

# NEWSLETTER

## NEW LAW FOR THE PROMOTION OF COMMERCIAL CIVIL AVIATION IN THE DOMINICAN REPUBLIC

At the beginning of October 2023, a new law was enacted establishing a tax incentive regime for domestic and international commercial civil aviation.

The main purpose of this law is to boost the country's aeronautical industry, increase the flow of visitors and tourists to the national territory by air, establish new international routes to and from strategic markets of the Dominican Republic, increase competitiveness and offers in air transportation and consolidate the positioning of our country as a connection point for transportation, passenger logistics, trade and international investment.

The law establishes a period of 15 years, counted from its enactment (in the case of exemption of taxes on assets, the maximum period of enjoyment will be of 5 fiscal years counted from the beginning of operation of the applicant company), to provide tax incentives to both national and international companies belonging to the commercial civil aviation sector.

### INCENTIVES

- Total exemption from withholding tax on foreign payments made for the lease of aircraft or aircraft engines and aircraft maintenance and repair services; engine parts and other aircraft parts;
- One-time and definitive withholding of only 5% of the tax for payments made abroad for training and education of crew personnel by non-residents; use and maintenance of computer programs and software related to the operation of the aircraft and for the insurance of the aircraft;
- Exemption from the payment of the Tax on the Transfer of Industrialized Goods and Services ("ITBIS") on the sale of complete flights by Dominican operating companies to companies abroad (charter), as long as they are flights originating abroad and destined to the Dominican Republic;
- Exemption from the payment of the Tariff and ITBIS on the importation of ships and aircrafts of subheading 8802.30.00 corresponding to airplanes and other aircrafts, of an unladen weight exceeding 2,000 kg, but not exceeding 15,000 kg and subheading 8802.40.00 corresponding to airplanes and other aircrafts, of an unladen weight exceeding 15,000 kg;
- Exemption from the payment of the Tax on Assets declared in the General Directorate of Internal Taxes ("DGII") of the Dominican Republic.

These incentives will not apply to lease agreements entered into with entities located in countries considered as jurisdictions with preferential tax regimes, low or no taxation or tax havens. Likewise, lease agreements entered into with entities abroad must be registered before the competent institutions of the country, including the DGII. This law does not apply to State aircraft, aircraft for personal use, or aircraft that are not engaged in the regular international air transportation of passengers.

To take advantage of these incentives, any interested party must submit its request to the Civil Aviation Board ("JAC") of the Dominican Republic, which will evaluate its suitability to receive them. Once this first phase is completed, the JAC will submit a feasibility study to the Ministry of Finance of the Dominican Republic to obtain its non-objection. Likewise, this law empowers the JAC to cancel, by means of a reasoned resolution, the approval of the benefits granted thereunder.

This new legal provision addresses the main strategic routes for the Dominican Republic and establishes that the JAC, in collaboration with the Ministry of Tourism, will determine and prioritize their implementation. The Executive Branch shall issue the regulations for the application of this law within three months from the date of enactment of the law.

For any information about this important law and the facilities it offers, please do not hesitate to contact us.

