



Doing Business in Dominican Republic

## Ways of Entering and Doing Business in Dominican Republic

There are two ways to enter and do business in the Dominican Republic: By establishing a separate Dominican business entity (“subsidiary”) or by registering a branch of a foreign company (“branch”). There is also a third way, which would be through the acquisition of an existing business company (“acquisition”).

In addition, business relationships may be set up under a commercial contract in form of a joint venture, agency, distribution or similar agreements that comply with Dominican Republic legal and regulatory requirements, for the recognition and validity of business entities and commercial agreements.

Another option consists of a Consortium agreement between foreign and Dominican companies intended to execute projects in which the Dominican State participates.

### 1. ESTABLISHING A DOMINICAN SUBSIDIARY

Usually start-up and medium business entities in the Dominican Republic are incorporated as a Limited Liability Company or Sociedad de Responsabilidad Limitada (S.R.L.). The Sociedad de Responsabilidad Limitada or S.R.L. is the most common and efficient form of organizing a company in the Dominican Republic and is often chosen by large foreign companies as the legal form for their subsidiaries.

S.R.L.’s offer the following advantages: The partners receive limited liability, meaning that they only respond for company debts up to the limit of their contributed capital. Shareholders can be legal persons or individuals. SRL’s is manager managed with no board of directors required; managers must be individuals. Company can attract capital through the issuing of new shares which may be ordinary or preferred shares.

SRL’s may effectuate any type of activities that are legal in trade and there are no restrictions in the Dominican Republic on the legal currency. The United States Dollar is exchanged freely with the Dominican Peso, as well as any other currency.

SRL’s also serve as a holding company and may keep assets as their property, contributed by the partners or acquired by the same, both national and international, movable and real estate properties.

SRL can outlive their founders. Their quotas may be freely transferred among partners, by way of succession, in case of liquidation of marital community assets, among ascendants and descendants under the rules established in the By Laws.

The main steps in establishing a Dominican Limited Liability Company (SRL) are the following:

1. Make a search before the Dominican Trademark Office, draft and file the request registration to obtain a trade name for the Dominican Company.

2. Draft by-laws, minutes of incorporation meeting and related incorporation documents. These may be drafted as private documents or as a notary public act for signing by the partners and managers for legalization by notary public;
3. Pay the incorporation taxes of one percent (1%) of the company's registered capital and purchase applicable document stamps before the corresponding Dominican Tax Administration (DGII);
4. Prepare the business register application and file it along with the corresponding company incorporation documents after payment of business registration fee to obtain the company's business registration certificate;
5. Prepare and file the request to obtain the company's Tax Identification Number (RNC);
6. Register at DGII's web page to obtain access and request fiscal invoice numbers (NCF);
7. Enroll employees before the treasury of social security (TSS) and the ministry of labor.

The following schedule serves as a guidance of the time required to form a new Dominican Company:

|   |                   |
|---|-------------------|
| Register of company trade name  | 5 to 7 days       |
| Drafting incorporation documents plus annexes (Incorporation Meeting, By-laws, Business Register application) | 2 to 5 days       |
| Paying incorporation taxes on capital less than   | 1/2 day           |
| Incorporation Meeting of shareholders less than   | 1/2 day           |
| Legalizations by Notary Public  | less than 1/2 day |
| Registration in Business Register   | 2 to 5 days       |
| Registration as Tax Contributor (RNC)   | 10 to 15 days     |

The following founding documents are needed to form the company:

1. Business Register request of registration form for Dominican Company, duly signed by the person that is authorized by the company or by an empowered attorney, for which a copy of the power of attorney shall be provided.
2. By- Laws/Articles of Incorporation in private or notary act form containing the details required in legislation (including company name, registered domicile and purposes.
3. Attendance List and Minutes of the Incorporation Meeting.
4. Updated List of Partners/ Shareholders
5. Report of the Commissary of Contributions, if applicable.
6. Receipt of payment of the tax on the incorporation of legal entities.
7. Photocopies of the Dominican Identity and Electoral Card and if foreign, Passport photo page or other official document with visible photo from the country of origin for the partners, managers and account commissary.
8. Copy of the Trade Name Certificate issued by the Dominican Trademark Office.
9. Declaration of acceptance of the appointments by the managers if this is not apparent from the by-laws and minutes of the incorporation meeting.

### **3. REGISTERING A DOMINICAN BRANCH**

Foreign companies interested in doing business in the Dominican Republic (DR) may register a branch in the DR. Under Dominican law, a registered foreign company branch office can enter into contracts and execute and settle transactions in its own name, and can sue and be sued at its place of business.

In order to successfully complete a DR branch registration, the foreign company documents shall prove its valid incorporation and existence, contain all general and specific information as well as proper authorizations; corporate documents shall be certified, notarized and duly legalized by all applicable foreign and local authorities according to local and international law.

The registration of a foreign company branch before local authorities will enable the owners of the foreign entity to conduct business in a similar way and equal rights as a DR business entity.

Branches of foreign corporations are in general treated the same way as legal entities for tax purposes. They are however not subject to issuance stamp tax upon formation. Profits of a Dominican branch office are exempt from taxation (Dominican withholding tax) in the partner-nation under the double-taxation agreements which Dominican Republic has signed.

To register a branch in the DR, it is necessary to provide certified company incorporation, shareholder and manager verification and a power of attorney to qualified attorneys who will draft, prepare and file the request of branch registration at the business register and request a Taxpayer Identification Number (TIN) in the Dominican Republic.

Usually, the registration of a branch to pursue general, unregulated and taxed commercial activities may be accomplished by pursuing the following:

a) Business Registry: The Company should be registered in the Business Registry of the Chamber of Commerce where its local domicile will be located. A registration fee is calculated based on the authorized capital. In order to obtain this registry, the company must file all documents which evidence its proper incorporation in the home country and that representatives are fully authorized to register the foreign company branch.

b) TIN: Issued by the Tax Administration. It is a number that shall serve for identifying the business's taxable activities and for the control of the duties and obligations derived therefrom. To obtain such registration, the company shall file copy of the Business Registry and the corporate documentation that may be required by such Tax Administration. It shall also present a valid corporate domicile in the DR which may be subject to verification.

*Questions about this information can be directed to Our Team at 809.472.2222 ([info@aclaw.com](mailto:info@aclaw.com)) or to our lead contact Felipe Isa Castillo ([fcastillo@aclaw.com](mailto:fcastillo@aclaw.com)).*

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