

Executive Summary

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Memorandum on Law 171-07 regarding special incentives to foreign retirees and passive investors of non-Dominican source ("Law 171-07")

Background of Law 171-07

As stated in the preamble of Law 171-07, "the Dominican State recognizes that the capital and currency contributions coming from abroad contribute to the development and general well being of the population, the economic activity and national production"; thus, it is an ongoing priority for the Government to take the necessary measures to allow the Dominican Republic to remain an attractive option to foreign investors vis-a vis other countries in the region.

Pursuant to the provisions of Law 171-07, retirees and passive investors, as defined under Article 1 of said Law, are eligible to obtain the Dominican residency; and to that effect, they benefit from the expedited residency process created pursuant to Decree No. 950-01 that allows foreign investors to obtain the issuance of the requested residency card within a term of no longer than 45 working days.

Tax Benefits Under Law 171-07

Those individuals who qualify as retirees or investors under Law 171-07, may benefit from the following exemptions:

- Real property transfer taxes for the first property acquired.
- 50% of the Mortgage Registration Tax, if the secured creditor is a financial institution subject to the regulations enacted pursuant to the Monetary and Financial Law.
- 50% of the Real Estate Property Tax.
- Taxes on dividends and interest payments, regardless of the source (Dominican or non Dominican source).
- 50% of the capital gain tax (provided that the investor is the majority shareholder of the company that is liable for payment of the tax and if the main corporate purpose of the company is not commercial or industrial.

- Import duties levied on the importation of home furnishings, office and professional equipments.
- Import duties levied on motor vehicles (for 1 vehicle); and if acquired in the Dominican Republic, it will be exempted from the ITBIS (VAT) and the Specific Consumption Tax (ISC).

The exemptions previously described will remain in full force and effect for the duration of the residency issued in favor of the retiree or passive investor.

For the purposes of the law, the term investor shall mean "those individuals that benefit from steady and permanent income derived from capitals generated or located abroad by reason of any of the following: (i) deposits and/or investments placed in banks outside of the Dominican Republic; (ii) remittances from foreign banks or financial entities; (iii) investments made in foreign corporations; (iv) remittances of payments related to real estate properties; (v) interest paid in connection with securities, in national or foreign currency, with the State or its institutions, provided that the invested capital was generated abroad and the currency conversion is made at any financial institution in the DR; (vi) interests, income or dividends derived from investments made in movable or real estate assets located in the Dominican Republic, provided that the capital invested was generated mainly abroad:

In the event of death of the retiree or passive investor, his/her acquired rights under Law 171 shall be vested on his/her spouse, or in his/her absence on any other dependant, as defined under Article 5 of said law, as long as they comply with the legal requirements that were applicable to the original applicant, as established in Articles 3 and 6 of this legislation.

Application Requirements

In broad terms, the process involves two stages; the first one entails obtaining the status of permanent resident by reason of

investment before the National Immigration Directions. The second stage involves obtaining the acknowledgement of the tax benefits previously described above from the Tax Administration (the DGII and the DGA).

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.

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.

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.



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