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FEBRUARY 2015
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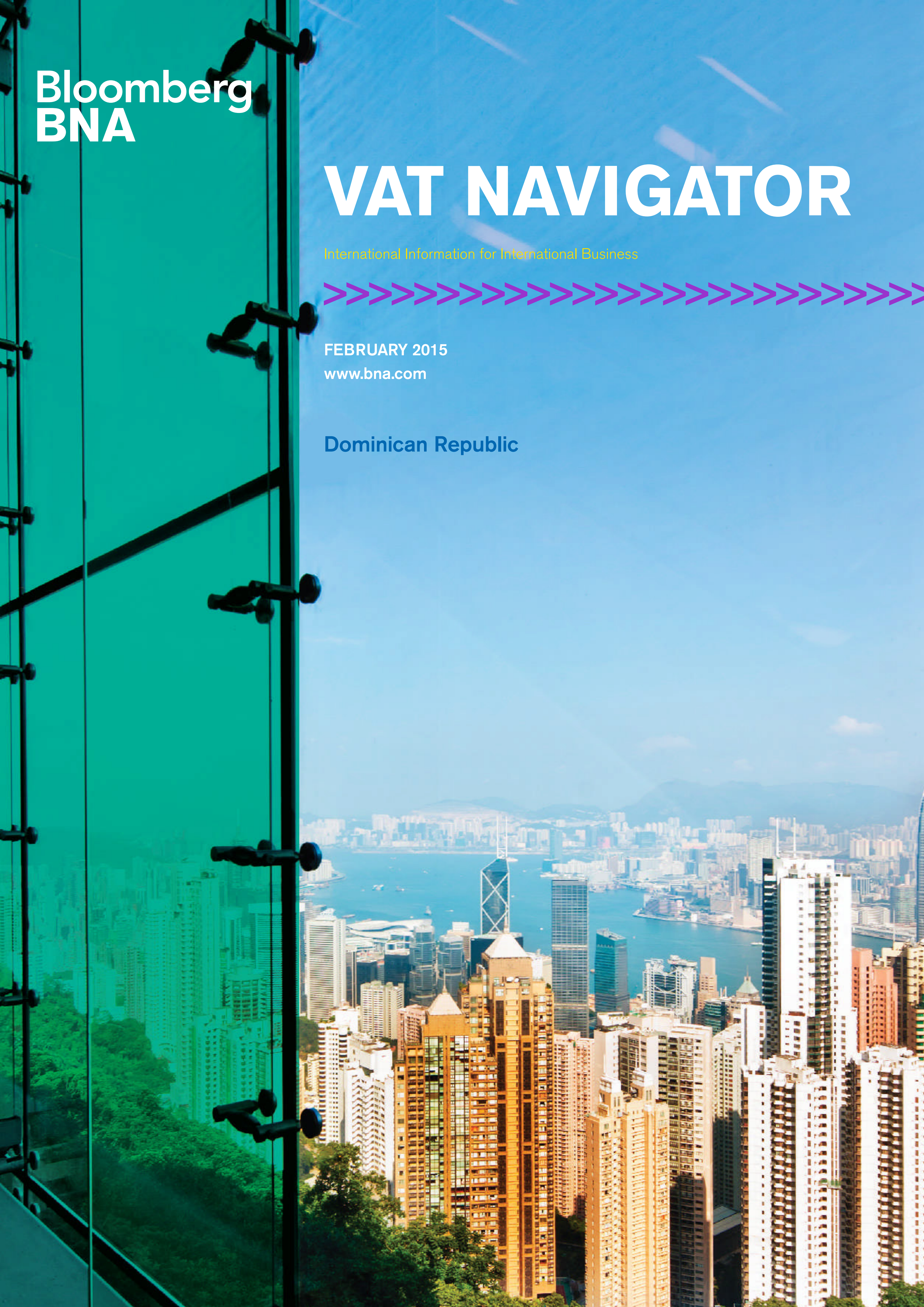

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Dominican Republic

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Last reviewed/ updated January 1, 2015

1. Introduction

1.1. Summary of VAT rates

In the Dominican Republic, the following VAT rates apply:

Standard rate: 18 percent

Reduced rate: 13 percent for certain food products

Other: Zero rate and exemptions

1.2. Legal basis

A general VAT, known as the tax on the transfer of industrialised goods and services (*Impuesto a la Transferencia de Bienes Industrializados y Servicios*) is levied in the Dominican Republic pursuant to Chapter III of Law No. 11-92 (the "Tax Code"), as amended.

Further regulation is provided by:

- VAT Ruling for the application of the Chapter III of the Tax Code approved by Decree No. 293-11;
- Tax Reform Law No. 253-12;
- Ruling No. 50-13 for the application of the Tax Reform;
- The Directorate General of Internal Revenue's (*Dirección General de Impuestos Internos*) (the "Tax Authority") norms, circulars and opinions, and
- Other related regulations.

The Tax Authority as well as the Customs Administration are responsible for the administration of VAT.[1]

1.3. Recent developments

There have been several recent developments in the area of Dominican VAT law, including increases in VAT rates, reductions in the applicable rates for certain products, and changes in rules for VAT deductions.

The developments are as follows:

- On January 1, 2015, the reduced rate of VAT increased from 11 percent to 13 percent.
- In March 2014, the Tax Administration and the Association of Hotels and Tourism signed an agreement that establishes guidelines aimed at making the tax processes for the "all-inclusive" hotels located in the Eastern region (Fixed Price Agreement "FPA") more transparent. The FPA also established the prices from which VAT and income tax would be calculated for the fiscal years 2013 through 2015.
- The Tax Reform Law established a reduced tax rate on some food products of 11 percent in 2014, increasing to 13 percent in 2015 and 16 percent in 2016. These food products include: coffee, yogurts, butter, soy oil, butter oil, sunflower oil, coconut oil, corn oil, sugar, cacao and chocolate, among others.
- Decree No. 50-13 introduced certain changes with respect to the deduction of VAT when it cannot be determined whether imports or local purchases of goods and services have been used in taxable or exempt transactions. The rate of deduction is determined by multiplying by 100 the fraction resulting from the following formula: (i) the total amount determined for each month of operation of VAT taxed operations performed by the taxpayer; over (ii) the total amount of operations performed by the taxpayer, determined for the same period.

2. Scope

2.1. In general

Article 335 of the Tax Code provides that VAT is levied on the transfer of industrialised goods ("goods"), the importation of goods and the provision of services in the Dominican Republic.[2]

[1] Tax Code, ch. IX, art. 385.

[2] Tax Code, art. 335.

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2.2. Territorial application

The VAT rules apply to all transactions within the territory of the Dominican Republic. Article 9 of the Dominican Constitution defines the domestic territory as consisting of:

(i) The eastern part of the island of Santo Domingo, its adjacent islands and the set of natural elements of its marine geomorphology;

(ii) The territorial sea, the seabed and subsoil; and

(iii) The airspace over the country, the electromagnetic spectrum and the space where it acts.

2.3. Taxable transactions – overview

Generally, all transfer and imports of goods, as well as the rendering of services in the Dominican Republic will be subject to tax, unless otherwise exempted.

2.4. Excluded transactions

Under the VAT law of the Dominican Republic, the main excluded transactions are the transfer and import of non-industrialised goods. In addition, the transfer of copyright, industrial property, permits, licences and other rights that do not involve the transfer of tangible personal property and rights are excluded.

3. Taxable persons

3.1. Definition/scope

For VAT purposes, a taxpayer is defined as follows:[3]

- Any individual, or foreign or national company that carries out transfers of VAT taxable goods in the course of their industrial, commercial or similar activities;
- Any person or entity importing VAT taxable goods (including self-employed persons); and
- Any person or entity that provides VAT taxable services or is the lessor of services subject to VAT.

Mandatory Registration

In general, all individuals and entities performing taxable operations that generate fiscal obligations and responsibilities within the Dominican territory should be registered with the National Taxpayer Registry (*Registro Nacional de Contribuyentes*)[4]

See Section 3.2 for details on voluntary registration.

Registration can be completed in person or online via the Tax Authority's website (see Appendix 15.2).

Small businesses are subject to a simplified tax regime (*Procedimiento Simplificado de Tributación*) subject to certain criteria (see Section 13.3).

3.2. Voluntary registration

Voluntary registration for Dominican VAT is not available. All individuals and entities performing taxable activities must register for VAT.

3.3. Exemptions from registration

There is no registration threshold for Dominican Republic VAT. There are also no exemptions from registration.

3.4. Group and divisional registration

Under the VAT law of the Dominican Republic, when two or more individuals or companies, carry out transfers of goods or services subject to VAT and those activities are controlled by the same person, the Tax Authority may consider them as a single taxpayer.

If an individual owns, controls or manages several businesses, the VAT imposed is considered as the VAT of the individual. Such treatment is subject to formal written request before the Tax Authority and approval.[5]

3.5. Registration of non-resident persons

If a non-resident person undertakes taxable activities, it must be registered before the Tax Authority. If a non-resident is not registered before the Tax Authority it will not be able to file for VAT-related credits and refunds. Failure to make timely registration will be subject to penalties in the Dominican Republic.

4. Taxable transactions

4.1. Goods

For Dominican VAT purposes, a supply of goods is, generally, the right to dispose of as owner of tangible goods, which are taxable unless otherwise exempt. A temporary transfer of goods is not considered a supply of goods, but it could be considered as a VAT taxable rental service.

"Industrialized Goods" are defined in the Dominican Tax Code as tangible goods that have undergone a process of transformation, from raw materials to a finished product.[6]

The distinction between goods and services is important because the rules governing the application of the tax considering exports and imports are distinct, as discussed in Section 5.

Supplies of goods include:

- Paper (office goods);
- Clothing;
- Some kind of foods, processed foods;
- Cosmetics goods;
- Construction materials;
- Appliances;
- Beauty supplies;
- Furniture;
- Jewellery, and
- Electronics products.

Tax Point

VAT becomes payable, in the case of goods, when the goods transfer document is issued or when the goods are delivered, whichever occurs

[3] Tax Code, art. 337.
[4] Tax Code, art. 352.
[5] Tax Code, art. 337(e).
[6] Tax Code, art. 336.

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first. In case of imports of goods, VAT becomes applicable when the corresponding good is made available to the importer.

4.2. Services

A supply of services is, generally, a supply other than a supply of goods. In general, as with goods, the supply of services is taxable, unless otherwise exempt or zero-rated. If the supply of services is provided within the Dominican Republic, it is taxable for VAT purposes.

Supplies of services include:

- Rentals and leasing;
- Professional services;
- Hotels, motels, bars, restaurants and clubs;
- Communication of voice, data, video, phone or rendered by any means, cable, telex, pagers;
- Cable services;
- Rental services;
- Floristry, laundry, courier, securities services;
- Advertising services;
- Air and maritime transportation;
- Construction services; and
- Personal or corporate security services.

Tax Point

VAT generally becomes chargeable on the earlier of either the supply of the service, or the issuance of an invoice.

4.3. Intangibles

Sales and Leases of Intangibles

Article 4 of Dominican Republic VAT Ruling 293-11 provides that the transfer of copyright, industrial property, permits, licences and other rights that do not involve the transmission of movable tangible property, as well as the rental or lease of intangibles rights are exempt from VAT.

4.4. Immovable property

Sales of Immovable Property

Sales of real estate are not subject to Dominican Republic VAT.

Leases of Immovable Property

In general, the lease, rental, use or enjoyment of property and its rights, movable or immovable, tangible or of any kind, such as a lease or rental of land, farms, commercial buildings, industrial buildings, ships, airplanes, offices, clinics, businesses, industries, vehicles, machinery, clothing, utensils, furniture, and other similar accommodations with or without a purchase option are subject to VAT.

4.5. Other taxable transactions

For Dominican VAT purposes, all transactions are characterised either as supplies of goods or as supplies of services, and there are no other categories of taxable transactions.

4.6. Mixed transactions

Under Dominican Republic VAT law, according to Decree No. 50-13, when it cannot be determined whether imports or local purchases of goods and services have been used in taxable or exempt transactions, the rate of deduction is determined by multiplying by 100 the fraction resulting from the following formula: (i) the total amount determined for each month of operation of VAT-taxed operations performed by the taxpayer; over (ii) the total amount of operations performed by the taxpayer, determined for the same period.

The taxpayer is entitled to deduct VAT from gross tax amounts paid in advance in the same period, since the advance is intended to be deducted from goods and services used in taxable activities.

4.7. Taxation of imports

4.7.1. In general

Generally, Dominican Republic VAT law, VAT is charged on the importation of goods, at the point of importation.

In general, any transaction that includes the transfer or the importation of goods is subject to VAT, unless they are exempt supplies or zero-rated supplies.

VAT becomes payable, in the case of imports, when the imported goods are available to the importer, in accordance with the Customs Law.

4.7.2. Imports of goods

VAT is generally imposed on the importation of goods into the Dominican Republic. VAT is applicable at the moment the imported goods become available to the importers for use or consumption in Dominican territory. Importers are responsible for paying the applicable VAT.

The tax base of VAT is calculated by adding the corresponding tax to the value defined for customs purposes.

4.7.3. Temporary imports or re-exported goods

Pursuant to Articles 343 and 366 of the Tax Code and Law 84–99, VAT is not payable on temporary imports where the goods are temporarily imported and then re-exported within 18 months, from 30 days after the arrival date into the Dominican Republic.

The following goods may be imported under this regime:

- Raw materials, supplies, intermediate goods;
- Labels, packaging and packaging materials, and
- Parts, molds, dies, tools and other devices when serving complement other devices, machines or equipment used in the manufacture of export goods.[7]

Applicants for this regime must submit an application to the Dominican Export Promotion Center (CEDOPEX) on a form prepared for this purpose. Moreover, exporters who are beneficiaries of the temporary admission regime must submit to Customs a bank guarantee or have an insurance company to cover the total amount of customs duties and taxes that could result from their final importation.

[7] Law 84-99, art. 9.

4.7.4. Imports of services

Services supplied in the Dominican Republic are subject to VAT, and in general, the supplier is liable for the VAT. However, if the supplier of services is a non-resident, the importation of services is not subject to VAT under the Tax Code.

In case of exports of services, VAT does not apply if the following conditions are met:

- The payment for the service is made from a foreign source;
- The expense does not affect any taxable income or expenses in the Dominican Republic; and
- The payer is not domiciled or a resident in the Dominican Republic.

For the determination of the place of supply, see Section 5.2.

5. Place of supply (or equivalent)

5.1. Place of supply – goods

Place of Supply – Goods

Place of supply rules are important to VAT analysis because transactions are not subject to VAT unless the Dominican Republic is the place of supply.

In general, the place of supply is the place where the goods are located when the supply takes place. The local supply of goods is taxable, regardless of where the contract was entered into or payment was made.

5.2. Place of supply – services

Place of Supply – Services

Place of supply rules are important to VAT analysis because transactions are not subject to VAT unless the Dominican Republic is the place of supply.

For Dominican VAT purposes, in general, the place of supply of services is where the services are performed. Services supplied by a local provider to a non-resident are outside the scope of VAT, if the services provided are used solely by the foreign entity, the foreign entity does not have a permanent establishment in the Dominican Republic, and the payment for the service is made from a foreign source and does not affect any taxable income or expenses in the Dominican Republic. In addition, if a non-resident provides a service to a local resident, local VAT should not apply.

5.3. Place of supply – other transactions

Place of Supply – Other Transactions

The Dominican tax system classifies transactions as supplies of either goods or services, and does not use other classifications. Therefore, there are no place of supply rules applicable to other types of transactions.

5.4. Place of supply – imports

Place of Supply – Imports

Goods imported into the Dominican Republic from a foreign jurisdiction are treated as having the Dominican Republic as their place of supply if the goods are released into free circulation within the territory of the Dominican Republic.

5.5. Special situations

Place of Supply – Special Situations

There are no applicable place of supply rules for any other special situations in the Dominican Republic.

6. Chargeable amount

6.1. Valuation – generally

For VAT purposes, the taxable base is:[8]

- For the transfer of goods, the net price of supply plus additional services provided by the supplier including transportation, packaging, freight and interest on financing plus any applicable excise tax, less rebates and discounts;
- For the importation of goods, the cost, insurance and freight (CIF) value plus customs taxes and any applicable excise taxes, and
- For services, the total value of the services rendered as shown in the invoice excluding any mandatory gratuity.

6.2. Adjustments to stated sales price

Under Dominican Republic VAT law, VAT is imposed on the consideration applied to the transaction by the parties. However, the Tax Authority may estimate minimum prices for transactions in cases where invoices and documents do not express the market value.

6.3. Valuation of imports

Under Dominican Republic VAT law, the chargeable amount on imports is the import value given by Customs, which is the CIF value plus excise tax, import duties, and any specific taxes, as applicable.[9]

6.4. Co-ordination of VAT, customs and income tax pricing

Under Dominican Republic VAT law, the customs value, determined in accordance with customs legislation, is the starting point for calculating the taxable amount of an import for VAT purposes, subject to certain adjustments. There is constant information exchange in order to determine the applicable tax before the Tax Authority and Customs.

6.5. Non-functional currency transactions

The value of all transactions must be expressed in Dominican pesos (DOP). If an invoice is in a different currency, the amount must be converted

[8] Tax Code, art. 339.

[9] Tax Code, art. 339.

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into DOP using the exchange rate published by the Central Bank, for the purposes of the monthly VAT return. However, for the purposes of the yearly VAT declaration the exchange rate used is the one issued by the Tax Authority at the end of each year.

7. Tax rates

7.1. Standard rate

The standard rate of VAT in the Dominican Republic is currently 18 percent.

Law No. 253-12 "Law on Strengthening State Taxing Capacity, Fiscal Sustainability and Sustainable Development" (the "Tax Reform Law"), increased the VAT rate from 16 percent to 18 percent for 2013 and 2014.

7.2. Reduced and supplementary rates

Under Dominican Republic VAT law, a reduced VAT rate of 13 percent applies to certain goods (generally food), as enumerated by the Tax Code and the Tax Reform Law. The goods include yogurts, butters, coffee, animal or vegetable oil, sugars, cocoa and chocolates.

Prior to January 1, 2015, the reduced rate was 11 percent. The reduced rate will increase to 16 percent from January 1, 2016.

7.3. Exempt supplies or equivalent

Under Dominican Republic VAT law, Article 343 of the Tax Code sets out a list of exempt goods, and Article 344 sets out a list of exempt services.

Section 7.5.2 describes certain regimes as exempt from VAT.

Exempt goods include the following, subject to certain conditions and requirements:

- Live fresh animals;
- Fresh meat, chilled and frozen meat;
- Fish for consumption or reproduction;
- Dairy milk and honey;
- Other animal products;
- Plants and seedlings;
- Vegetables;
- Unprocessed fruits for mass consumption;
- Cereals, grains and flour and grain mill products;
- Oil seeds and other seeds for planting (for fat, seed or animal foods);
- Sausages;
- Cacao (and chocolate);
- Infantile food, pasta, bread;
- Drink like natural water;
- Livestock supplies;
- Fuel;
- Medicine;
- Fertiliser and its components;
- Metals;
- Insecticides, fungicides, herbicides;
- Other inputs or agricultural capital goods;
- Books and magazines; and
- Pre-university educational materials.

In addition, imported goods from the primary sector that are cut, dried, frozen, fresh, packed, with no seeds, and provided the good has not been transformed from its natural condition, are also exempt.

Article 344 of the Tax Code includes the following exempt services, subject to certain conditions and requirements:

- Financial services, including insurance;
- Pension and retirement plans;
- Public transportation;
- Health services;
- Funeral services;
- Education and cultural services;
- Electricity, water and garbage;
- Housing rent;
- Barbershops;
- Money transfers;
- Transfer of copyright, industrial property, permits, licences and other rights that do not involve transmission of movable tangible property; and
- Transfer of intangible property.

In addition, the following services are also exempt from VAT, subject to certain conditions:

- Exported services, where the services provided are used by a foreign entity and the foreign entity does not have a permanent establishment in the Dominican Republic, and that are not used for tax purposes; and
- Services provided to public institutions, entities under a free trade zone regime, embassies, consulates and international organisations according to international conventions and agreements, services provided by recognised chambers of commerce and export services including cargo handling at ports and airports, casino, lottery, sports games, tournaments and fairs and exhibitions.

7.4. Zero-rated supplies or equivalent

Generally, under the VAT law of the Dominican Republic, zero-rated transactions are exempt from VAT, and also enable the taxpayer to obtain a refund of related input tax.

Exports are zero-rated.

7.5. Imports

7.5.1. Reliefs from import VAT

Exempt imports include the import of personal goods when a foreign person moves to the Dominican Republic or when a resident returns after two years of living abroad.

Temporary imports, may, under certain conditions also be exempt from VAT.

7.5.2. Bonded warehouses, free zones, etc.

Under the VAT law of the Dominican Republic, a bonded warehouse is generally a storage area where imported goods are stored under customs supervision. When goods are imported and stored here, the liability for Customs and import VAT may be deferred until the goods are cleared by customs and available for free circulation.

In the Dominican Republic, there are certain regimes including free trade zones, tourist zones, border zones, amongst others, which are exempt from VAT subject to certain requirements. Free trade zones are regulated by Law 8-90 of January 15, 1990 and are exempt from import VAT.

7.6. Exemptions for exports

Under the VAT law of the Dominican Republic, exports of goods are zero-rated and enable the exporter to obtain an input VAT deduction. The exporter may deduct the advanced VAT used to acquire goods and services for its exportation activities. In the event the VAT paid exceeds the amount of taxes deducted, the exporter can claim a refund.

8. Deduction and recovery of input tax

8.1. Input tax eligible for deduction/credit

Under the VAT law of the Dominican Republic, a VAT payer may be entitled to deduct as input tax:

- Taxes on domestic goods and services subject to VAT; and
- Customs and other taxes on the importation of goods subject to VAT.
- The right to deduct advance tax payments is subject to certain requirements including:
- The VAT payer being registered as a taxpayer with a registration number (*"RNC"*);
- Filing a VAT return ("IT-1") with the Tax Authority; and
- Having supporting documentation including customs returns and invoices, including a valid tax receipt number (*número de comprobantes fiscales "NCF"*).

If the total deductible taxes in a period are greater than the gross tax payable, the difference may be carried forward as a deduction in the following month (see Section 8.3). However, this does not relieve the taxpayer from filing its VAT return.

Exporters with excess credits for advance payments paid on raw material purchases may request a refund within a six-month period. If the exporter does not claim within this period, the right to the credit is lost.

8.2. Deduction rules for mixed transactions

Pursuant to Article 17 of Dominican Republic Decree No. 50-13, if it cannot be determined whether the imports or goods purchased by the taxpayer have been used in taxable or exempt transactions, the VAT deduction is recoverable using a pro rata or proportional calculation, based on the value of the taxpayer's taxable transactions in the tax year compared with the value of its total operations for the tax year.

8.3. Timing of the deduction or credit

Under the VAT law of the Dominican Republic, the input tax is generally recovered in the period incurred. If the taxpayer does not recover the input tax in the month incurred, it may be recovered in the following months.

8.4. Deductions for input tax on capital goods or assets

Under the VAT law of the Dominican Republic, the credit for input tax levied on the import or local purchase of capital goods is deductible for the importer or purchaser, provided certain requirements are met.

8.5. Refunds to registered persons

8.5.1. Resident taxable persons

VAT Refunds – Resident Taxable Persons

In the case where input tax is greater than output tax in a tax period, an exporter or supplier of exempt goods may claim a refund from the Dominican Republic Tax Authority. The refund could be granted over an extended period of time or compensated with the payable tax of future periods.

8.5.2. Customs union members or other special arrangements

VAT Refunds – Customs Unions

The Dominican Republic does not participate in any customs unions or similar special arrangements with foreign countries. Therefore, there are no special refund rules applicable.

8.5.3. Foreign taxable persons

VAT Refunds – Foreign Registered Persons

Under the VAT law of the Dominican Republic, a non-resident business must be registered to claim a refund in the same manner as resident businesses.

8.6. Refunds to non-registered persons (domestic and foreign)

The Dominican Republic does not refund VAT incurred by any person unless it is registered as a taxpayer and holds a valid registration number.

9. Extension or shifting of VAT liability

9.1. "Reverse charge" and similar provisions

When goods are purchased from a foreign business that is not registered in the Dominican Republic, the domestic importer is required to pay VAT on the import of the goods.

9.2. Other mechanics applicable to supplies by non-residents (e.g. VAT representatives or agencies, subrogation, etc.)

Ruling 50–13 establishes that income taxpayers should designate a tax representative. In addition, it is a general administrative measure to register a representative of an entity (local or foreign) with the Tax Authority. Regarding income tax, the representative is jointly and severally liable for the payment of tax and functions as a withholding and information agent.[10] The representative must retain VAT records and accounts on behalf of the business it represents. Individuals and

[10] Tax Code, art. 282.

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entities, foreign companies, individual companies, partnerships and others, when applying for registration, must complete the relevant forms and appoint a representative (see Section 10.4).

9.3. Liabilities in chain transactions, and other special enforcement situations (e.g. abuse of law provisions)

According to Article 2 of the Dominican Republic Tax Code, the Tax Authority could challenge any operations or tax returns in order to comply with anti-avoidance provisions, especially considering the general application of the substance-over-form rule, which legally provides the authorities with a wide scope to question such operations. Therefore, the Tax Authority may disallow the validity of determined transactions in order to prevent any abuse of fiscal duties.

In addition, under Article 11 of the Tax Code, third parties that facilitate tax evasion by its negligence or fault could be considered as jointly responsible for the tax compliance of the corresponding local fiscal obligations. Officers, shareholders, directors, managers or representatives of legal persons, foreign companies and individual companies must submit all information required by law and will be jointly liable for the taxable activities, required by the Tax Code.

10. Administrative matters

10.1. Registration and VAT number

As noted in Section 3.1, all taxpayers must register with the National Taxpayers Registry of the Tax Authority to obtain a registration number, within 30 days from the beginning of a taxable activity.[11] Registration can be made via the Tax Authority's website.

A taxpayer who fails to register for VAT may not deduct tax on goods purchased by the business that forms part of its inventory at the time of registration, and may result in non-compliance with respect to the declaration of taxable operations in the Dominican Republic. Penalties and interest may also be incurred for late registration (see Section 11.2).

To issue invoices including VAT, the taxpayer must be registered, have a registration number (*"RNC"*) and tax receipt number (*"NCF"*). The taxpayer may designate and register details of its representative with the Tax Authority (see Section 9.2). Once registered, the taxpayer has access to the virtual office of the Tax Authority to file returns and other relevant filings.

The taxpayer must also have an NCF to issue an invoice. The invoice must include the NCF in order to obtain an official documents that verifies and credits the transfer of goods or the services rendered. To issue an NCF, the Tax Authority visits the place of business to undertake a verification process, which takes between 15 to 30 days. The NCF is required to support deductions for income tax purposes and VAT credits.

[11] Tax Code, art. 352.

10.2. Invoices

10.2.1. Invoicing requirement

Under the Dominican Republic VAT law, generally, a taxpayer must issue an invoice for any transactions involving a transfer of goods and/or the provision of services, whether or not they are subject to taxes.

A taxpayer who fails to comply with this requirement is not eligible for a credit of input VAT. It is also a violation of the Tax Code, therefore penalties and other sanctions may apply.

Pursuant to General Norm No. 07/06, certain commercial activities are exempted from the obligation to issue an NCF, unless specifically requested. The NCF-exempted commercial activities include gas stations, schools, grocery stores, pension fund administrators and religious institutions.

10.2.2. Form and information

For Dominican VAT purposes, the invoice must contain the following information: name; address; tax receipt number (*"NCF"*) of the supplier and purchaser of the goods and services; tax registration number (*"RNC"*) of the supplier and purchaser of the goods and services; amount of the transactions; amount of VAT (or "E" for exempt); total amount; description and amount of the transaction; and any discounts or other taxes applicable.

An invoice showing the RNC, NCF and VAT amounts is required to support a claim for input tax credits.

Electronic Invoices

In addition, the invoice must be printed by an authorised printing entity or by the taxpayer, in a specific format and dimension, provided the requirements above are met. Electronic invoicing is also permitted.

The rules for the exportation document are as follows:

(i) Registration before the government entities, whether natural or legal persons;

(ii) Request of a token that allows access to the virtual platform for electronic customs declaration;

(iii) Completion of a form that can be obtained at the headquarters of the Directorate General of Customs. In case the customs export declaration is in digital format, the system generates a bill to be paid to the Customs Administration;

(iv) A commercial invoice; and

(v) A certificate of origin, required for the introduction of products in member countries of trade agreements for the implementation of a tariff preference.

10.3. Returns

10.3.1. Timing for filing

For Dominican VAT purposes, pursuant to Article 24 of Ruling No 293-11 taxpayers must file a VAT return ("IT-1") to the local tax authority or through the Tax Authority's website.

The tax period for VAT is monthly and the return

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is due within the first 20 days following the tax reporting period to which it relates, irrespective of the size of the business. The return must be filed, whether or not VAT is due for the month, to confirm that there were no operations during that month.

10.3.2. Electronic filing

VAT returns may be prepared and filed electronically, through the Dominican Republic Tax Authority's website, using the access code issued by the Tax Authority or in person to the local administration of the Tax Authority according to the taxpayer's domicile.

10.3.3. Timing of payments or deposits

Under Dominican Republic VAT law, VAT payment is due at the time the return is filed, which is within the first 20 days of the month following the reporting period.

10.3.4. Methods of payment or deposit

Payments due under the VAT return are in Dominican pesos (DOP) and can be made by bank deposit or wire transfer to authorised banks, via internet banking and to the Tax Authority's local administration. Payments exceeding DOP10,000 must be made by certified or cashier's cheque payable to the Collector of Internal Revenues.

10.3.5. Recordkeeping

Taxpayers are required to maintain accounting books and records in Spanish, including details of related input and output activities and other relevant information as required by law.[12] Books and supporting documentation must be retained in the Dominican Republic for the prescribed period of 10 years. Records can also be maintained electronically.

10.3.6. Other matters

Under Dominican Republic VAT law, additional documents may be required to be submitted, as relevant, including:

- Form 606: A monthly purchases report which includes input VAT;
- Form 607: Sales and operations that represent income, filing deadline being 60 days from the end of the fiscal year; and
- Form 608: Voided NCF, filing deadline being 60 days from the end of the fiscal year.

Such documents can be found in the virtual office of the Tax Authority accessed using the username and password of the taxpayer or in person to the local administration of the Tax Authority that corresponds to the taxpayer.

10.4. Appointment of tax representative

The Dominican Tax Code requires all foreign registered taxpayers, to appoint a tax representative regarding income tax. The representative is jointly and severally liable for the payment of tax and functions as a withholding and information agent.[13] Appointment of a representative is not an alternative to registering for VAT, but rather, an alternative way of administering VAT liability.

[12] Tax Code, art. 50.

[13] Tax Code, art. 282.

The representative must retain VAT records, and accounts on behalf of the business it represents. Individuals and entities, foreign companies, individual companies, partnerships and others, when applying for registration must appoint a representative, therefore for tax purposes it will be required for all tax obligations.

10.5. Audits, e-audits

Pursuant to Article 2 and 44 of the Dominican Tax Code, the Tax Authority has the power to inspect and audit accounting books, receipts and other documents related to the transactions. The Tax Authority has three years to undertake audits related to transactions carried out by the taxpayer. The period may be extended to five years if the taxpayer has not filed the tax return or if the Tax Authority has notified the taxpayer of the audit.

Audits usually take place when the Tax Authority identifies some irregularities in transactions or review situations of non-compliance.

10.6. Appeals of assessments

In the Dominican Republic, appeals of assessments may be made to the Tax Authority. The request must be made in writing within 20 days following the receipt of decision and attach supporting documentation. The filing of an appeal suspends the taxpayer's payment obligations pending a final decision.

The difference of tax payable is subject to compensatory interest applied in the manner prescribed in the Tax Code. Further appeals may be made to the Tax Authority, through a reconsideration process of appeal to the Superior Administrative Tribunal, and then to the Supreme Court and Constitutional Tribunal.

Initially, once the first notification of the Tax Authority is made, the taxpayer has 15 days to explain and answer the alleged irregularities established in the citation form which could result in a final agreement or a determination process against the taxpayer which may be appealed through a reconsideration process 20 days after the notification. This administrative process may take considerable time for final results.

10.7. Administrative rulings

Taxpayers may apply for a formal tax ruling by submitting a ruling request to the Dominican Republic Tax Authority. The rulings are binding on taxpayers.

In addition, any person having a direct personal interest in a transaction may seek informal consultation with the Tax Authority to discuss the tax issue at hand and obtain guidance.

10.8. Cross-border assistance and co-operation

The Dominican Republic has signed a limited number of agreements with other jurisdictions for the exchange of tax information or mutual assistance including double taxation agreement with Canada and Spain (though not yet ratified) and an exchange of information agreement with the United States.

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11. Interest and penalties

11.1. Interest (on underpayments)

Under the Dominican Republic VAT law, interest on underpaid VAT is charged at 1.73 percent for each month from the due date.

11.2. Penalties

Under Dominican Republic VAT law, late filing of a VAT return incurs a penalty of 10 percent for the first month then 4 percent each subsequent month, calculated on the tax date. Additionally, a 1.73 percent cumulative interest for each month or fraction of a month will also apply.

The following penalties apply, in case of:

- Failure to register or late registration: Penalties and interest may be assessed as well as all unpaid VAT. Failure to register may result in fines of 5 to 30 times the minimum salary;
- Failure to file VAT returns: Penalties of 5 to 30 times the minimum salary;
- Late payment: Penalties of 10 percent for the first month then 4 percent for each subsequent month, calculated on the tax date. Additionally, a 1.73 percent cumulative interest for each month or fraction of a month will also apply;
- Tax evasion: Where a taxpayer files inaccurate returns, the penalty applied is twice the unpaid amount of tax plus interest and closure of the business. If the amount of unpaid tax cannot be determined, a penalty ranging from 10 to 15 times the minimum salary may apply, in addition to the penalties and interests of the determined tax. A rectification tax return may be considered in order to regularise the tax evasion subject in some penalties and interests payment from the date that the transaction or situation took place;
- Tax fraud: Penalties range from 2 to 10 times the amount of the tax evaded, closure of the business and or cancellation of the operating licence; and
- Failure to maintain books and other administrative requirements: Failure to comply with formal tax duties, including failure to maintain books or records, failure to register, failure to file VAT returns and providing false information, may result in fines of 5 to 30 times the minimum salary and according to the recent publication of rates of penalties, the amount of DOP25,790 for each identified failure (subject to variations).

12. Statute of limitations

The statute of limitations is generally three years, which commences from the due date. However, this period may be extended to five years if the taxpayer has not filed their tax return or if the Dominican Republic Tax Authority has notified the taxpayer of a tax audit. Such time periods will also apply in cases of tax fraud.

13. Special regimes or arrangements

13.1. Sale of a going concern

Reorganisations of companies including mergers or spin-offs are not subject to VAT.[14]

13.2. Bad debt relief

Under Dominican Republic VAT law, there are no specific provisions for bad debt relief. Bad debt relief is available for corporate tax purposes, rather than VAT purposes.

13.3. Other special regimes

Under the Dominican Republic VAT law, there is a simplified tax regime (*Procedimiento Simplificado de Tributación*) for small to medium taxpayers, if they meet certain purchase criteria (with annual purchases of DOP30 million or less) or income criteria of DOP8,437,887, and other specified conditions. Ruling 758-08 regulates this regime.

Business owners and single individuals who have at least one of the following may benefit from the simplified tax regime:

(i) Conducting commercial activities of retail supplies to final consumers, such as grocery stores, mini markets selling to end consumers etc.; i.e. without issuing vouchers for tax credit VAT purposes or for purposes of income tax expenses; and

(ii) Conducting commercial activities of wholesale and retail of supplies, industrial products whose inventory is purchased directly from the major and national industrial companies, wholesalers or vendors identified as industrial wholesale products.

Taxpayers benefiting from this procedure have the following advantages:

- There is no need for organised accounting;
- There is no need for advanced payments of income tax;
- There is no tax on assets payment;
- The tax regime for small taxpayers has automatic payment agreements (three installments for the retail regime and two installments on the income regime);
- For the retail regime, payment of income tax is not necessary in the first six months of the year; and
- There is no need to send the information of tax receipts on purchases and sales of the previous year.

Note that this procedure only refers to income tax and VAT.

14. State, provincial or local indirect taxes

14.1. General information

State, Provincial or Local Taxes—General Information

In the Dominican Republic there is no division or differentiation of jurisdictions. VAT is a na-

[14] Tax Code, ch. XIV, art. 323.

tional tax and applies to the entire territory of the Dominican Republic. There are no separate state, provincial or local indirect taxes.

14.2. Registration

State, Provincial or Local Taxes – Registration

There are no state, provincial or local indirect taxes in the Dominican Republic, and therefore no state, provincial or local registration rules.

14.3. Place of supply (or equivalent)

State, Provincial or Local Taxes – Place of Supply

There are no state, provincial or local indirect taxes in the Dominican Republic, and therefore no place of supply rules at the state, provincial or local level.

14.4. Valuation of supply

State, Provincial or Local Taxes – Valuation

There are no state, provincial or local indirect taxes in the Dominican Republic, and therefore no state, provincial or local rules on valuing supplies.

14.5. Tax rates

State, Provincial or Local Taxes – Tax Rates

There are no state, provincial or local indirect taxes in the Dominican Republic, and therefore no state, provincial or local rates of indirect tax.

14.6. Recovery of input tax

State, Provincial or Local Taxes – Recovery of Input Tax

There are no state, provincial or local indirect taxes in the Dominican Republic, and therefore no rules for recovery of state, provincial or local indirect taxes.

14.7. Time for filing and payment of VAT

State, Provincial or Local Taxes – Timing

There are no state, provincial or local indirect taxes in the Dominican Republic, and therefore no timing rules related to such taxes.

15. Appendices

15.1. Exempt and zero-rated goods; goods subject to reduced or enhanced rates

Links to the Dominican Tax Code and related legislation can be found on the Tax Authority's website *(http://www.dgii.gov.do/)*.

Article 343 of the Dominican Tax Code sets out lists of exempt and zero-rated goods; and

Article 344 of the Dominican Tax Code sets of a list of exempt services.

15.2. Key websites

The following official websites provide guidance about VAT in the Dominican Republic:

Directorate General of Internal Revenue (*Direccion General de Impuestos Internos*) website *(http://www.dgii.gov.do/Paginas/Index.aspx)*

Law No. 11-92 (Dominican Tax Code) in Spanish *(http://www.dgii.gov.do/legislacion/leyesTributarias/Documents/11-92.pdf)*

Law No. 11-92 (Dominican Tax Code) in English *(http://natlaw.com/interam/dr/tx/st/tndrtx1.htm)*

Law No. 253-12 (in Spanish) *(http://www.dgii.gov.do/legislacion/leyesTributarias/Documents/253-12.pdf)*

15.3. Relevant forms

The following external government websites provide relevant forms for VAT registration in the Dominican Republic:

Registration form to register as a VAT payer *(https://www.dgii.gov.do/ofv/login.aspx)*

VAT Return (IT-1) *(http://www.dgii.gov.do/servicios/formularios/Paginas/formularios.aspx)*

15.4. Information for state, provincial or local indirect taxes

There are no state, provincial or local indirect taxes in the Dominican Republic, and therefore, no information is provided in this section.

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