

## TOURISM INCENTIVE LAW

Article 1.- The Law for Promoting Tourism Development is hereby established for scarcely developed tourist destinations and new destinations in provinces and locations having great potential; as well as the Official Fund for Tourism Promotion.

Paragraph I.- The purpose of this law is to increase the pace of a rational process of development of the tourist industry in regions with great potential or with excellent natural conditions for tourism exploitation throughout the country, which, whether or not declared as tourist destinations, have not reached to this date the expected degree of development, and which are listed below:

1. Tourist Destination No. 4, Jarabacoa and Constanza, (Decreets N1157, of July 31, 1975; and N 2729, of September 2, 1977);
2. Tourist Destination IV, expanded: Barahona, Bahoruco, Independencia and Pedernales (Decree No. 322-91, dated August 21, 1991);
3. Tourist Destination V, expanded: Montecristi, Dajabon, Santiago Rodríguez and Valverde (Decree No. 16-93, of January 22, 1993);
4. Tourist Destination VIII, expanded, comprising the province of San Cristobal and the municipality of Palenque, as well as the provinces of Peravia and Azua de Compostela;
5. Tourist Destination comprising the municipalities of Nagua and Cabrera (Decree 199-99);
6. Tourist Destination of Samana Province (Decree No. 91-94, dated March 31, 1994);
7. The province of Hato Mayor and its municipalities; El Seybo Province and its municipalities; the province of San Pedro de Macorís and its municipalities; Espaillat Province and its municipalities Higüerito, Jose Contreras, Villa Trina and Jamao al Norte; the provinces of Sanchez Ramirez and Monseor Nouel; the municipality of San Jose de Las Matas; the province of Monte Plata; and Guaigui, La Vega.

Paragraph II.- For this purpose, this law and its regulations establish the incentives to be given as stimulus to projects and investments pursuing the aforementioned goals and objectives.

Paragraph III.- The tourist destinations of Puerto Plata or Costa de Ambar, Santo Domingo, and others that may have benefited from incentives in hotel installations, shall only benefit presently from the complementary offers established in article 3, excepting numeral 1 regarding hotel installations, resorts and/or hotel complexes.

### PURPOSE OF INCENTIVES:

Article 2.- All persons or entities domiciled in the country undertaking, promoting or investing capitals in any of the activities set forth in article 3 and in the tourist destinations and/or provinces and/or municipalities mentioned in the preceding article may benefit from the incentives and benefits granted by this law.

Article 3.- The establishment in our national territory of businesses engaged in the tourist activities listed below are hereby declared of special interest to the Dominican Republic:

1. Hotel facilities, resorts and/or hotel complexes;
2. Building facilities for conventions, fairs, international conventions, festivals, shows and concerts;
3. Businesses engaged in the promotion of cruises establishing any of the ports specified in this law as their mother port for the origin and final destination of their ships;
4. Construction and operation of amusement parks and/or ecological parks, and/or theme parks;
5. Construction and/or operation of port and maritime infrastructure for tourism, such as recreational ports and seaports;
6. Construction and/or operation of tourist infrastructures, such as aquariums, restaurants, golf courses, sports facilities, and any other that may qualify as a tourist activity.
7. Small- and medium-sized businesses whose market is fundamentally related to tourism (handcrafts, ornamental plants, tropical fish, endemic reptiles farms and the like);
8. Utility-infrastructure companies for the tourist industry, such as aqueducts, treatment plants, environmental cleaning, and garbage and solid waste removal.

#### INCENTIVES AND BENEFITS GRANTED BY THIS LAW

Article. 4.- Businesses domiciled in the country and qualifying for the incentives and benefits established in this law are exempted one hundred percent (100%) from paying the taxes listed below:

1. The income tax subject to incentives under article 2 hereof;
2. National and municipal taxes levied on the use and issuance of construction permits, including land purchase documents, provided that such land is used for one of the purposes described in article 3 hereof;
3. Import duties and other taxes, such as tariffs, fees, late charges, including the Tax on Transfer of Industrial Goods and Services (ITBIS) that are applicable to the equipments, materials and furnishings needed for initially equipping and putting into operation the tourist resort concerned.

Paragraph I.- National and international funding given to such companies as are the subject of these incentives, as well as any interest thereon, are exempted from all taxes and withholdings;

Paragraph II. Natural persons or bodies corporate may deduct up to twenty percent (20%) of their annual profits, provided that the same are invested in a tourist resort within the scope of this law;

Paragraph III.- Full and absolute tax exemption shall be granted in connection with the machinery and equipment needed to achieve a high quality profile of products (including kilns, incubators, production control treatment plants, and laboratories), at the time of establishing the tourist project.

Article 5.— No new taxes, tariffs, fees, etc. shall be established during the tax-exemption period.

Article 6.— The incentives and benefits referred to herein shall be strictly limited to new projects whose construction is started after the enactment of this law.

#### EXEMPTION PERIOD

Article 7.— The tax-exemption period for every tourist resort, business or company shall be ten (10) years from the date of completion of the construction work and the furnishing of the project subject of these incentives. A term not exceeding three (3) years shall be provided to begin the sustained and uninterrupted operation of the resort approved, the nonobservance of which shall result in the immediate loss of the exemption rights acquired.

Article 8.— A Council on Tourism Development (Consejo de Fomento Turístico-CONFOTUR) shall be in charge of applying this law. Such council shall be presided by the Secretary of State of Tourism, and shall include:

1. A representative from the Ministry of Finance;
2. A representative of the National Association of Hotels and Restaurants, Inc. (Asociación Nacional de Hoteles y Restaurantes, Inc. [ASONAHORES]);
3. A representative of Tourist Operators (OPERTUR);
4. A representative of the Technical Undersecretariat of Tourism, who shall act as Secretary; and
5. A renowned environmentalist (ecologist), chosen by the Ministry of the Environment.
6. A representative of the Ministry of Culture.

Article 9.— All applications for qualification under this law shall be filed at the Ministry of Tourism, which shall keep a record of such applications in such manner as established by CONFOTUR regulations.

Article 10.— All applications submitted to the Council for Tourism Development should be either approved or rejected, giving reasonable arguments therefor, within a period of time not exceeding sixty (60) days in all.

Article 11.— The qualification applications approved by CONFOTUR shall be the subject of a resolution containing a statement of the technical and financial characteristics on which such decision was based.

Article 12. The Ministry of Tourism shall see to the faithful observation of the provisions herein established, by means of inspectors, who, duly authorized, may conduct inspections in the entire area in the zone and, in the event of an infraction of the law, of its regulations or of all regulations in this respect, shall write a statement in connection thereto, the contents of which shall be considered as evidence until proven otherwise.

Paragraph.— The Ministry of Tourism shall submit such statements of infractions to the Attorney General of the Republic, who shall in turn send them to the appropriate District Attorney.

Article 13.— Any violation of this law by individuals or bodies corporate,

shall result automatically in the loss of the incentives, and in the obligation to pay all monies not paid under this law.

## REQUIREMENTS FOR SUBMITTING APPLICATIONS

Article 14.- All new projects applying for the incentives and benefits created hereby should be drawn up and submitted together with the following documents:

1. An environmental impact study considering the type of project, the infrastructures required, the impact zone and the sensitivity of the area. Projects requiring minor tourist infrastructures shall be exempted from submitting an environmental impact study;
2. An architectural proposal, as well as the preliminary engineering details for such project, prepared by a professional or a renowned professional firm of capable Dominican professionals licensed to practice their profession. Any consultancy, advice or participation by foreign specialists in the development of the preliminary architectural or engineering studies, or in subsequent stages of project development, shall be in all cases made through a local professional firm or a firm duly authorized to practice such profession, which shall be in charge of and legally responsible for such development;
3. Those projects that anticipate handling large volumes of fuel and/or involve an intensive traffic of vessels should be accompanied by a contingency plan to prevent and control oil spills.

Paragraph.- All projects should have a preliminary approval of the appropriate urban and municipal planning agencies of the jurisdiction where the projects are to be situated.

Article 15.- Before starting construction, and upon obtaining the required authorizations therefor, all infrastructure projects should submit a bank guarantee to cover all environmental recovery expenses if any damage has been caused to the environment due to negligence of the promoter,

Article 16.- The Ministry of Tourism shall be responsible for guaranteeing that no infrastructure project is approved within protected areas intended for national parks, unless it is proven by means of studies that such project shall not endanger the preservation of the natural resources or the fauna and flora.

## SANCTIONS

Article 17.- All businesses established under the incentives and benefits of this law shall guarantee the preservation of all natural resources and the protection of the environment.

Paragraph.- The Ministry of Tourism shall be responsible for guaranteeing that, during the construction and operation of any business established under the benefits of this law, all surrounding natural resources are respected and preserved.

Article 18.- Failure to maintain the level of quality and quantity of services in the category stated during the tax-exemption period, upon notice by the Ministry of Tourism and after expiration of the term given for such purpose,



as established by regulations, shall determine the suspension of the incentives and benefits granted.

#### SPECIALIZATION OF FUNDS FOR TOURISM PROMOTION

Article 19.- With the objective of promoting the Dominican Republic more effectively in the international tourist market, and by virtue of the creation under this law of new tourist destinations, the Official Tourist Promotion Fund is hereby established, to be administrated by the Ministry of Tourism with the advice of the private sector, mainly the National Association of Hotels and Restaurants (Asociación Nacional de Hoteles y Restaurantes, Inc. (ASONAHORES), and other institutions from that sector. Such fund shall be managed according to the following provisions:

1. Fifty percent (50%) of all proceeds from the application of the aeronautics tax per passenger transported, at entry and departure, in non-scheduled international or chartered flights, collected by the Department of Civil Aeronautics, shall be applied to the Official Tourism Promotion fund managed by the Ministry of Tourism;
2. The remaining fifty per cent (50%) shall be allotted to the operations fund of the Department of Civil Aeronautics, to be used in specific programs of said office, in order to improve the security of civil aviation in the Dominican Republic;
3. All proceeds from tourist cards in all airports and seaports in this country may be deposited directly, in such percentage as has been established, in the respective accounts of the institutions mentioned in 1 and 2 above.

#### OTHER PROVISIONS

Article 20.- The Executive Power is given a term of one hundred and twenty (120) days after the enactment of this law, to prepare and publish the regulations pertaining to the same.

Article 21.- The statements herein contained shall prevail over any provision established in previous laws or in administrative measures previously established by the Executive Power.

