

New Affordable Housing incentives for August, 2011

Background:

In July 2011, the Government of the Dominican Republic passed a new law 189-11 (To develop the mortgage market and Real Estate Trusts), which contains a number of measures that are designed to stimulate the affordable housing sector in the country. Before this new law there is no specific government policies or incentives to help this sector of the economy.

According to UN figures the housing deficit in the Dominican Republic in 2010 was over 1.1 million homes (in quantitative and qualitative numbers) grows at a rate of more than 20 000 homes per year over the next five years. Most of this deficit is concentrated in several urban areas like Santo Domingo, Santiago and San Cristobal, but the problem is endemic in the country of about 10 million people.

Highlights of the new law:

1) Mortgages:

- The new law establishes a number of key provisions for the development and integration of a strong and efficient mortgage market in the Dominican Republic
- Also the law will improve the regulatory and supervisory institutions for the mortgage industry in the Dominican Republic

2) Local Private Pension Funds:

- The law will allow private pension funds Dominican, currently has \$ 1.6 billion to invest in mutual funds (including funds housing estate).
- Pension funds may also invest in mortgage vehicles.

3) Affordable Housing Tax measures:

- For the construction of new housing, the new law establishes a series of free tax incentives to encourage the sector, which will help reduce the cost of housing to the ultimate purchaser. These measures will apply to houses below RD \$ 2,000,000 (approximately \$ 54,000.00) to be adjusted annually for inflation.

- Each new affordable housing project to take advantage of tax exemptions must be approved by the National Institute Vivienda (INVI). The tax savings for developers should be transferred to the ultimate purchaser of the house.

The following are the 100% tax exemptions that apply to projects established for the development of affordable housing projects:

- The profits and dividends on invested capital.
- Bank transfers and check deposits charges
- Business and land ownership
- Construction of taxes, property transfer taxes and registration of real estate transactions-Import duties on equipment, building materials, including ITBIS.

4) Savings accounts registered for home purchase:

- The new law also states that anyone opening a savings account registered in local banks for deposits monthly payment for house purchase. These accounts can only be used for the purchase of housing and accumulate interest.

- The account owner will decide the monthly deposit amount shall not exceed 30% of his / her salary.

- Employers are required to deduct from the monthly payment of the salary of an employee of the Housing Savings Account.



- The payments made by the homebuyer covered by law accumulated in registered savings account shall be exempt from taxation.