

Executive Summary

General Information on Incorporation of Non-profit Associations

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I.- General Features and Procedure of Incorporation of Non-Profit Associations:

Non-profit associations ("Associations" hereinafter") are incorporated under the provisions of Law 520 on non-profit associations dated July 26, 1920 ("Law 520" hereinafter) as amended, given that the purpose sought is essentially a social purpose for the benefit of all.

Purpose: Under said Law 520 as amended by law No. 666 of 1982, Associations are defined as "an agreement between two or more individuals or corporations to meet for lawful purposes at the exclusion of pecuniary profits or any appreciated in money to be distributed among them".

Powers: The law does not attribute any specific activities said associations are to engage in; however, said institutions shall respect certain restrictions contemplated by the law, such as: (i) any distribution of profits among members, whether individuals or corporations, (ii) any illegal operations.

In this sense Associations shall be empowered to: (a) appear as plaintiff or defendant before any court of law; (b) enter into contracts, lease, own and acquire any real or personal property either for free or for a price, and to have any property sold or encumbered; and (c) enter into any kind of loans for the purposes of the association.

Procedure of Incorporation: The incorporation procedure includes the following steps:

- a) Drafting the Corporate By-laws, therein stating the agreement of the incorporators to regulate the association during its juridical life;

- b) Holding a Meeting whereat , among other things, Directors shall be elected by the members of the Association
- c) Addressing a petition to the Executive Power through the Office of the Attorney General for the Republic, requesting the benefit of the incorporation of the Association;
- d) Filing the incorporation documents before the appropriate courts;
- e) Publication of a notice of incorporation in a newspaper having nation-wide circulation.
- f) Registration before the General Internal Tax Directorate in order to be assigned a National Taxpayer Registration Number.

Requirements: Under the provisions of Law 520 the following provisions shall be included in the by-laws, or otherwise these shall be null:

- a) Domicile of the Association;
- b) Term of duration of Association or a statement to the effect it is organized for an indefinite term of time;
- c) Duly stated purpose and scope of the Association;
- d) Quorum required both at general meetings and directors meetings, and number of members that will be deemed a majority in one and the other.
- e) Appointment of an officer authorized to represent the association in justice and to execute all kinds of contracts on its behalf.
- f) Authority of the Board of Directors and the officers thereof;
- g) Authority of the stated directors, managers or the president to apply for incorporation; and
- h) Use to be made of any assets in the event of dissolution.

It should also be pointed out that Non Profit Associations are subject to the provisions of general Dominican laws and very particularly regarding employer's obligations, such as retention and payment of any taxes on salaries; social security quotations; periodical reports, forms and books required to be kept by various agencies such as the General Internal Tax Directorate (DGII by its Spanish acronym), Secretariat of State for Labor, among others.

II.- Fiscal Considerations

- 1.. Non-Profit Associations organized under the provisions of Law No. 520 are compelled under Article 7 thereof to keep the following books:
 - a) A record book including the name and surname, profession and domicile of members; and
 - b) An inventory detailing all the real and personal property owned by the Association.

Associations shall also adopt any of the accounting methods approved by the Tax Administration to reflect the source and origin of all income received and such use and destination as is given thereto.

Additionally, associations are to file the appropriate tax returns; and if they were retention agents, a sworn statement of any retentions made shall be filed before the Tax Administration each year in such manner and on such date as were prescribed by said Administration.

2. As to any income tax payable by Non Profit Associations, the following exemptions are provided under Article 299 letter (d) of the Tax Code : "such income as were realized by any civil organizations engaged in social welfare, charity, benevolence, social, literary, artistic, political, labor and scientific organizations, provided any income and corporate assets were used for the purposes of their organization and were in no case directly or indirectly distributed among members. Whenever any income were to accrue from any activities of a nature different from such purposes as the association was organized for, any such income shall be subject to taxation".

Lastly, it is important to point out that any donations to Associations by individuals and corporations shall benefit from such deductions as are admitted in the Tax Code under Article 287.

It should be mentioned that donors shall benefit from the above provisions only if the Association were already included in the record that is kept by the Tax Administration there for; any such record shall be renewed every three years, subject to the tax authorities determining that the relevant organization has complied with the purposes of its organization and with any formal duties as detailed above.

Such formal duties include the obligation by any association benefiting from any donations during the preceding year to file a report thereon with the tax administration by March 15 each year, therein including names of donors, amounts and assets donated.

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