

**DOMINICAN REPUBLIC:
NEW INTERNATIONAL FINANCIAL ZONES LAW**

**MIGUELINA FIGUEROA AND MARY FERNÁNDEZ
HEADRICK RIZIK ALVAREZ & FERNÁNDEZ**

Overview

The Dominican Republic has recently enacted a new law on International Financial Zones (the “IFZ Law”), which creates the legal framework for establishing International Financial Zones (“IFZ”) in certain areas of the country and confers substantial benefits to clients in the financial sector. Pursuant to the IFZ Law, financial services and other related activities offered by the companies operating in the IFZs to persons not residing in the Dominican Republic and to corporate entities whose main corporate domicile is located out of the Dominican Republic will be disregarded for domestic tax purposes.

The services that may be offered by companies operating within an IFZ (the “users” of IFZs) are classified as either (i) financial services and related activities and (ii) support services. IFZs will not fall within the scope of the local monetary and banking system, and will be solely regulated by the provisions of the IFZ Law and the rules and regulations promulgated there under.

The aim of the law is to comply with the highest internationally accepted standards of integrity, transparency and compliance, especially in areas such as the detection and prohibition of financing of terrorism and money laundering, as well as other principles of good governance.

Benefits of IFZs

The benefits to the operators of IFZs and the users are the following:

- ❖ Tax Exemptions. The operators and users have a complete exemption on taxes otherwise applicable to their operations.
- ❖ Free Repatriation of Capital and Profits. The operators and users may repatriate, free of any tax or fee, the capital invest in the IFZ and the total profits obtained as a result of their operations in such IFZ.
- ❖ Classification as an Unregulated User of Electricity. The operators and users are classified as Unregulated Users of Electricity (as such term is defined in the Electricity Law). Unregulated Users of Electricity are exempted from the payment of any fee, contribution, tax or additional levy on the electricity and other sources of energy consumed (except for compensation paid for the use of transmission facilities).
- ❖ Classification as a Major Fuel Consumer. The operators and users are classified Major Fuel Consumers (as such term is defined in the General Fuels Law). Major Fuel Consumers may purchase all fuel necessary for the energy generation required in their operations directly from the import terminals and free of all taxes.

- ❖ Inapplicability of Lease Requirements. The operators of IFZs will not need to post a bond at the *Banco Agrícola Dominicano*. The bond would otherwise be required to guarantee payments owed by such operator arising under any lease agreement.

The benefits described above are valid for a period of 30 years.

Procedure for Establishing an IFZ

The authorization for the establishment of an IFZ is issued by the President of the Dominican Republic, with the prior approval of the National Council on International Financial Zones (“CNZFI”). The request for authorization shall be granted if the applicant complies with all requirements established in the IFZ Law and the rules and regulations promulgated there under. Following the establishment of the IFZ, the operation and user will be subject to continuous supervision by the CNZFI.

Within the first 12 months following the start of operations of the CNZFI (it is not in operation as of the date hereof), the CNZFI is expected to issue the rules and regulations regarding the rights and obligations of each category of IFZ user in addition to such rights and obligations previously set forth in the IFZ Law.