



# Thinking Beyond Borders: Management of Extended Business Travelers – Dominican Republic



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# Contents

<b>1</b>	<b>Key message</b>	<b>4</b>
<b>2</b>	<b>Income Tax</b>	<b>6</b>
<b>3</b>	<b>Social Security</b>	<b>8</b>
<b>4</b>	<b>Compliance obligations</b>	<b>10</b>
<b>5</b>	<b>Immigration</b>	<b>12</b>

**01**

**Key message**

# 1 Key message

The Dominican Tax System is based on the territoriality principle, consequently all income deemed Dominican-sourced would be subject to Income Tax.

An individual shall be an individual shall be considered a tax resident of the Dominican Republic, should their stay in the Dominican territory exceed one hundred eighty-two (182) days, whether these are consecutive or not, during a given fiscal year; upon which, such individual will be treated as a Dominican national, for tax purposes.

Foreigners become subject to taxation in the Dominican Republic on financial and investment from foreign income after the third taxable year in which they are deemed to be legal residents.

**02**

# **Income tax**

# 2 Income Tax

## 2.1 Tax Returns and Compliance

Based on the territoriality principle, tax residents of the Dominican Republic, regardless of whether they are Dominican citizens or foreign residents, are subject to Individual Income Tax (“IIT”). This tax covers all types of independent professionals; private and public employees; and generally, any person generating income from a commercial, industrial, mining, or farming activity, among others.

### What are the requirements for completing tax returns in Dominican Republic?

#### Resident

IIT rates are determined based on a progressive scale provided by the DTC, and regularly updated by the Dominican Tax Authority (“DGII”). Accordingly, please find below the updated tax bracket, concerning FY23:

Yearly Income (USD)	Individual Income Tax Rate (USD)
0 – 7,529	Exempt
7,530 – 11,295	15%
11,296 – 15,687	20%
Upwards to 15,688	25%

Individuals are taxed on a calendar year basis. Individual Income Tax Return (“IR-1 Form”) should be filed, before the Dominican Tax Authority (“DGII”), on March 31 following the tax year-end, which is December 31<sup>st</sup>.

In accordance with the Dominican Tax Code (“DTC”) provisions, individuals who only generate income in connection with wage/salary payments do not have an IR-1 reporting obligation, as its employer would apply payroll WHT.

#### Non-residents

Considering that there is no tax treatment differentiation between Dominican nationals and non-nationals who are tax residents, the tax rates mentioned above are applicable to Dominican nationals.

**03**

# **Social Security**

# 3 Social Security

## 3.1 Social security liability Employer and employee

The Dominican Republic has a comprehensive social security scheme to which both, individuals and employers shall contribute. Employee and employer contribution rates depend upon the benefit covered and are often capped at a maximum rate of 20 times the minimum wage. Social security contributions are calculated based on each employee's salary.

The Dominican social security system provides, as an obligation to employers, the contribution of about seventy percent (70%) of the cost of the contributory plan to fund old age, disability, survival insurance and family health insurance, while employees contribute the remaining thirty percent (30%).

On another note, the cost of labor risks insurance (workers' compensation) shall be covered one hundred percent (100%) by employers.

**04**

# **Compliance obligations**

# 4 Compliance obligations

## 4.1 Other taxes

A 27% Fringe Benefits Tax (“IRC”, for its Spanish acronym) is levied, at a company level, on fringe benefits paid to employees.

The aforementioned IRC covers in-kind benefits granted to an employee by an employer, such as: usage of a company vehicle, housing, annual paid vacations, sibling scholarships, stocks or any other sort of benefits received by the employee.

Kindly note that IRC is filed and reported by the employer, to the DGII through the WHT and IRC Return (“Form IR-17”), on the 10th day of each month.

**05**

# **Immigration**

# 5 Immigration

Prior to arrival, a Dominican visa must be in possession of any foreign citizen wishing to work in the Dominican Republic. The type of visa required will depend on the purpose of an individual's stay in the Dominican Republic.

## 5.1 Other Important Items

### How is a work visa granted in the Dominican Republic?

A work visa application should be filed before the Dominican Consulate of the individual's home country or country where it legally resides.

Visas are generally granted for a period of one (1) year. Considering that our Dominican Migration Law does not set forth visa renewals or extension, if the individual is interested in obtaining a new visa, an application must be filed, in the referred consulate, as it would not be possible to file this application in the Dominican Republic.

Finally, please note that, upon entering the Dominican territory with their visas, expatriates could file a Temporary Residency Card ("RT-3") application, before the Dominican Migration Authority ("DGM", for its Spanish acronym). This RT-3 is also valid for a period of one (1) year and may be renewed in the Dominican Republic.

[Back to top](#)

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