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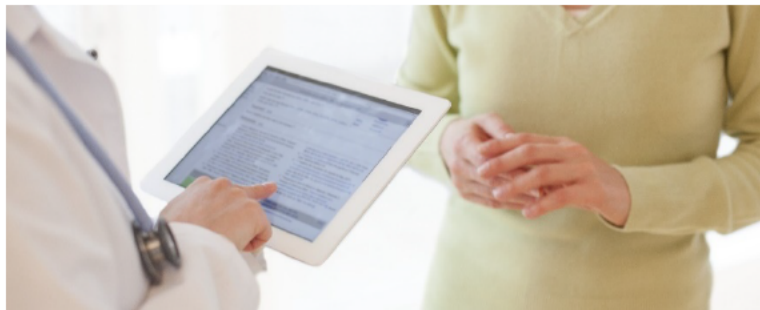


# Tax Alert

KPMG Dominican Republic

**Tax and Legal Practice**  
*March, 2022*

## The DR Executive Branch has published a draft Regulation on Value-Added Tax over digital services for public consultation.



The Dominican Executive Branch has published a draft of a regulation for public consultation, which would, if enacted, set forth the framework for applying an 18% Value-Added Tax ("VAT", or "ITBIS", per its Spanish acronym) to digital services provided from abroad, as well as establishing a mechanism for non-resident providers to comply with such obligations. This represents the latest attempt of the Dominican Government to impose taxes on digital services, albeit this time it relies on existing legal provisions, that do not warrant further congressional approval.



**José M. Romero**  
Tax & Legal Director


### CONTACTO


 1 (809) 566-9161

 Email

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### TAX PRACTICE SERVICES

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Below, we have laid out some of the key aspects of this newly proposed regulation:


- VAT would be levied using its general rate, which is 18%.
- Overall, the purpose of this regulation is to establish a procedure for the Registration, Administration, Liquidation and Payment of VAT, applicable to internet-based digital services rendered by non-resident providers which are either consumed or destined for the Dominican Republic (DR).
- Digital services would be presumed as utilized or consumed in the DR, in any of the following scenarios:
  - When the IP Address or other geolocation mechanism of the recipient's device reflects the service was acquired from the DR;
  - When payment for the service is performed using a DR issued or registered credit/debit card, bank account or any other mean;
  - If the digital service is used or received on a mobile device which uses a SIM card (*Subscriber Identity Module*) with a Dominican country code; or,
  - If a user or customer's billing address is within the DR.
- The draft regulation establishes an illustrative, non-exclusive, list of services which would fall within the scope of VAT:
  - The provision, storage, hosting of computer sites and web pages;
  - The supply of digitalized products such as computer programs or systems, their modifications, updates, designs, components, patterns, reports, financial analysis or market data and guides;
  - Online advertising services;
  - Software maintenance/technical support;
  - Cloud and streaming services;
  - Online brokerage services;
  - Among others.
- For the aforementioned purposes, any digital services provided by a foreign or non-domiciled entity or individual

 Tax Compliance


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 Tax Planning for Mergers and Acquisitions

 Tax Planning and Audit

 Individual Tax Planning

 Preparation and Filing of Returns and Monthly Reports

 Reconsideration Requests

 Transfer Pricing

would be understood, in any case, as performed from abroad.

- As a result of this, non-resident digital services providers would have to register before the National Taxpayers' Registry ("RNC", per its Spanish acronym), under a specialized VAT registry, to comply with its obligations. It is explicitly noted that this VAT registration would **NOT** trigger or constitute a Permanent Establishment ("PE") in the DR.

KPMG confirms its interest in providing its tax and legal services related to analyzing how this new regulation might affect your business, if enacted, as well as help you both on the tax advisory and tax technology side, to prepare for these new changes.

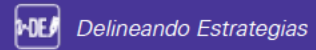
### Services

Corporate:	International Trade:	Fiscal Litigation:	Other Services:	Legal
<ul style="list-style-type: none"> <li>• General legal advice</li> <li>• Negotiation of transactions on behalf of clients</li> <li>• Legal services in mergers and acquisitions (including legal due diligence services)</li> <li>• Consultancy and opinion before the tax authority</li> <li>• Social security and remunerations</li> <li>• Foreign investment, Free Trade Zones, Law 173</li> <li>• Legal compliance</li> </ul>	<ul style="list-style-type: none"> <li>• International trade and customs assistance</li> <li>• Rules of origin and customs classification</li> <li>• International trade diagnosis</li> <li>• Customs fiscalisation</li> </ul>	<ul style="list-style-type: none"> <li>• Legal fiscal assistance</li> <li>• Representation of clients before tax courts / arbitration forums</li> <li>• Fiscal legal procedures and constitutional rights</li> <li>• Customs and international trade dispute resolution</li> <li>• Double taxation and tax treaties dispute resolution</li> <li>• Enquiries to tax authority</li> </ul>	<ul style="list-style-type: none"> <li>• Labour law assistance</li> <li>• Legal due diligence</li> <li>• Legal immigration assistance</li> <li>• Arbitration and alternative dispute resolution</li> <li>• Administrative and regulatory issues</li> <li>• Business and competition law</li> <li>• Intellectual property</li> <li>• Energy law, mining, telecommunications, aeronautic, maritime, securities, banking and currency</li> </ul>	

- Global entity management

- Regulatory compliance of financial services

Links of interest



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If you have any questions, email us at [do-fmkpmg@kpmg.com](mailto:do-fmkpmg@kpmg.com)

KPMG Dominicana, Acrópolis Tower, 15th Floor, Santo Domingo, Dominican Republic

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