

FREQUENT ASKED QUESTIONS ABOUT FREE ZONE SYSTEM IN DOMINICAN REPUBLIC.

1. IS THERE A LAW THAT REGULATES THE FREE ZONE REGIME.

Free zones are regulated by Law 8-90 of January 15, 1990, which seeks to promote the establishment of free zones and the growth of existing ones.

2. ARE THERE ANY INCENTIVES TO ESTABLISH A COMPANY UNDER THE FREE ZONE REGIME?.

Yes, Article 24 of law 8-90 details these incentives Free Zone Operators and Enterprises established therein shall be protected by the tax and customs regime set forth in Article 2 of this Law and consequently shall be entitled to 100% exemptions from:

- The payment of corporate income taxes.
- The payment of construction taxes, taxes on loan agreements, and on the recording and transfer of real property.
- The payment of the tax on the formation of corporation and on the increase in their capital;
- The payment of any municipal taxes which may affect their activities;
- The payment of import duties and related taxes on raw materials, equipment, construction materials, parts for buildings, office equipments, etc., destined for construction, preparation or operation within the Free Zone.
- All taxes on exports or re-exports, except such as are set forth in sections f) and g) of Article 17 hereof;
- The business tax (patent) on inventory or assets and of the Tax on the Transfer of Industrialized Goods (ITBIS).
- Consular charges on importations consigned to Free Zone Operators or Enterprises
- Import duties on equipment and utensils for the installation and operation of cafeterias, health services, medical assistance, child care centers, entertainment or amenities or other equipment for the well-being of the working class;
- The payment of duties on the import of transportation equipment, such as trucks, garbage trucks, minibuses for the transportation of employees to and from work, subject to the prior approval, in each case, of the National Free Zones Council. Such vehicles shall be nontransferable for a period of at least five (5) years.
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3.HOW MANY TYPES OF FREE ZONE PARKS EXIST?.

There are public, private and mixed free zone parks. The public free zone parks are managed by the government, the private parks are managed by a private company or group and the mixed free zone parks are managed by a non profit organization.

4. WHAT ARE THE MAIN ACTIVITIES IN THE FREE ZONE PARKS OF THE DOMINICAN REPUBLIC?.

50% of the companies established in the dominican free zones manufacture textile products. Other products manufactured in the free zones are shoes, leather goods, cigars, jewelry, pharmaceutical products, electronic parts; also call centers and data processing companies.

5. WHAT IS THE MINIMUM WAGE IN THE FREE ZONE SECTOR?.

As of February 2012 the minimum wage is RD\$6,320.00 (US\$160.00).

6. RENT IN THE FREE ZONE PARKS.

Rates go from US\$1.8 to US\$5.50 per square foot annually.

7. BASIC PRICES OF ELECTRICITY, WATER, ETC.

The cost of industrial electricity is US\$0.15/Kwh to US\$0.18/Kwh for non regulated parks and US\$0.23-US\$0.25 for regulated parks; the cost of water is US\$0.33/M3.

8. PREFERENTIAL SCHEMES AND FREE TRADE AGREEMENTS.

The Dominican Republic is beneficiary of the following Preferential Schemes: Caribbean Basin Initiative (CBI), the Generalized System of Preferences (GSP) and COTONU. The country is part of the following Free Trade Agreement: the Caribbean Common Market (CARICOM), Central America, Panama, DR-CAFTA and the European Partnership Act (EPA).

9. WHO HAS INVESTMENT IN THE FREE ZONES OF THE DOMINICAN REPUBLIC ?

61.3 % of the investment is from United States origin, followed by 26% of Dominican investment; 5.28 from South Korea. The rest of the investment in the dominican free zones are Dutch, Puerto Rican, Swiss, Venezuelan, Italian, French, among others.

10. DO I NEED TO REGISTER A COMPANY IN THE DOMINICAN REPUBLIC IN ORDER TO ESTABLISH A COMPANY IN A FREE ZONE PARK? WHAT CORPORATE ORGANIZATION FORMS ARE POSSIBLE?.

No, you don't need to register a company in the Dominican Republic in order to establish your company in a Dominican free zone.

11. CAN I OWN LAND/REAL STATE PROPERTY?.

Yes.

12. CAN FOREIGN INVESTORS ACCESS LOCAL CREDIT AND FINANCE?.

Yes

13. THERE IS RESTRICTION FOR FOREIGN EXCHANGE AND REMITTANCE OF CAPITAL ABROAD FOR FREE ZONE COMPANIES?

Industries established in the free zones are not subject to currency exchange restrictions. Except for the monthly local operating costs, free zone companies have no obligation to remit abroad or to account for the resulting profits to the Dominican Government or the Central Bank.

Free zone companies must pay the monthly local operating costs in Dominican pesos. These pesos must be obtained from the Central Bank.

14. WHICH INTERNATIONAL BANKS DO YOU HAVE?.

The Scotiabank and the Citibank are established in the Dominican Republic.

15. AVAILABLE WORKFORCE? UNEMPLOYMENT RATE?.

The available workforce is 3 million people and the unemployment rate is 15.6%.

**16. HOW MANY FREE ZONE PARKS DOES THE DOMINICAN REPUBLIC HAVE?
HOW MANY FREE ZONE COMPANIES?.**

There are 56 parks throughout the country and 555 companies.

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