Dominican Republic

General	Types of indirect taxes (VAT/GST and other indirect taxes).	**VAT** VAT in Dominican Republic is known as the tax on the transfer of industrialized goods and services (*impuesto sobre transferencia de bienes industrializados y servicios* or ITBIS). As its name suggests, this tax is applicable on the transfer of industrialized goods, whether domestic or imported, and the rendering or leasing of certain services received within the country. Individuals and corporations engaging in any of the referred economic activities are deemed taxpayers under the scope of the ITBIS, unless expressly exempted. The aforementioned rule is to be applied regardless of the taxpayer being a local entity that is registered before the Dominican Republic Tax Authorities, or being a foreign entity engaged in business in the Dominican Republic that possesses a permanent establishment in the country. The Dominican Tax Code establishes a detailed list of products (in the following categories) that are exempted from ITBIS: educational materials, medicines, health services, financial services, utilities, non-conventional or renewable energy equipment and supply, and inland transportation services of individuals and cargo, among others. On the other hand, education, culture, healthcare, electricity and financial services, among others, are also generally exempted from ITBIS. Additionally, exports of goods are subject to a 0% rate, while exported services that comply with certain conditions, are VAT exempt. This entitles exporters to input ITBIS deductions and reimbursements. Moreover, importers of raw materials, industrial machinery and capital goods, which are considered exempt by law, shall, as of 1 January 2017, advance 50% of the VAT that would normally apply under the ordinary regime when clearing customs. Such measure substantially modifies the previous scenario, in which VAT was levied with the first transfer of finalized products within the local market, and not through the production process. This change is significant as it partially eliminated the tax deferment that producers and manufacturers used to benefit from.

General (continued)		The taxable base of ITBIS in the transfer of goods (whether at a price or freely disposed) shall be the net transfer or fiscal worth of the item plus costs of any supplemental services in connection thereof; in addition to any applicable excise taxes and offset by any offered non-financial discounts. In the case of imports, the taxable base shall be the cost, insurance and freight (CIF) value of the imported goods, plus customs duties and excise taxes, if applicable. Concerning the rendering of a service, the taxable base shall be equal to the price charged, whether paid as a lump sum or through installments, offset by any legal tip, if applicable. The Dominican Labor Code establishes a legal tip of 10% over the pre-tax amount of invoices for services rendered in hotels, restaurants, cafes, bars and, in general, all commercial establishments that sell foods and beverages for consumption within such establishments. Accordingly, the Dominican Tax Code provides that such legal tip shall be excluded from the VAT basis.
	Are there other indirect taxes?	**Excise taxes** Excise taxes are levied on the acquisition, consumption or import of certain goods and services, as listed in the Dominican Tax Code. Two main types of excise taxes exist in the Dominican Republic, namely: the selective consumption tax (*impuesto selectivo al consumo* or ISC) and the selective ad-valorem tax (*impuesto selectivo ad-valorem*). In general, the referred taxes apply to tobacco products, such as cigarettes or cigars, gasoline, alcoholic beverages, telecommunication services, the use of checks, wire transfers, as well as the entering into insurance premiums. Except for telecommunication services, excise taxes shall be accounted toward determining the taxable base of the ITBIS. — ISC: This tax creates a burden primarily for the transfer of certain domestic goods at the level of the manufacturer, the transfer or import of certain restricted goods and the rendering or leasing of a series of services described in the Dominican Tax Code. — ad-valorem tax: Without prejudice of the ISC levying certain economic activities, the ad-valorem tax functions as a secondary excise tax burdening the consumption or import of certain goods, such as tobacco products, alcoholic beverages, oil products, hydrocarbons and certain others goods considered by law as luxury items.

General (continued)	What are the standard or other rates (i.e. reduced rate) for VAT/GST and other indirect taxes?	**VAT** The standard rate of ITBIS is 18%. However, there are certain goods that enjoy a reduced VAT rate of 16%, due to their high consumption, including certain dairy products, coffee, shortenings and oils, sugars and chocolates. **Excise tax** Excise tax is imposed on a series of products including 'luxury goods' as well as certain services. Each product is burdened with specific amounts and/or rates as determined by law. Such products may be listed as follows: — products derived from alcohol: specific amounts depending on the alcohol grade contained and a 10% ad-valorem tax — products derived from tobacco: specific amounts depending on the type of tobacco and the units within a pack of cigarettes and/or cigars, and a 20% ad-valorem tax. Tobacco for water pipes and other types of tobacco are taxed at a rate of 130% — other goods (perfumes, diamonds, bijouterie, air conditioners, electronics, motor vehicles, guns, etc.) between 10% and 78% — benefits from, and allocation of, communication services at a rate of 10%; long distance calls (national and international) at a rate of 10% — insurance policies at a rate of 16% — vehicles with special engines and golf carts, at a rate of 20% — fossil fuels at a rate of 16%. **Ad-valorem** As indicated in the previous section, the excise tax considers an additional tax imposed on products derived from alcohol, tobacco and fossil fuels. Such ad-valorem tax is levied at a rate of 20% on tobacco, 10% on alcohol products and 16% on fossil fuel and petroleum products.
	Who is required to register for VAT/GST and other indirect taxes?	**VAT** In general, individuals, corporations, look-through entities or economic units doing business in the Dominican Republic (whether domestic or foreign) regardless of legal capacity or place of domicile, are considered taxpayers subject to ITBIS to the extent they transfer industrialized goods, import goods, render taxable services or perform a commercial activity deemed taxable under the scope of the ITBIS regulation and general rulings.

General (continued)	Who is required to register for VAT/GST and other indirect taxes?	**Excise taxes** As with ITBIS, individuals, corporations, look-through entities or economic units doing business in the Dominican Republic (whether domestic or foreign) shall register as Dominican taxpayers so long as the products or manufactured goods are burdened by this tax or they act as the last party in the chain of production where the good is either finished or acquires its individuality, as defined in the tax code. Furthermore, individuals, corporations, look-through entities or economic units (whether domestic or foreign) that import goods burdened either by the ISC or the ad-valorem tax or render services that are levied with the ISC or the ad-valorem tax shall register as Dominican taxpayers. Please be advised that most of the products and/or services that are subject to ISC and/or ad-valorem tax are strongly regulated in the Dominican Republic (e.g. alcohol manufacturing and insurance).
VAT/GST registration	Is voluntary registration for VAT/GST and other indirect taxes possible for an overseas company (e.g. if the annual turnover is below the relevant VAT/GST and other indirect taxes registration threshold)?	The Dominican tax law does not provide for a special tax registration for ITBIS or other indirect taxes; which implies that an overseas company that wishes to comply with ITBIS and/or other indirect tax obligations shall register as a taxpayer for all taxes and purposes. Moreover, there is no taxable turnover or threshold in connection with the registration of a taxpayer for the purposes of fulfilling its ITBIS liabilities.
	Does an overseas company need to appoint a fiscal representative?	Dominican tax law requires all companies and taxpayers, whether foreign or domestic, conducting operations in the Dominican Republic to appoint a legal representative or register a contact person before the tax authorities. Any liability or tax issue that arises may be effectively dealt with by means of such legal representative or agent, in their capacity as representative; therefore, please be advised that appointing a representative does not substitute the need to register as a taxpayer.
	Is grouping* for VAT/GST and other indirect taxes possible?	Dominican tax law does not allow the filing of consolidated returns in regards to ITBIS. However, the tax authorities may either disregard or rule as an economic unit the presence of an individual or several legal entities on certain transactions when used to secure a tax advantage or as a spurious act.
VAT/GST compliance	How frequently are VAT/GST and other indirect tax returns submitted?	**VAT** Each ITBIS return is to be submitted along with the payment on a monthly basis. The deadline is the 20th day of the month following the tax period contained in such. The filing of the ITBIS return is mandatory by law whether or not a liability is due by the taxpayer.

* By 'grouping' we mean: either a consolidation mechanism between taxpayers belonging to the same group (payment and refund are compensated but taxpayers remain distinct) or a fi unity for VAT/GST purposes (several taxpayers are regarded as a single taxpayer).

VAT/GST compliance (continued)		**Excise taxes** Should ISC or ad-valorem tax arise from the transfer of a good or the rendering of a service, any tax returns, along with their corresponding payment, shall be submitted on a monthly basis. The deadline is the 20th day of the month following the tax period contained in such. In the case of imports, any ISC or ad-valorem tax obligation shall be paid jointly with the custom duties as set forth in the applicable regulations.
	What are the exchange rate rules in your country?	The Dominican Republic has a free currency exchange market. A foreign company is not required to obtain government approval neither to invest nor to do business in the country. The Dominican Central Bank, upon requirement of a foreign company through a relatively simple administrative procedure, issues a Certificate of Foreign Investment Registration. The latter constitutes the sole requirement for a foreign individual or company to freely buy foreign currency in commercial banks for the purpose of repatriating dividends or profits earned locally.
VAT/GST recovery	Can an overseas company recover VAT/GST and other indirect taxes if it is not registered for VAT/GST and other indirect taxes locally?	Only locally registered taxpayers are allowed to recover ITBIS in the Dominican Republic. A recovery is not allowed in any form concerning a tax liability paid in connection with the ISC or the ad-valorem tax except for fossil fuels exemptions and particular exemptions given to the parties within a government contract.
	Are there any exemptions with the right to recover or deduct input VAT?	Yes, ITBIS and excise taxes incurred by real estate developers, producers of exempted goods and services, registered exporters and for the purposes of renovating industrial machinery may be both offset and registered as costs of the referred business, carried forward or reimbursed, as applicable. The referred fiscal treatment is subject to the taxpayer complying with a set of special regulations in connection therewith.
	Are there any restrictions to the deduction of input VAT?	Yes, input ITBIS may only be deducted against output ITBIS when the latter is related to the activity that generated the corresponding input ITBIS. Moreover, certain formalities have to be complied with in order for input ITBIS to be deducted by a taxpayer.
Invoices	Is a business required to issue tax invoices?	Yes, in the Dominican Republic all companies or business entities charging any sort of tax on its sales or services must issue tax invoices, which shall be reported on a monthly basis. Such invoices shall include: — the official and unique tax receipt number assigned by the tax authorities to every invoice (NCF) — the taxpayer's official identification number — the amount of ITBIS or other indirect tax paid.

Invoices (continued)	Is it possible/mandatory to issue invoices electronically?	Yes, invoices may be issued electronically. Be advised that these will also be subject to the previously cited requirements.
	Is it possible for the vendor to issue an invoice, i.e. is self-billing possible?	No, self-billing is not permitted by the Dominican tax legislation; however, operations subject to VAT which may involve self-billing from an accounting perspective (e.g. personal consumption of inventory), shall be declared and liquidated in the Monthly VAT return (IT-1 Form).
Audits	Do tax audits take place on a regular basis?	Yes, in the case of large taxpayers, audits are performed generally about once a year or after a transaction deemed important for fiscal purposes by the Dominican Republic Tax Authorities. In other cases, the chances of being audited will normally depend on the amount of tax deficiencies found by the referred authorities.
	Are audits done electronically in your country (e-audit)? If so, what system is in use?	Yes, e-audits by far exceed physical tax audits. The Dominican Republic Tax Authorities have developed and use a special tax software, known as the Crossed Information System, among others.
	What penalties can arise from non-compliance?	If a taxpayer does not comply with tax obligations, pecuniary sanctions such as surcharges, legal interest and fines may be applied by the Dominican Republic Tax Authorities. Fines are usually imposed if a taxpayer uses, or attempts to use, deceptive means to avoid paying its tax obligations, in part or in full. Failure to pay the amount of tax due to the Dominican Republic Tax Authorities before an applicable deadline is subject to surcharges (late fees) at a rate of 10% on the first month after the applicable deadline, and at a rate of 4% on each subsequent month or fraction of a month. Jointly, 1.10% of the tax due shall be paid monthly by way of legal interest. These penalties are not deductible for income tax purposes.
Special indirect tax rules	Are there any special rules for the sale of a company by one taxpayer to another where VAT is not due on the sale?	Yes, special rules apply on sales made by one taxpayer to another who is exempted by law from paying ITBIS.
	Are there unique, specific indirect tax rules that you would not expect to find in 'standard' VAT jurisdictions?	No, there are not any particular rules.
	Does a reverse charge mechanism apply in your country for goods or services?	No, such mechanism does not exist in the Dominican Republic.
	Are there indirect tax incentives available (e.g. reduced rates, tax holidays)?	Yes, several incentive laws have been enacted that grant total or partial tax exemptions on certain business activities (i.e. tourism, free trade zones, energy, etc.).
Rulings	Are rulings and decisions issued by the tax authorities publicly available?	No, generally, tax rulings are addressed to a particular taxpayer and, as such, they are protected under the secrecy provisions of the Dominican Tax Code. Nonetheless, the Dominican Republic Tax Authorities issue general rulings on specific tax matters, which are made publicly available and are subject to a public opinion phase prior to their enactment.