IN-DEPTH

Foreign Investment Regulation

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In-Depth: Foreign Investment Regulation (formerly The Foreign Investment Regulation Review) is an insightful guide to the laws, regulations, policies and practices governing foreign investment in key international jurisdictions. With an eye towards recent developments, it focuses on practical and strategic considerations – including the key steps for foreign investors planning a major acquisition, or otherwise seeking to do business in a particular jurisdiction.

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Dominican Republic

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Summary

Introduction

Foreign direct investment (FDI) continues to play a pivotal role in the Dominican Republic's economy, which remains one of the main recipients of FDI in the Caribbean and Central America. Over the past three decades, the country has fostered a highly favourable environment for international investors, adopting policies to streamline administrative procedures and offering substantial tax incentives. As a result, the Dominican Republic consistently attracts significant levels of FDI. In 2024, the country received approximately US$4.52 billion in FDI, reflecting a 3 per cent increase from the previous year and reaffirming its leadership as a regional investment hub.

Historically, the main sectors attracting FDI have included tourism, real estate, free trade zones, mining, telecommunications and financial services. In recent years, the government has intensified efforts to boost investment in these and other strategic areas. Notably, a special incentive plan launched in 2020 continues to promote high-quality investments in tourism and infrastructure in the country's southwest region. Additionally, the enactment of the Public-Private Partnership (PPP) Law in 2020 has enhanced the legal framework for private sector participation in large-scale infrastructure and public service projects.

Despite global economic challenges, the Dominican Republic has demonstrated remarkable economic resilience. Its macroeconomic indicators remain strong, and international assessments of the country's competitiveness and transparency have remained stable, underscoring the effectiveness of its investment policies and institutional framework.

Beyond its competitive incentive regime, the Dominican Republic's membership in the Central America Free Trade Agreement – Dominican Republic (CAFTA-DR) offers foreign investors significant advantages. This agreement has promoted market liberalisation, enhanced legal certainty, and improved access to international markets. The United States continues to be the largest single source of FDI, supported by the protections and dispute resolution mechanisms provided under CAFTA-DR.

Moreover, the double taxation treaty between the Dominican Republic and Spain has been instrumental in fostering investment flows from Spanish entities.

By preventing the double taxation of income and capital gains, the treaty provides greater legal certainty and favourable conditions for Spanish investors. Spain remains one of the top European investors in the country, particularly active in the tourism, infrastructure and renewable energy sectors.

In 2024, the Dominican Republic's strategic initiatives, legal stability and investor-friendly climate have continued to draw robust foreign investment. With strong growth in key sectors such as tourism (US$1.3 billion), energy (US$1.14 billion), commerce and industry (US$441 million) and free trade zones (US$417 million), the country stands out as a dynamic and stable destination for global capital in the Latin American and Caribbean region.

Year in review

In 2024, the Dominican Republic experienced strong foreign direct investment (FDI) inflows, totalling approximately US$4.52 billion, according to the United Nations Conference on Trade and Development (UNCTAD) *World Investment Report 2025*. This sustained performance reflects the country's robust investment environment, supported by policies aimed at reducing bureaucratic barriers and providing substantial tax and legal incentives –particularly in sectors such as tourism, energy, free trade zones, commerce and industry, telecommunications and finance. The continued growth underscores the Dominican Republic's position as a leading investment destination in the Caribbean and Central America.

The tourism sector remained the top recipient of FDI in 2024, attracting US$1.3 billion, which represents 28.7 per cent of total FDI inflows for the year and a continued upward trend in post-pandemic recovery. This performance highlights the sector's resilience and the Dominican Republic's standing as a premier destination for international tourism investment.

The energy sector registered the largest absolute year-over-year growth, reaching US$1.14 billion in 2024 – an increase of over US$340 million compared to 2023. This significant rise reflects expanding interest in renewable energy and the strategic role of the sector in the country's sustainable development agenda.

Commerce and industry also saw a notable increase, attracting US$441 million, while free trade zones recorded US$417 million in investment. These figures confirm the diversification of investment across a broad range of productive sectors beyond traditional tourism, reinforcing the country's appeal to investors seeking a stable and growing market.

In terms of origin, the United States remained the primary source of FDI, followed by Spain, Canada and Mexico, reaffirming their long-standing economic partnerships with the Dominican Republic. The double taxation treaty with Spain continues to play a key role in encouraging Spanish investment – particularly in the tourism sector, where Spain has maintained a strong and growing presence.

Additionally, Brazilian investment totalled US$120 million in 2024, marking a sustained recovery and further diversifying the country's investment sources. This geographic diversification demonstrates the Dominican Republic's broad international appeal and investor confidence in its legal and economic framework.

From a regional perspective, the Dominican Republic captured nearly 50 per cent of total FDI inflows into the Caribbean and around 37% of Central America's total, consolidating its position as the principal destination for foreign capital in the region.

These results not only reflect economic strength, but also validate the country's long-term strategy to improve its business climate through institutional reforms, public-private partnerships and proactive investment promotion. The combination of sectoral diversification, sustained investor interest and regional leadership signals a highly positive outlook for the Dominican Republic's economic trajectory in the coming years.

Foreign investment regime

Policy

The Dominican Constitution grants foreign and local investors equal treatment under the law, stating expressly that foreigners in the Dominican Republic are entitled to the same rights as Dominican nationals, except in relation to participation in local political activities. Correlatively, foreign investors are bound by the same rules and regulations as those applicable to local investors.

Foreign investors can freely hold equity in local businesses and joint ventures and can purchase real estate in their names.

Shareholders, partners, members, officers and directors of a Dominican company do not need to be Dominican citizens or residents, except in very special circumstances.

To promote exports and facilitate and expedite FDI in the country, the government created the Export and Investment Centre (ProDominicana) of the Dominican Republic. The Centre assists foreign investors in their business activities in the Dominican Republic by providing free advice and information, as well as coordinating regulatory requirements with various government entities. The Centre also sponsors events to promote the Dominican Republic as an investment destination and to provide information to potential investors on how to plan and implement successful business projects in the country.

The Dominican government also assists investors by pledging its full support and credit for loans provided by international agencies for significant infrastructure projects in the Dominican Republic. Foreign investors in large Dominican projects commonly use capital and political or exchange insurance risk facilities provided by the Multilateral Investment Guarantee Agency and the Overseas Private Investment Corporation. The Dominican Republic has signed agreements with both entities.

Laws and regulations

Law No. 16-95 on Foreign Investment, enacted on 20 November 1995, and its implementing regulations eliminated all barriers formerly imposed on international investments in the Dominican Republic. Investors contributing capital to companies operating in the Dominican Republic are granted unlimited access to all sectors of the economy, except those relating to national security and certain sensitive industries.

Registration of foreign investments with government authorities is not mandatory, nor is state approval required for the repatriation abroad in foreign currency of capital invested or benefits received by investors.

In a deliberate effort to attract investment capital, the Dominican Republic has set up one of the most wide-ranging systems of incentives for investors. The most important initiatives in this regard are described below.

Incentives to investors in free zones

Under Law No. 8-90 on the Promotion of Free Zones, companies operating in free zones function in a nearly free trade environment and benefit from significant tax exemptions for renewable 15-year periods, such as no income, goods and services, municipal or export taxes, and no import duties nor related charges on raw materials, equipment, construction materials, vehicles, office equipment and other goods necessary for the preparation, construction and operation of the business.

All trade in goods or services to and from a free zone is considered an import or an export, even when the source or destination is another location in the Dominican Republic. As a result, goods and services from the free zones sold in the Dominican market are subject to applicable taxes, such as customs duties and goods and services taxes, except:

1. textiles, leather goods and shoes, which benefit from a special programme set up under a special statute;[1] and
2. trade between different free zones that is approved beforehand by the authorities.

Furthermore, companies in the free zones exporting goods or services to the Dominican market pay a preferential income tax rate of 3.5 per cent on gross sales.

Free zones are regulated and supervised by the Free Zones National Council, which issues permits allowing companies to operate within a particular free zone and enforces all applicable legislation.

Special incentives for border region free zones

Under Law No. 28-01 Creating a Special Border Development Zone, in addition to the exemptions listed before, companies established and operating in free zones within the border region with Haiti are entitled to further benefits such as an extension of the exemption period from 15 to 20 years, government subsidies to lease space in the free zone and preferential loans with lower interest rates.

Special incentives for logistics operators

Decree No. 262-15 defines logistics operators as companies authorised by the General Directorate of Customs to supply, within a logistics centre, services such as storage, inventory administration, classification, consolidation, cargo distribution, packaging, labelling, division of cargo, refrigeration, re-export and transport.

Logistics operators benefit from a significant reduction in their income tax (which is set at just 3.5 per cent of sales made in the local market) and from import duties on merchandise brought into the country, repackaged and then exported if this is carried out within a specified period.

Incentives for investors in the tourism industry

The inflow of tourists to the Dominican Republic began with the enactment in 1971 of a special statute granting incentives to investors willing to risk their capital in what was then the least visited tourist destination in the region. Although the country is now the undisputed tourism leader in the Caribbean, companies still benefit from very attractive enticements to invest in the industry. Law No. 158-01 on Tourism Incentives, as amended by Law No. 195-13, and its regulations grant wide-ranging tax exemptions, for 15 years, to qualifying new or refurbished projects undertaken by local or international investors.

The following projects and businesses qualify for these incentives:

1. hotels and resorts;
2. facilities for conventions, fairs, festivals, shows and concerts;
3. amusement parks, ecological parks and theme parks;
4. aquariums, restaurants, golf courses and sports facilities;
5. port infrastructure for tourism, such as recreational ports and seaports;
6. utility infrastructure for the tourism industry, such as aqueducts, treatment plants, environmental cleaning, and garbage and solid waste removal;
7. businesses engaged in the promotion of cruises with local ports of call; and
8. small and medium-sized tourism-related businesses such as shops or facilities for handicrafts, ornamental plants, tropical fish and endemic reptiles.

As regards existing projects, hotels and resort-related investments that are five years old or older are granted 100 per cent exemptions from taxes and duties relating to the acquisition of the equipment, materials and furnishings needed to renovate their premises. In addition, hotels and resort-related investments that are 15 years old or older will receive the same benefits as those granted to new projects if the renovation or reconstruction involves 50 per cent or more of the premises.

Finally, individuals and companies obtain an income tax deduction for investing up to 20 per cent of their annual profits in an approved tourist project.

The Tourism Development Council (Confotur) is the government agency in charge of reviewing and approving applications by investors for these exemptions and, generally, supervising and enforcing all applicable regulations. Once Confotur approves an application, the investor benefiting from the incentives must start and continue work in the authorised project within a three-year period to avoid losing all benefits under the programme.

Incentives for investors in renewable energy

The Dominican Republic encourages investment in the renewable energy sector. Under Law No. 57-07 on the Development of Renewable Sources of Energy, investors in this sector are granted, among other benefits, the following tax incentives:

1. exemption from payment of import duties and value added taxes on the equipment, machinery and accessories necessary for the production, transmission and interconnection of renewable energy; and
2. the reduction to 5 per cent of the withholding tax for the payment of interest abroad for external financing.

In addition, producers authorised under the law may sell certified emission reductions units in accordance with the Kyoto Protocol.

Incentives for investors in the film industry

The Film Industry Law[2] created a legal framework to promote the development, production, distribution and preservation of movies, television shows, music videos and other audiovisual productions, as well as the construction of film-making studios and cinemas. The most important incentives contemplated in the legislation are exemption from payment of the goods and services tax, income tax exemption for the construction of cinemas and film or recording studios, and a transferable tax credit of 25 per cent of expenditures in the Dominican Republic, subject to certain requirements.

To benefit from these incentives, investors need to be registered and authorised with the Dominican Republic Film Commission, which is the regulatory agency in charge of implementing the law.

General incentives for innovation and competitiveness in manufacture

Law No. 392-07 on Competitiveness and Industrial Innovation, as amended by Law No. 542-14, created an institutional framework to enhance the ability of Dominican industry to compete in international markets by promoting horizontal and vertical integration and granting incentives to qualified operators, such as:

1. exemption from customs duties and goods and services tax on raw materials, machinery and capital goods;
2. accelerated depreciation of goods and industrial equipment; and
3. reimbursement of certain taxes to exporters.

To qualify for these incentives, industries must be certified by the Industrial Development and Competitiveness Center (known as ProIndustria), the government agency created to implement Law No. 392-07.

Incentives for international investors

Law No. 171-07 grants foreign nationals who invest a minimum of US$200,000 in the Dominican Republic or who meet certain criteria as retirees special benefits,[3] such as expedited residency in the country, exemption from duty for the importation of household goods, exemption from transfer taxes for the first purchase of real estate, exemption from taxes on dividends and interest, and 50 per cent reduction on property and capital gains taxes.

Sector-specific requirements

Prohibited sectors

Foreign investment in the Dominican Republic is not subject to any prohibitions.

Restricted sectors

As indicated above, the Constitution accords foreign and local investors equal treatment under the law; thus, foreign investors are bound by the same rules and regulations as those applicable to local investors. Therefore, except in very special circumstances, such as in relation to insurance and telecommunications, foreign investment is not subject to a cap or special screening or requirements, and shareholders, partners, members, officers and directors of a Dominican company do not need to be Dominican citizens or residents.

The Insurance Law[4] stipulates a local ownership requirement; therefore, at least 51 per cent of the shareholding participation of local insurance companies must be owned by Dominican citizens.

Similarly, the Telecommunications Law[5] requires that to be a concessionaire of a public broadcasting service, to obtain concessions and the corresponding licences to provide public telecommunications services, the applicant must be incorporated as a legal entity of the Dominican Republic. Furthermore, in the case of public broadcasting services, in addition to the above, the person who has control of the operations and management of the concession company is required to be a Dominican national or naturalised foreigner.

Typical transactional structures

Dominican company law establishes different business combinations allowing companies to gain control over other companies via a direct acquisition, a spin-off or by joining forces with a competing company through a merger or special purpose vehicle. There are no special requirements or conditions for foreign investors to execute asset purchases or share purchases, other than to present foreign documents duly apostilled and translated into Spanish.

Mergers and acquisitions (M&A) activity is governed by several laws in the Dominican Republic. Along with other sector-specific legislation (e.g., for insurance, banking, telecoms and energy), the following are the main laws to consider in every M&A transaction involving private companies:

1. the Companies Law;[6]
2. the Bankruptcy and Insolvency Law;[7]
3. the Tax code[8] and its regulations;
4. the Labour Code;[9]
5. the Competition Law;[10]
6. the Intellectual Property Law;[11] and
7. the Law on Security Interests in Personal Property, for financing M&A deals.[12]

The acquisition of shares in a company, a business or assets must be governed by local law as long as the company in question is Dominican or the assets are located in the Dominican Republic. If a transfer is executed in the parent company, only the registration of the transfer in the Dominican registries must comply with local law.

The following documents are normally executed at the closing of the transaction: the transaction agreement, a closing checklist, attachments or exhibits, asset transfer authorisations, escrow agreements, consents and authorisations, waivers and any other additional documents, depending on the scope of the operation and sector requirements.

The documents for acquiring shares and businesses are very similar as they both involve a stock or share purchase agreement and minutes approving the sale, which must be registered at both the Mercantile Registry and the Tax Authority. Conversely, if assets subject to registration, such as real estate and vehicles, are sold, sale agreements will be registered at the Title Registry or the Tax Authority, respectively. In these latter cases, minutes from the seller approving the sale will also be required.

Signatures on sale agreements must be legalised by a notary. If the transaction involves foreign documents, they must also be apostilled and translated into Spanish.

The E-Commerce Law[13] established equal standing for electronic documents and hard-copy documents. Judicial precedents have also established equal standing, provided that the electronic data is reliable and auditable. However, for an agreement to be considered as having been agreed electronically and therefore binding and enforceable, companies must complete a process to register their digital signatures with a certifying entity, such as the Chamber of Commerce and Production of Santo Domingo, at the Mercantile Registry office before signing the agreement.

Other strategic considerations

There are no references in Dominican law to the possibility of the government influencing or restricting the conclusion of business combinations or acquisitions other than for reasons of national security.

Nevertheless, certain industries require approval from specific regulators or governmental bodies regarding the origin of funds, irrespective of whether it is a national or a foreign investment, including the following cases:

1. authorisation of the monetary board is required in cases of M&A transactions involving financial entities whenever the acquisition represents a percentage equal to or greater than 30 per cent of the paid-in capital. Authorisation is also required in the event of the transfer of all or a substantial part of the assets and liabilities of financial intermediation entities;
2. prior approval from the Dominican Institute of Telecommunications (INDOTEL) pursuant to INDOTEL Resolution No. 022-05, approving the regulation of free and fair competition for the telecommunications sector (as amended by Resolution No. 025-10). Approval by INDOTEL is required for all M&A involving telecommunications companies. No thresholds apply;
3. the General Electricity Law[14] establishes that M&A activity between energy generation companies is controlled and supervised by the Superintendency of Electricity, which must approve any M&A transactions;
4. according to the Insurance Law, insurers and reinsurers may merge subject to prior authorisation from the Superintendency of Insurance. Similarly, authorisation from

the Superintendency of Insurance is required for the acquisition of all or part of the client portfolio of an insurer or reinsurer; and

5. the Mining Law[15] establishes that all contracts regarding mining transactions, including transfers of mining rights, must be registered at the Public Registry of Mining Rights.

Outlook and conclusions

Recent changes to the legal framework concerning insolvency matters, movable asset warranties, competition law, customs law, anti-money laundering legislation and trust law, and the new rules for mining and energy public procurement frameworks have produced a positive effect, strengthening the country's position in the sector and increasing FDI in the country.

Moreover, on the international trade front, the Dominican Republic has historically taken advantage of its strategic geographical position to establish itself as a regional leader for companies looking to offshore their production and services capabilities abroad. Recently, this trend has increased even further as a result of the dynamism evidenced by the Dominican Republic's economy compared with its regional counterparts. This clear message of robust growth, macroeconomic stability and overall solidity has fostered the Dominican Republic's competitive advantage and increased its attractiveness in terms of nearshoring opportunities in the region.

Furthermore, new rules and regulations in the insurance and financial markets will attract new FDI activity into these sectors. In addition, the tourism industry continues to receive significant attention because of the Dominican Republic's strategic position and the steadily increasing growth seen in this market. Finally, the inflow of new capital from Latin America in the consumer sector indicates that there will be significant activity in this field in the near future.

Lastly, there are also several bills before Congress that will have a positive effect on FDI in the Dominican Republic, namely:

1. a reform of the Labour Code;
2. a reform of the Code of Civil Procedure; and
3. a major reform of the Civil Code.

Endnotes

1 Law No. 56-07 Declaring the Textile, Clothing and Accessories Chain a National Priority Sector. ^ Back to section

2 Law for the Promotion of Cinematographic Activity in the Dominican Republic, No. 108-10. ^ Back to section

3 Law No. 171-07 on Special Incentives for Foreign Pensioners and Investors. ^ Back to section

4 Law No. 146-02 on Insurance and Bonds of the Dominican Republic. ^ Back to section

5 The General Law on Telecommunications, No. 153-98. ^ Back to section

6 The General Law on Companies and Limited Liability Individual Enterprises, Law No. 479-08. ^ Back to section

7 Law No. 141-15 on Restructuring and Liquidation of Commercial Companies and Individuals. ^ Back to section

8 Law No. 11-92 approving the Tax Code of the Dominican Republic. ^ Back to section

9 The Labour Code of the Dominican Republic (Law No. 16-92 of 29 May 1992). ^ Back to section

10 Law No. 42-08 on the Defence of Competition. ^ Back to section

11 Law No. 20-00 on Industrial Property. ^ Back to section

12 Law No. 45-20 on Security Interests in Personal Property. ^ Back to section

13 Law No. 126-02 on Electronic Commerce, Documents and Digital Signatures. ^ Back to section

14 The General Electricity Law and its Implementing Regulations, No. 125-01. ^ Back to section

15 Law No. 146-71, the Mining Law of the Dominican Republic. ^ Back to section

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