

and loans associations, mortgage banks, development banks is taxed.

Residents are taxed on foreign-source income derived from financial activities. Rental income is subject to tax at the rates described in section B.

E. Capital gains

Net capital gains are taxed separately from other income at the rates described in section B. Property values are adjusted from inflation to determine the taxable gain. If the property sold is the taxpayer's primary residence, only the amount of the gain exceeding RD\$500,000 is taxed.

When taxpayer is a company, the capital gain is taxed with a rate of 27%. Capital losses are offset against capital gains only.

F. Inheritance and Gift Tax

If a deceased person or donor is resident in the Dominican Republic, an inheritance and gift tax is levied on all net inherited assets and gifts. Nonresidents are subject to inheritance or gift tax only on assets located in the Dominican Republic. The tax rate depends on the value of the inheritance or gift and the relationship on the recipient of the deceased or donor. The following rates apply for 2016.

Category:	Rate(%)*
Spouse, ascendants and descendants	1 to 17
Brothers, sisters, nephews and nieces	3 to 21
Other relatives	6 to 27
Others	8 to 32

* In addition, a 50% surcharge is levied on nonresident beneficiaries.

Under the forced heirship, rules in effect in the Dominican Republic, a parent may not donate his or her estate, under contract or under testament, if this happens, then it is subject to the rates above.

G. Marital Property Regime

The Dominican Republic provides for an elective community property regime that applies only to heterosexual couples whose marriages are solemnized in the Dominican Republic. Under the regime, a spouse's separate property, identified at the time of the election, and its proceeds remain separate property. The Dominican Republic does not enforce community property claims brought by couples who establish a marital domicile in another country.

H. Social Security Taxes

For 2016, employees must contribute 5.91% and employers must contribute 16.29% of the payroll to the social security system. Expatriates and their employers are subject to Dominican Republic social security contributions.

I. Filing and Payment Procedures

The fiscal year Dominican Republic is the calendar year. Taxpayers must file returns and make payments for a tax year by 31 March of the following year. Taxes withheld from employees must be paid during the first 10 days of the following month.

Before 15 March, employers must submit to the tax authorities a calculation of all taxes withheld during the preceding tax year.

J. Nonresidents

Individual working in the Dominican Republic for periods not exceeding six months in one year are considered nonresidents. A 10% final withholding tax is imposed on dividend and 27% on royalty income of a nonresident. Nevertheless, the company that withholds the tax on the dividends is not entitled to use the amount withheld as a credit against its corporate income tax.

Interest payments are subject to withholding, which may be used as a credit against income tax. Nonresidents are not required to file tax returns if tax is withheld.

K. Double Tax Relief and Double Tax Treaties

Diplomatic personnel of foreign governments are not taxed on remuneration received from their governments, if reciprocity is available from those governments for Dominican diplomatics abroad.

The Dominican Republic's double taxation treaties are with Canada and Spain. No special relief is available for income from nontreaty country.

MAIN TAXES IN DOMINICAN REPUBLIC

Income Tax Contact:

Mr. Ramón González Tel.: (809)-412-8171
rgonzalez@ragh.com.do Fax: (809)-412-0068
www.ragh.com.do

A. At a Glance – Maximum Rates

Income Tax Rate 27%
Capital Gains Tax Rate 27%
Net Wealth Tax Rate 0
Inheritance 32%*

*A 50% surcharge is levied on nonresident beneficiaries.

B. Income Tax – Employment

Who Is Liable. Individuals earning income from employment in the Dominican Republic are subject to income tax, regardless of nationality, residence or where the compensation is paid. Foreign-source employment income is not taxed. Residents are defined as persons working in the Dominican Republic for more than six months in one year.

Taxable Income. Tax is imposed on Dominican-source employment income only. The tax rates for 2016 are set forth in the following table.

Taxable Income		Taxable Amount RD\$	Rate on Excess %
Exceeding RD\$	Not Exceeding RD\$		
-	409,281	-	-
409,281.01	613,921	204,640	15
613,921.01	852,667	238,746	20
852,667.01	-	852,667.01	25

Spouses are taxed separately, not jointly, on all types of income. For details on the marital property regime in effect in the Dominican Republic, see Section G.

Personal Deductions and Allowances. Taxpayers are allowed to deduct a flat amount of RD\$409,281 from taxable income, regardless of the number of their dependants.

Taxation of Employer-provided Stock Options. Few stock option plans exist in the Dominican Republic, and no specific rules govern their tax treatment. However, in practice, the following rules apply to an employer-provided stock option.

- Not tax when the option is granted;
- Not tax when the option is exercised; and
- Tax levied when the stocks are sold, at a rate of approximately 27% on the difference between the sale price and the purchase price.

C. Income Tax-Self-Employment and Business Income

Who Is Liable. An individual conducting business in the Dominican Republic is taxed annually on business income from Dominican sources and on foreign-source income derived from financial activities.

Taxable Income. Self-employment and business income and directors' fees are aggregated with employment income and are taxed at the rates described in Section B.

Deductible Expenses. In principle, all expenses incurred in the Dominican Republic for producing, maintaining, and conserving income are deductible.

Relief for Losses. Net losses may be carried forward for five years. A 20% per year during the first three years. An 80% from the 20% of the fourth year, and 70% of the 20% from the last year. In the practice, this is for companies only.

D. Investment Income

Cash dividends of residents are subject to a withholding tax of 10%. Nevertheless, the company that withholds tax is not entitled to use the amount withheld as a credit against its corporate tax.

Royalty income is subject to tax at a rate of 27%. Interest on bonds, certificates and other financial instruments issued by Banks, savings