

## **Tourism Sector Investment With Incentives Law 158-01**

### OBJECT OF THE LAW

This law aims to speed up a streamlined process of development of the tourism industry in regions of great potential or excellent natural conditions for tourism throughout the country, that having been declared or not as tourist destinations have not reached , to date, the expected degree of development, and which are listed below:

Tourist Pole No. 4, Jarabacoa and Constanza (Decreets 1157, of July 31, 1975, and 2729, of September 2, 1977) Tourist Destination IV, expanded: Barahona, Baoruco, Independencia and Pedernales (Decree No. 322-91, dated August 21, 1991) Tourist Destination V, expanded: Montecristi, Dajabón, Santiago Rodríguez and Valverde (Decree No. 16-93 of January 22, 1993) Tourist Destination VIII, enlarged, comprising the province of San Cristobal and Palenque municipality, the province and the province Peravia Azua de Compostela.

Later by Law 184-02 have been created other tourist, adding the province of Maria Trinidad Sanchez and all municipalities. Tourist Destination in the province of Samana, Hato Mayor Province and its municipalities, the province and its municipalities Seibo, the province of San Pedro de Macoris and its municipalities, the Espaillat province and municipalities: Gaspar Hernandez, Higüerito, Jose Contreras , Villa Trina and Jamao to the north, the provinces Sanchez Ramirez and Monsignor Nouel, Monte Plata province, in the province of La Vega, the towns of Jarabacoa, Constanza and Guaigui, the town of Luperon, and the Castle and La Isabela Historical , in the Province of Puerto Plata, and the Colonial Zone of Santo Domingo. The Santiago Province and its municipalities; Township Nisibón The Lagoons, and sections of El Macao, Uvero Alto and Juanillo, in the province of La Altagracia.

### THE OBJECT OF INCENTIVES

The Art. 2 of Law 158-02 establishes that can qualify for incentives and benefits granted by this legislation all persons or entities domiciled in the country to launch,

promote or invest capital in any of the activities indicated and in the tourist areas and / or provinces and / or municipalities described in the same.

Paragraph: Similarly eligible for the incentives and benefits of this law, are those individuals or companies that develop new projects or additional offerings from those contained in Article 3, either by concession, lease , or any other forms of agreements with the Dominican State in the tourist areas listed in Article 1 of this law. (Added by Act 184 -02)

Similarly, Article 3 of the said Act is declared of special interest to the Dominican territory to the establishment of companies engaged in tourism activities indicating the following activities:

- Hotel facilities, resorts and / or hotel complexes
- Construction of facilities for conventions, exhibitions, international conferences, festivals, shows and concerts.
- Companies engaged in the promotion of cruise activities to establish, as a home port for the origin and final destination of their vessels, which any of the ports specified in this law.
- The construction and operation of amusement parks and / or ecological parks and / or theme parks.
- The Construction and / or operation of the port and maritime infrastructure for tourism , such as marinas and marine ;
- The Construction and / or operation of tourist infrastructures, such as aquariums, restaurants, golf courses, sports facilities and any other that may be classifiable as property belonging to tourism activities.
- Small and medium enterprises whose market is based primarily on tourism (handicrafts, ornamental plants, tropical fish, small reptiles breeding farms endemic and other similar bodies).

- Business infrastructure of basic services for the tourism industry , such as aqueducts , treatment plants , environmental sanitation, waste disposal and solid waste.

## INCENTIVES AND BENEFITS THE LAW MAKES

Art. 4 of the Act:

The companies established in the country benefiting from the incentives and benefits of this Act are exempt from paying taxes on one hundred percent (100 % ), applicable in the following items :

A) The income tax incentives object as what has been stated in Article 2 of this law.

B) From national and municipal taxes for setting up joint for capital increase made companies, national and municipal taxes on land rights transfer, sales, exchanges, contributions in kind and any other form of transfer of property rights, Tax and Solar Housing Sumptuary not (IVSS ). Just as rates, fees and charges for the preparation of plans, studies, consulting and supervision and construction of the works to be executed in the tourism project in question, the latter exemption for contractors for execution of works. (Mod by Law 18402 )

C) Import duties and other taxes such as, tax fees, surcharges, including the tax on Industrialized Goods and Services (ITBIS ), applicable on machinery, equipment, materials and personal property necessary for construction and for original equipment and operation of the tourist facility in question. ( Mod According to Law 184-02 )

Paragraph I. - Not subject to tax or withheld, national and international financing, or their interests, given to companies that are subject to these incentives.

Paragraph II. - The individuals or corporations may deduct or deduct from their net taxable income the amount of its investments in tourism projects including within the context of this Act, may apply to the redemption of such investments to twenty percent (20%) of its net taxable income each year. In no event, the repayment period shall not exceed five (5) years. (Mod According to Law 184-02) Paragraph III. - There will be total and absolute exemption of machinery and equipment needed to achieve

a high profile in the quality of products (ovens, incubators, treatment plants and production control laboratories, among others), at the time of implantation.

Paragraph IV. - The exemptions provided by this law will benefit the individuals or entities that perform one or more investments directly with promoters or developers in any of the activities listed in Article 3 and in the tourist areas, provinces and municipalities described in Article 1 of the exclusion of such benefits for any subsequent transfer of third party purchasers. (Added by Act 184 -02)

#### EXEMPTION PERIOD

Article 7. - The tax exemption period for each project, business or tourism business shall be of ten (10) years, from the date of completion of the construction work and equipment of the project under these incentives. A period not exceeding (3) three years, will be granted in order to initiate in a sustained and uninterrupted way, the operations of the approved project, which in case of breach of the term, the right to use this exemption will be lost.

#### REQUIREMENTS FOR SUBMISSION OF RECORDS

Article 14. - New projects that ask to accept the incentives and benefits created by this legislation should be formulated and submitted with the following documents:

An environmental impact study that considers the type of project, infrastructure needs, the impact area and the sensitivity of the area, approved by the Ministry of Environment and Natural Resources in accordance with the General Law on Environment and Natural Resources, No. 64-00 of August 18, 2000, its regulations, rules and sectoral laws.

A preliminary architectural and engineering preliminary details thereof, prepared by a professional or professionals from a recognized Dominican legal firm. The advice, consultation or participation of foreign specialists in the formulation of preliminary studies architectural or engineering, or in the subsequent stages of the project

development will be performed in all cases through a local professional firm duly authorized to exercise, which will be responsible for drafting and legal responsibility thereof.

Projects planning to handle volumes of fuels and / or involve heavy boat traffic, must be accompanied by a contingency plan to prevent and control spills of fuels.

Paragraph. - The projects must have preliminary approval from the city planning agencies, and municipal authorities in the jurisdiction thereof.

Article 15. - Before starting the construction, and after obtaining the authorizations required for this purpose, all infrastructure projects must submit a bank guarantee or bond to cover environmental recovery if negligence of the promoter, in case any damage to the environment is made.

Article 16. - The Ministry of Environment and Natural Resources will be responsible for ensuring that any infrastructure project is approved within protected areas or national parks, by approved environmental impact study for this very Secretariat State. It is established that the project will not pose danger to the preservation of natural resources or threaten the flora and fauna, or mutilate the integrity of it.

#### LOSS OF INCENTIVES

Article 18.-The incentives granted by this law are lost:

- When a company or investor breaches the laws, rules and regulations governing tourism according to what the Ministry of Tourism dictates.
- When a company or investor breaches the guidelines and standards set forth in the Territorial Ordinance Plan of the area where the trade is executed according to rule on the Secretary of State for the Environment and Natural Resources.
- When a company practices are harmful to the environment and natural resources



and environmental authorities establish the existence of an environmental crime, according to the General Law on Environment and Natural Resources, No. 64-00 of August 18, 2000, its regulations, rules and sectoral laws.