

# **NATIONAL FREE ZONE COUNCIL**

**SANTO DOMINGO, DOMINICAN REPUBLIC**



## **GUIDE TO ESTABLISH AN OPERATION IN THE FREE ZONE OF THE DOMINICAN REPUBLIC**

**INFORMATION AND STATISTICS DEPARTMENT**

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## **WHAT ARE THE FREE ZONES?**

A Free Zone is defined as a geographic area of the country under special customs and tax controls, as set forth of the Law 8-90, in which enterprises will be licensed to devote their production of goods or services to foreign markets through the granting of incentives to stimulate their development. The Free zones shall be clearly staked-out areas surrounded by impassable fences or walls, so that the movement of persons, vehicles and cargo is done exclusively through gates which are supervised and controlled by personnel of the Customs Department.

### **There shall be the following types of Free Zones and restrictions on their location:**

- a)** Industrial o Services Free Zones may be established in any part of the national territory to engage in the manufacture of goods or the performance of services.
- b)** Border Free Zones, which qualify for special incentives, such as those set forth in Article 29 of Law 8-90, or those which the Chief Executive may grant within the scope of his constitutional powers. Such Free Zones shall be located in a band of not less than three (3) or more than twenty-five (25) kilometers from the border separating the Dominican Republic from the Republic of Haiti.
- c)** Special Free Zones, which, because of the nature of their productive processes, utilize resources whose transformation would be difficult if such enterprises were not established in the proximity of their natural resources, or which, because of the nature of their processes or geographical or economic considerations or the infrastructure of the country, require a special location. Existing enterprises, which utilize temporarily imported raw materials in their productive processes, may also be classified in this category. They may operate temporarily or permanently.

## **LAW 8-90**

The purpose of this law is to stimulate the establishment of new Free Zones and the growth of the existing ones by regulating their operation in such a way as to achieve goals consisting with national interest, through the concerted action of the public and private sectors.

Through this law, operators and enterprises established in Free Zones, are protected under the custom and tax regime and as consequence, they receive the exemption of 100% of the different taxes and duties.

## **REGISTRATIONS TO COMMENCING ACTIVITIES**

Registrations. Prior to commencing activities the company must do the following:

- a) Industry and Commerce Certificate.** The company must obtain an authorization to commence business activities at the Secretariat of State of Industry and Commerce.
- b) Certificate of Industrial Registration.** In the case of an industrial concern, the company must obtain a Certificate of Industrial Registration from the Secretariat of State of Industry and Commerce.
- c) Chamber of Commerce Certificate.** The company must register the name of the company in the Business Registry (Registro Mercantil) maintained by the Official Chamber of Commerce and Production.
- d) Operating License (Patente).** All persons engaged in manufacturing, service industries, or distribution are required to obtain an operating license (patente), which must be renewed semiannually. The first application for a patent must be made before commencing operations.

## **REQUERIMENTS TO ESTABLISH IN FREE ZONES**

In the Free Zones of the Dominican Republic any foreign or investment enterprise can be established. If the intention is to open a local enterprise, the procedures to execute the intention are the following:

### **I- Establishing the company**

The following are the requirements to form a company in the Dominican Republic:

**1.1 Availability of Company Name.** It is advisable to obtain a certification from the Trademark Department of the Secretariat of State of Industry and Commerce stating that the proposed company name is available for use.

**1.2 Signature of Statutes.** The statutes are signed by the promoters or founders of the company and at this point in time represent a private contract among the signers. Legally it is also possible to have the statutes "declared" by only one founder.

**1.3 List of Shareholders.** The founder or founders prepare a written list of the initial shareholders. The list must state the name, personal circumstances, and residence of each shareholder, and the number of shares subscribed to and paid for by each. A minimum of seven shareholders is required.

**1.4 Payment of the Paid-in Capital.** A minimum of 10% of authorized capital must be paid at the Internal Revenue Office, through a letter indicating the amount of the authorized capital.

**1.5 Notarial Declaration.** Previous to the first shareholders meeting, the receptor of the numerary contributions has declared to the notary the real contributions. The receptor must give to the notary a copy of the statutes, the list of shareholders, the state of the shares as well as to show him the payment of the capital tax.

**1.6 First Shareholders Meeting.** Once the above requirements have been fulfilled, a first shareholders meeting must be held. At the meeting a written list of shareholders in attendance is prepared. The statutes are formally approved and the declaration made to the notary is approved. The board of directors and officers of the company are elected along with the "comisario". If no payments in kind are involved, the meeting authorizes the deposit of documents and publication of the notice of formation of the company.

**1.7 Civil Registry.** The statutes, the list of shareholders, and the minutes of the first and second ( if any) shareholders meetings are registered at the Civil Registry.

**1.8 Deposit of Documents.** Copies of the following documents are then deposited with the clerks at (1) the Civil and Commercial Court of First Instance and (2) the Justices of Peace having jurisdiction over the domicile of the company and any of its branches:

- ◆ The statutes
- ◆ The list of shareholders
- ◆ A copy of the receipt for payment of the capitalization tax.
- ◆ An abstract of the sworn declaration made to the Notary.
- ◆ The list of shareholders present at the first (and second) shareholders meeting together with the resolutions adopted
- ◆ The letter of approval from the Income Tax Department.

**1.9 Publication.** A notice of the formation of the company, containing the following information, must be published in a general circulation newspaper:

- 1- Company name
- 2- Domicile
- 3- Authorized and paid-in capital
- 4- Name of notary and date of notarization
- 5- Description of the business of members of the board of directors
- 6- Duration of the company
- 7- Names and positions of members of the board of directors
- 8- Name of the "comisario"
- 9- Provision for legal reserve

10-Date of the deposit of documents.

**II- An enterprise interested in establishing an operation in a Free Zone shall submit to the National Free Zones Council, the following information:**

- a) An application form (available in the NFZC), should be filled out and submitted to the NFZC.
- b) A copy of the leasing contract between the operator and the company to be installed.
- c) The company documents of the preliminary or final constitution, indicating the list of Shareholders, its nationalities and contributions.
- d) A certified Check to publish the operation application in a wide circulation newspaper of general circulation, during two consecutive days.
- e) A sample of the product(s) to be manufactured.
- f) A letter indicating solvency or any other document that identifies the investor.

Once all the requirements are completed, these must be proposed to the National Free Zone Council for its evaluation and approval.

The National Free Zone Council Board meets every thirty (30) days to accomplish the responsibilities given by Law 8-90 among others to study and approve any operations in the Free Zones.

**OTHER REQUIREMENTS**

- Any company or individual, to be located in a Free Zone is required to obtain at CEDOPEX an exporter registration.

**NOTES:**

- The application form to establish operations in the Free Zones, can be obtained free of charges at the National Free Zones Council.

In order to complete the application process, the applicant should pay an specific sum to the National Free Zones Council to cover the expenses of all formalities related to the process.