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DOMINICAN REPUBLIC – TAX CONSIDERATIONS ON SHARING SPACES FOR SHORT TERM ACCOMMODATIONS.

The following information can help you get started in learning about some of the tax requirements that might apply to you when providing short-term accommodation services in the Dominican Republic.

Please understand that this information is for informational purposes only and should not be considered as legal, tax, or any other type of advice. If you are unsure about your local tax obligations, we encourage you to check this with official local sources, or to seek advice from qualified professionals.

Please note that we don't update this information in real time, so you should confirm that the laws or procedures have not changed recently.

If you are supplying short-term accommodation services in the Dominican Republic, you should ensure that you understand each of the following types of taxes, and pay the ones that apply to you:

- Income Tax
- Value-Added Tax (called locally "Tax on the Transfer of Industrialized Goods and Services" or "ITBIS")

If you have tax residence in Dominican Republic, you need to request your registration in the National Taxpayers Registry (called "*Registro Nacional de Contribuyentes*") at the Dominican tax authorities (called "*Dirección General de Impuestos Internos*") in order to comply with your tax obligations in the Dominican Republic, for which the requirements will vary depending on whether you are an individual or a company.

INCOME TAX

If you earn income in the Dominican Republic, you will be required to pay a percentage of this income to the Dominican tax authorities for taxes. Income tax is applied to all income, utility or benefit obtained, whether by natural persons (individuals) or companies, including real estate leasing activities.

The below is a brief outline of the tax that may arise on income earned from short-term rentals in the Dominican Republic and some information on how this tax can be paid to the Dominican tax authorities.

Dominican Republic's tax year runs from 1 January to 31 December.

Obligation to pay Dominican income tax:

You are required to pay income tax in the Dominican Republic if you:

- Are resident in the Dominican Republic. For tax purposes, any person who stays more than 182 days in a year in the country, whether continuously or discontinuously, is considered a resident in the Dominican Republic;
- Work in the Dominican Republic;
- Have assets in the Dominican Republic;
- Have a company in the Dominican Republic; or
- Have income from other sources in the Dominican Republic.

Income Tax for Companies:

Companies are required to pay a single rate of 27% annually on their net taxable income during the tax year. Unlike other countries, the income tax rate is the same for all the different types of companies.

Determination of Net Taxable Income for Companies:

Net taxable income is defined as the gross income reduced by the allowed deductions, which

include, in general, all the necessary expenses incurred to obtain, maintain and preserve it, such as interest on social debts, insurance premiums, depreciation of assets, amortization of intangible assets, donations to charities (up to 5% of taxable income), and research and experimentation expenses not related to mineral deposits.

Tax on Assets:

Companies must pay a 1% tax on their taxable assets, in two installments, which expires, the first, on the same deadline date set for the payment of income tax, and the second, within six months from the expiration of the first installment. Taxable assets are understood to be the total value of assets, expressly including real estate, which appear in the taxpayer's balance sheet, not adjusted for inflation and after applying the deduction for depreciation, as well as amortization and reserves for uncollectible accounts, except for investments in capital from other companies, land located in rural areas, real estate by nature of agricultural operations and advance taxes or advances.

The amount paid for tax on the asset will be considered a credit against the income tax, so if the amount paid for income tax is equal to or greater than the tax on the asset to be paid, the obligation to pay the latter will not apply.

Income Tax for natural persons (individuals):

Individuals who receive income from a Dominican source or from financial investments abroad will pay taxes on their income as follows:

Net taxable income (in Dominican pesos "RD\$")	Taxes to pay
0 to 416,220.00	Exempt
416,220.01 to 624,329.00	15% on income exceeding RD\$ 416,220.01
624,329.01 to 867,123.00	RD\$ 31,216.00 plus 20% on income

	exceeding RD\$ 624,329.01
More than 867,123.01	RD\$ 78,446.00 plus 25% on income exceeding 867,123.00

This scale is adjusted annually for inflation.

If an individual has organized accounting, that individual can deduct business costs and expenses as long as the invoices have a valid tax receipt ("*comprobante fiscal*"). The "*comprobante fiscal*" is the official serial number issued by the Dominican tax authorities which must be included in all tax invoices. Please be aware that the tax authorities are usually more restrictive with the deductions allowed to individuals than to companies.

Individuals that do not apply organized accounting can deduct the tax exemption (up to RD\$ 416,220.00).

Reporting tax in the Dominican Republic.

Annual Filing of the Income Statement of companies.

Any company, Dominican or foreign, that obtains income from a Dominican source must submit to the Dominican tax authorities, after the close of its tax year, a statement of the net income obtained during said year within 120 days after the closing date and paying the resulting taxes in the same deadline.

Income tax statements before the Dominican tax authorities must be accompanied by the financial statements of the company having to be audited by an authorized public accountant.

Individuals must pay to the Dominican tax authorities a monthly twelfth part of the income tax paid for the previous tax year (called "*anticipos*"). These monthly advances are offset against the income tax due for the current tax year. These payments must be done in the first fifteen (15) days of each month.

Companies can use the virtual office <https://www.dgii.gov.do/ofv/login.aspx> ("*Oficina Virtual*")

at the web page of the Dominican tax authorities www.dgii.gov.do to file their income tax statements. The income tax statement for companies is filed in a form called "IR-2" (*"Declaración Jurada Anual del Impuesto Sobre la Renta Sociedades"*). The "Oficina Virtual" will issue an automatic payment authorization receipt for the resulting income tax that you can pay online at most of the local banks.

Annual Filing of the Income Statement of Individuals.

Individuals must submit their annual income tax return and pay the income tax to the Dominican tax authorities before March 31 of the year following the tax year. Individuals whose income is derived entirely from their job as salaried employees and those with income less than RD\$416,220.00 are exempt from filing the income tax return. Spouses must file their income statements separately.

Individuals must pay the "anticipo" to the Dominican tax authorities in three (3) installments: 50% (June 30th); 30% (September 30th); and 20% (December 30th).

Individuals can use the virtual office <https://www.dgii.gov.do/ofv/login.aspx> ("Oficina Virtual") at the webpage of the Dominican tax authorities www.dgii.gov.do to file their income tax statements. The income tax statement for individuals is filed in a form called "IR-1" (*"Declaración Jurada Anual del Impuesto Sobre la Renta de Personas Físicas"*). The "Oficina Virtual" will issue an automatic payment authorization receipt for the resulting income tax that you can pay online at most of the local banks.

Withholding at source:

The following withholdings at source may be applied to incomes from rental activities:

- Payments abroad to non-resident. Payments abroad of taxable income from a Dominican source are subject to withholding, as a single and final payment of the tax, of 27% of such income, except for payments made to residents of Canada, whose rate is 18%.
- Rental or lease payments to individuals (not companies) are subject to a 10% withholding.

Dominican Tax Authority contact details.

The contact details for the Dominican tax authorities are as follows:

- Phone: (809) 689-2181
- Main office address: México avenue #48, Gascue, Santo Domingo, Dominican Republic (Postal Code: 10204)
- Details also can be found on the Dominican tax authorities' website www.dgii.gov.do

TAX ON THE TRANSFER OF INDUSTRIALIZED GOODS AND SERVICES ("ITBIS")

Broadly speaking, the *ITBIS* is a value-added tax that taxes the transfer and import of industrialized goods and the provision of services. The *ITBIS* rate for renting services is 18% of the invoice amount. As with all taxes, we encourage you to consult with a tax advisor regarding your *ITBIS* obligations in the Dominican Republic.

If you are currently renting a room to guests, you will be required to apply *ITBIS* to your rental charge and to pay this *ITBIS* amount to the Dominican tax authorities. As Airbnb is not supplying the rental itself, hence it is the responsibility of the host to consider local *ITBIS* obligations of the rental charge.

For instance, if you lease a property in US\$50.00 per day, you must add the 18% to the invoice as follows: $US\$50.00 \times 18\% = US\9.00 (*ITBIS*). The total amount invoiced should therefore be US\$59.00.

Do I need to collect any *ITBIS* from guests if I am providing short-term accommodation in the Dominican Republic?

Yes. The provision of short-term accommodations in general is taxed with *ITBIS*. Dominican law does not differentiate as to whether the accommodation is short or long term. Hence, as a general rule, an individual providing short-term rental services needs to add *ITBIS* to invoices to guests.

It is likely that hosts must register at the National Taxpayers Registry of the Dominican Republic in order to issue invoices with ITBIS. There is no registration threshold. As such, once you begin supplying short term accommodation located in the Dominican Republic you should register for *ITBIS*. This applies to Dominican hosts and to foreign hosts.

***ITBIS* applies to me. How do I collect *ITBIS* from guests?**

Some formalities, such as issuing a receipt or an invoice in favor of the guests with a *comprobante fiscal* may be required. The “*comprobante fiscal*” is the official serial number issued by the Dominican tax authorities which must be included in all tax invoices. If you are an individual and your guest is a company, the 100% of the *ITBIS* must be withheld by the guest. We recommend that you check your *ITBIS* related obligations and the applicable invoice requirements with a local tax advisor.

Whoever receives the *ITBIS* payment must submit a *ITBIS* statement before the Dominican tax authorities within the first 20 days of the following month in which the transaction occurred. The payment of the *ITBIS* collected must be done in the same deadline.

*Individuals and companies can use the virtual office <https://www.dgii.gov.do/ofv/login.aspx> (“Oficina Virtual”) at the web page of the Dominican tax authorities www.dgii.gov.do to file their *ITBIS* statements. The *ITBIS* statement for companies is filed in a form called “IT-1” (“Declaración del *ITBIS*”). The “Oficina Virtual” will issue an automatic payment authorization receipt for the *ITBIS* and you can pay it online at most of the local banks.*

The taxpayer will have the right to deduct from the gross tax the amounts that he has advanced, within the same period, for *ITBIS* to his local suppliers for the acquisition of taxed goods and services, and to customs, for the importation of taxed goods.

Simplified Tax Regime:

If you are a resident of the Dominican Republic, we encourage you to check with official local sources, or to seek advice from qualified professionals to determine whether you may apply for

a simplified tax regime.

Among the main advantages of the simplified tax regime are:

- You do not have to pay "*Anticipos*".
- You do not have to pay the Tax on Assets, as long as such assets are related to your economic activity.
- There is an automatic payment agreement for the payment of your taxes.
- Simplified tax statements form for *ITBIS* and income taxes.
- Less formalities to comply with your tax obligations.

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