated to comply with the formal duties set forth by the Tax Code, such as:

- a) Registering at the National Tax Registry (RNC).
- b) Informing the changes of domicile, commercial name, telephone, activity or any other change that modifies the tax liability.
- c) To keep the mandatory registries and account books.
- d) File the Tax Declarations corresponding with the documents and information required and give the proper clarification.
- e) Assist to the Internal Revenue Office when required.
- f) To facilitate to the officers the inspections and verifications.
- g) To communicate sale, liquidation, dissolution or any other related transaction, in a term of 60 days in order to obtain authorization from the Internal Revenue Office.
- h) To keep hard copies (paper) as well as in electronic documents for a period of 10 years, all documents of accounts, such as receipts, checks and others.

TAX PAYER'S RIGHTS

The most important rights for tax payers are:

- a) Right to extensions
- b) Right to flexible payment
- c) Rights to advance tax payment exemptions
- d) Right to offset
- e) Right on information on any legal action made by the Tax Administration
- f) Right to confidentiality
- g) Right to challenge any adverse decision made by the Tax Administration through legal administrative and judicial remedies.
- h) Right to reimbursement.

If you need a copy in spanish please
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