Foreign Investment

Doing Business in Dominican Republic

Dominican Foreign Investment Law

Foreign investment in the Dominican Republic is regulated under Foreign Investment Law No. 16-95 of November 20th, 1995, as well as by other general and sector specific laws and regulations.

The purpose of Law 16-95 is to open foreign investment to most sectors of the Dominican Economy and to provide foreign investors with legal guarantees, benefits and exemptions while doing business in the Dominican Republic.

Dominican Foreign Investment Areas

Foreign Investment Law No. 16-95 allows foreign investors to invest in almost every type of businesses, trade and service area of the Dominican Republic, excluding public health, environmental activities, and the manufacturing of materials or equipment linked to national security and defense, which are subject to a special authorization from the Executive Power.

The Law also prohibits the management and disposal of toxic waste and radioactive materials produced elsewhere.

Forms of Dominican Foreign Investment

Pursuant to Foreign Investment Law 16-95, a foreign investment in the Dominican Republic can take the following forms:

a.- Contributions in freely convertible currency exchanged at a national banking organization.

b.- Contributions in kind, like machinery, equipment, parts, raw materials, products and intangible technology.

c.- Financial instruments rated as foreign investment by the Dominican Monetary Board except for any instrument resulting from contributions or internment of any operations of reconversion of Dominican debt.

Also, Dominican foreign investment regulations consider as foreign investment all technology transfers, technical assistance, basic and detailed engineering agreements with foreign individuals or corporations.

Any royalty provisions included in such agreements may be repatriated in freely convertible currency, as long as said agreements and royalty considerations have been approved by the Central Bank of the Dominican Republic.

Purpose of the Foreign Investment

Foreign capital contributions can be made onto the capital of new or already existing enterprises regardless of the particular corporate structure among such entities, as are recognized by the General Business Entities Law of the Dominican Republic (Dominican Corporation, LLC, etc.), or through an affiliate or foreign branch.

Also, foreign investment can be made in real estate property in the Dominican Republic or in financial assets according to the rules issued by the Dominican Republic's Monetary Board.

Registering the Foreign Investment

Within a term of ninety (90) days after a foreign investment is made, the foreign investor must register the investment before the Foreign Investment Department of the Dominican Republic's Central Ban, after which the Central Bank will issue a Certificate of Registration of the Foreign Investment in benefit of the applicant.

Benefits of Registering the Investment

Foreign investors with foreign investments in the Dominican Republic under Law No. 16-95, who comply with the investment registration requirement, may repatriate all profits after taxes for the relevant fiscal period, in freely convertible currency without any prior authorization or requirement of the government.

Furthermore, foreign investors can repatriate the total capital invested in freely convertible currency, without any prior authorization or requirement at the time of selling or liquidating their investment, including therein, any capital gains conducted and registered in the investors corporate books under generally accepted accounting principles.
The Dominican Republic offers ample foreign investment tax incentives laws.

Exports Promotion: Law 84-99 provides incentives, such as the reimbursement of taxes and customs duties paid by the exporters for raw materials, components, intermediate goods, labels, containers and packing material, if those are incorporated to export goods or returned abroad in the same condition that they entered the Territory. The Law establishes a "Regime for the Temporary Admission for Perfecting Goods" allowing certain goods to enter Dominican Customs Territory, with suspension of duties and import taxes, to be re-exported in a term no greater than 18 months.

Free Trade Zones: Law 8-90 of Promotion of Dominican Free Zones, grants export free zone businesses several tax and customs incentives, including exemption from payment of corporate income tax, assets tax, tax on the transfer of industrialized goods and services (VAT), tax on construction, tax on loan agreements, on the register and transfer of real estate property, tax on the incorporation and increase of capital of commercial entities, municipal taxes, import taxes, customs duties, exemption from payment for transit and use of ports and airports, among others.

Textile, Apparel and Leather Industries: Law 56-07 Declaring of National Priority the Textile, Apparel and Accessories, Shoemaking and Leather Manufacturing Sector offers companies in these Industries in DR Territory with incentives consisting of an exemption from payment of Value Added Tax and other DR taxes on the import or purchase in the local market of raw materials, components, machinery, equipment and services, application of a cero percent (0%) tariff to the import of all exempted products from the cotton, fiber, textile, apparel and accessories, leather, shoemaking, and leather manufacturing industries. They may export up to one hundred percent (100%) of goods and/or services to DR Territory.

Tourism Promotion: Law 158-01 of Incentives for Tourism Development provides that all persons that venture, promote or invest capitals in tourism and ecotourism activities such as hotels, resorts, cruises, conventions, congresses, festivals, shows/concerts facilities, basic services infrastructure, entertainment, bio/theme parks, port/maritime infrastructure, aquariums, restaurants, golf courses, sports facilities, tourism real estate and any other facility related to tourism activities, may benefit from 100% exemption for 15 years, from: (1) income taxes resulting from the investment; (2) company incorporation and capital increase taxes, construction permits, property tax, property transfer tax; (c) import taxes and other taxes, including value added tax applicable to equipment, materials and movables for starting operation the facility; and, (d) taxes and withholdings from financing and accruing interests.

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