



# **FISCAL REVENUES 2019 - 2020**

**Ministry of Finance**

**Directorate General of Tax Policy and Legislation**

**Dominican Republic**

**March 2020**



# 2019 MACROECONOMIC FRAMEWORK

Variables	Effective 2017	Effective 2018	2019 Budget	Jan-Dec 2019
Real GDP growth (%)	4.7	7.0	5.0	5.1
Nominal GDP growth	9.0	11.4	9.2	-
Inflation (average %)	3.28	3.56	4.00	1.81
Inflation (12 months %)	4.20	1.17	4.00	3.66
Exchange rate (average, RD\$/US\$)	47.54	49.52	52.18	51.31
WTI oil price (US\$ per barrel)	50.8	65.2	60.5	57.0
Gold (US\$/Oz, average)	1,257.6	1,275.1	1,325.0	1,392.6
USA real growth (%)	2.4	2.9	2.6	2.1

## Other economic indicators:

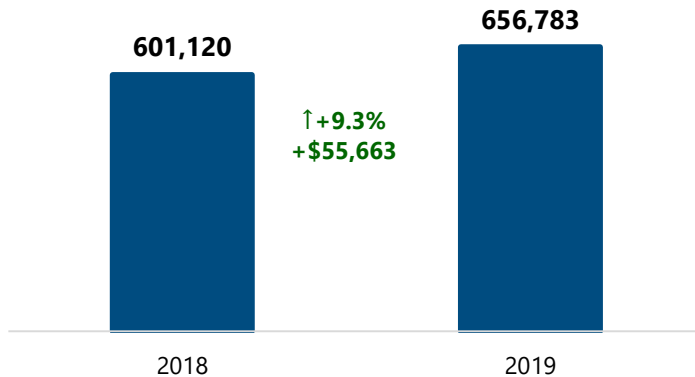
- Monetary policy rate: set at 4.50% since July 2019.
- Credits to the private sector: 11.8% increase when compared to 2018.
- Taxable imports: 1.1% above 2019 levels, an additional US\$147 million (deceleration when compared to the 2018 growth rate of 14.0%).
- Tourist arrivals: 1.9% decrease compared to 2018, equivalent to 122,852 less (although it did not have an impact on tourism revenues when compared to the previous year, rather with budget values).



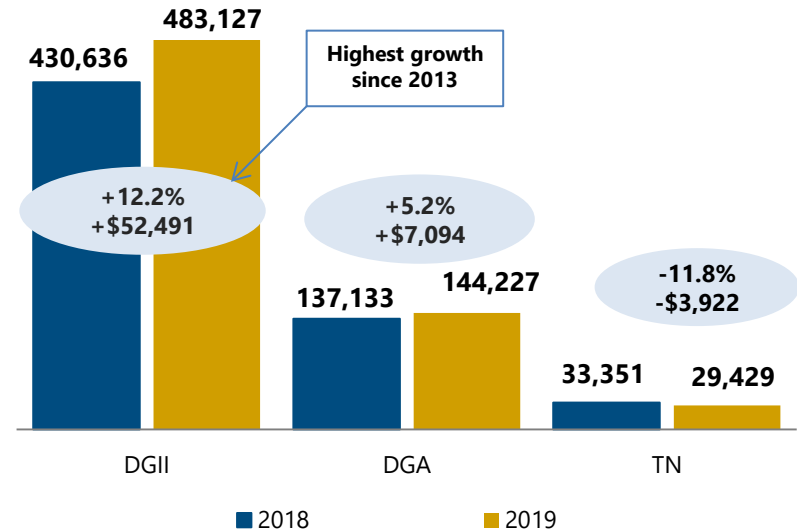
# FISCAL REVENUE

In 2019 tax collection reached **RD\$656.8 billion** (US\$12.8 billion), excluding RD\$1,038.4 million (US\$20.2 million) in grants, for an increase of 9.3% with respect to 2018. The Tax Administration (**DGII and DGA**) reflected an increase in their collections thanks to the **administrative measures** they have implemented to combat tax non-compliance and contraband. Whereas the TN saw a reduction in perceived revenue due to falls in income in the Single Treasury Account (STA).

**Fiscal Revenue 2018 vs. 2019**  
Millions of RD\$



**Fiscal Revenue 2018 vs. 2019**  
Millions of RD\$

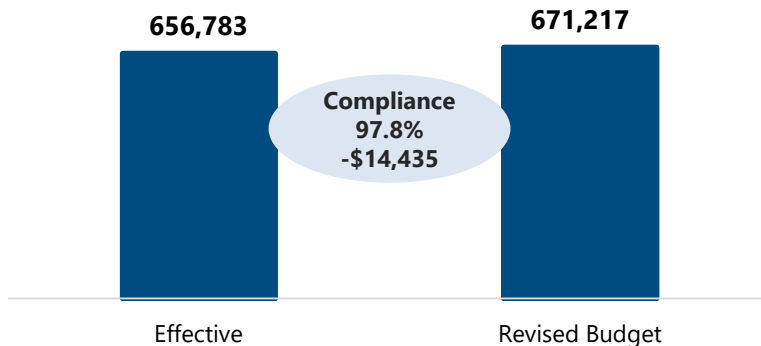




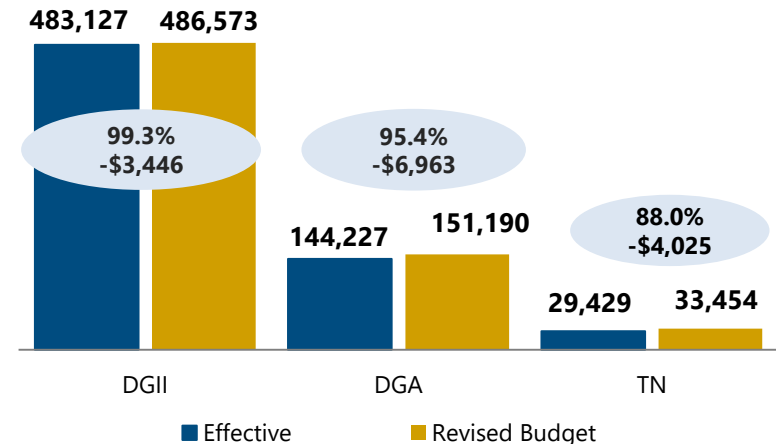
# FISCAL REVENUE

A **97.8% compliance with the budget** was reached, affected by the divergences of some of the economic indicators with respect to those used to prepare the 2019 Budget, such as tourist arrivals, fuel prices, trade levels, etc. As well as the fact that the Bill of Patrimonial Sincereness was not approved, whose additional income had been included in the budget.

**2019 Revenue:  
Effective vs Revised Budget  
Millions of RD\$**



**2019 Revenue:  
Effective vs Revised Budget  
Millions of RD\$**

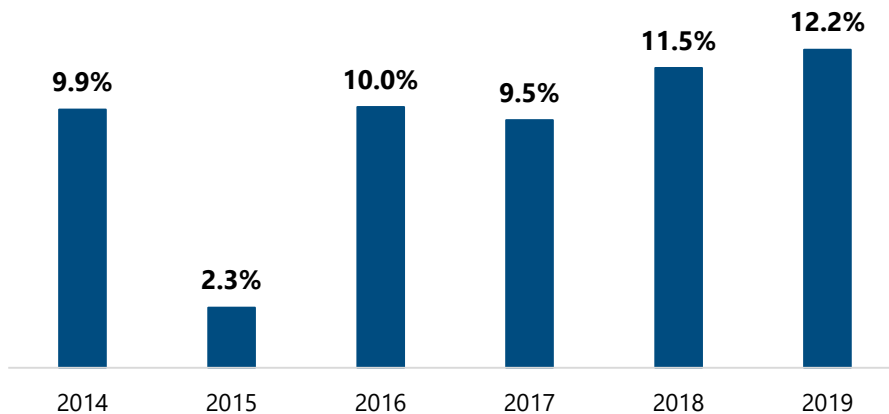




# INTERNAL REVENUE AGENCY

2019 was the year of the DGI's **highest revenue growth since 2013**, representing a 15.0% increase compared to 2018 revenue without the extraordinary income of the brewery sale.

**Internal Revenue Agency's Revenue  
Annual Growth Rate**



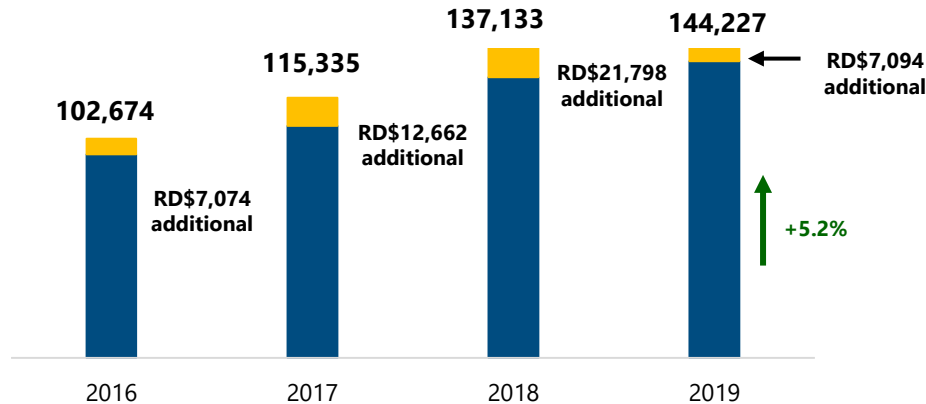
## Achievements:

- More than 100 tax fraud cases detected and regularized with an amount that exceeds RD\$2.5 billion.
- Submission of 34 criminal cases from 2016 to date, leading to coercive measures, convictions, payment agreements, among others.
- Advances in the main projects: alcohol and cigarette traceability, implementation of the Simplified Taxation Regime (14,000 new taxpayers) and electronic invoicing.



On average the Customs Agency has been able to **increase revenue annually in RD\$12.6 billion.**

**Customs Revenue**  
Millions of RD\$



## Achievements of the last 41 months:

- More than 250 million units of cigarettes, one million gallons of fuel, 600,000 ammunition and 400 weapons were seized.
- 2,295,714 units of illegal medicine and more than 275,000 bottles of alcoholic beverages have been destroyed.
- Around 4.6 million units of counterfeit goods were confiscated and about US\$7.6 million have been retained without declaring.
- Regarding ex-post audits, at the moment amounts of more than RD\$20.0 billion have been determined.



# EXTRAORDINARY REVENUE

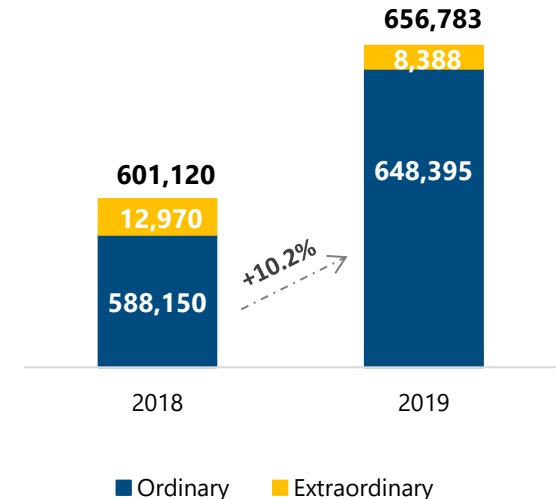
An amount of **RD\$8.4 billion** (US\$163.5 million) was perceived as extraordinary fiscal revenue, representing 1.3% of total tax collected and 0.2% of estimated GDP.

If we exclude extraordinary income, revenue increased 10.2%, a growth rate well above the economy's nominal growth.

Extraordinary Revenue, January-December 2014-2019  
(Millions of RD\$)

	2014	2015	2016	2017	2018	2019	Variation	
							Abs.	Rel (%)
Capital gains tax	12,429	1,822	2,513	4,170	11,935	5,804	(6,131)	(51.4)
Companies constitution tax	-	-	-	-	-	228	228	-
Real estate transfers tax	-	-	-	-	-	123	123	-
Dividends tax	-	-	732	-	-	1,639	1,639	-
Transactional agreements	-	-	-	499	351	523	172	49.0
Corrections to excise tax valuation	-	-	-	-	216	-	(216)	(100.0)
5% mining royalties (DGA)	-	-	-	-	346	-	(346)	(100.0)
AERODOM	-	-	507	-	-	-	-	-
Dividend surplus from REFIDOMSA	838	987	1,108	-	-	-	-	-
Additional contribution dividends from Banco de Reservas	-	1,500	-	-	-	-	-	-
Cement companies' audit agreement for fuel tax	315	-	-	-	-	-	-	-
Public tender of radio spectrum frequencies	3,061	-	-	-	-	-	-	-
Inspections	-	-	-	2,435	-	72	72	-
Others	1,558	1,004	455	1,222	122	-	(122)	(100.0)
<b>Total</b>	<b>18,201</b>	<b>5,313</b>	<b>5,315</b>	<b>8,326</b>	<b>12,970</b>	<b>8,388</b>	<b>(4,581)</b>	<b>(35.3)</b>

Fiscal Revenue 2018 vs. 2019  
Jan – Dec; Millions of RD\$





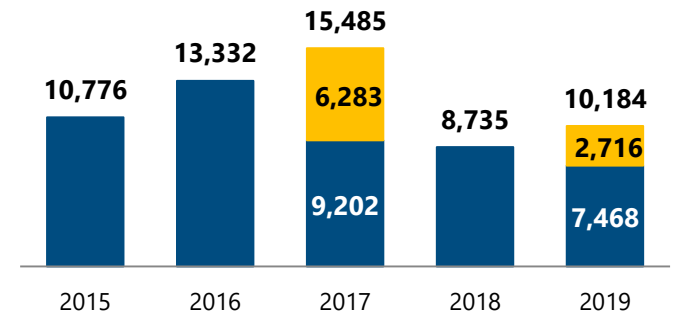
# REVENUE FROM MINING CONCESSIONS

Fiscal revenue from mining concessions reached an amount of **RD\$10.2 billion** (US\$197.9 million) a 16.6% increase when compared to 2018, and 36.4% above the budgeted value, as gold prices remained well above the budgeted price.

**Revenue from Mining Concessions, January-December**  
Millions of RD\$

	2018	Budget 2019	2019	2019 vs. Budget 2019	2018 vs. 2019
Royalty	2,245	2,154	2,305	7.0%	2.7%
Annual Minimum Tax (IMA)	265	1,911	-	-100.0%	-100.0%
Income Tax	3,674	2,882	4,822	67.3%	31.3%
Net Profit Share (PUN)	2,552	520	3,057	488.0%	19.8%
<b>Total</b>	<b>8,735</b>	<b>7,468</b>	<b>10,184</b>	<b>36.4%</b>	<b>16.6%</b>
<b>US\$</b>	<b>177</b>	<b>143</b>	<b>191</b>	<b>33.2%</b>	<b>7.6%</b>

**Revenue from Mining Concessions**  
Millions of RD\$



■ Collection above the estimated value





# 2019 BUDGET POLICY

The **new measures** that have been implemented since beginning of the year have generated **additional revenues of approximately RD\$13.1 billion** (US\$256.2 million). Among these measures one must state:

## **DGII**

- Non-indexation of personal income tax brackets.
- Liquid Petroleum Gas differential.
- Beginning of the electronic invoice pilot plan.
- Virtual and physical georeference of real estate, increasing taxpayers that must pay property tax and adjusting their valuation.

## **DGA**

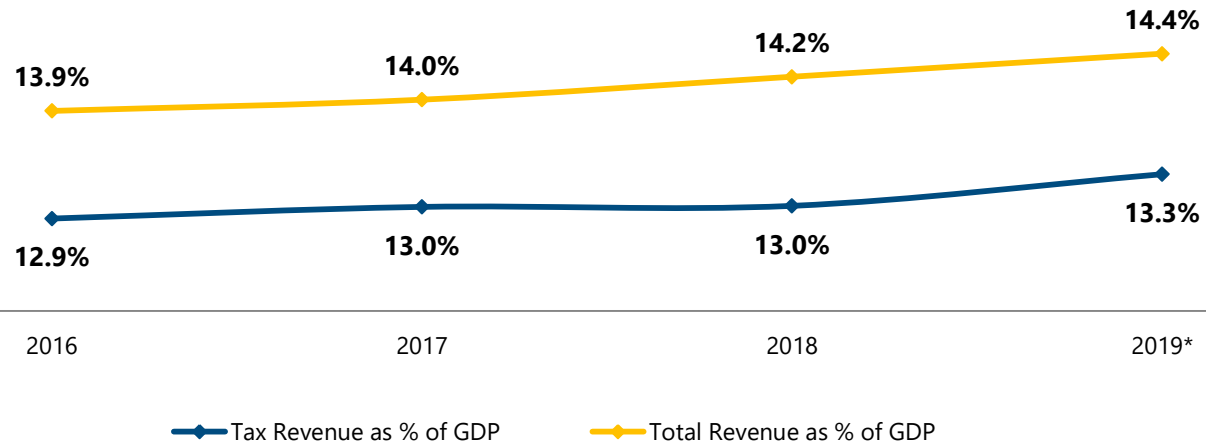
- Elimination of import tax exemptions for slot machines, parts, spare parts, accessory equipment, etc.
- Collection of the RD\$2.0 per gallon on the consumption of gasoline and diesel, premium and regular when imported, prior to customs clearance.
- More control and safety of re-exported fuel, that is, crossing the border from Dominican territory to another market.
- Advanced payment of 50.0% of the VAT for the companies under Laws Nos. 56-07 (textile), 28-01 (border development) and 392-07 (industrial development).
- Modification of the administrative measure whereby tariff on cellphones increased from 3.0% to 8.0%.
- Elimination of the administrative measure that exempted nutritional supplements from VAT of 18.0%.



# TOTAL AND TAX REVENUE AS % OF GDP

These measures, along with those implemented since 2016, have led to a consistent increase in revenue as percentage of GDP. For 2019, **total and tax revenue as percentage of GDP reached 14.4% and 13.3%**, respectively.

Total and Tax Revenue as % of GDP





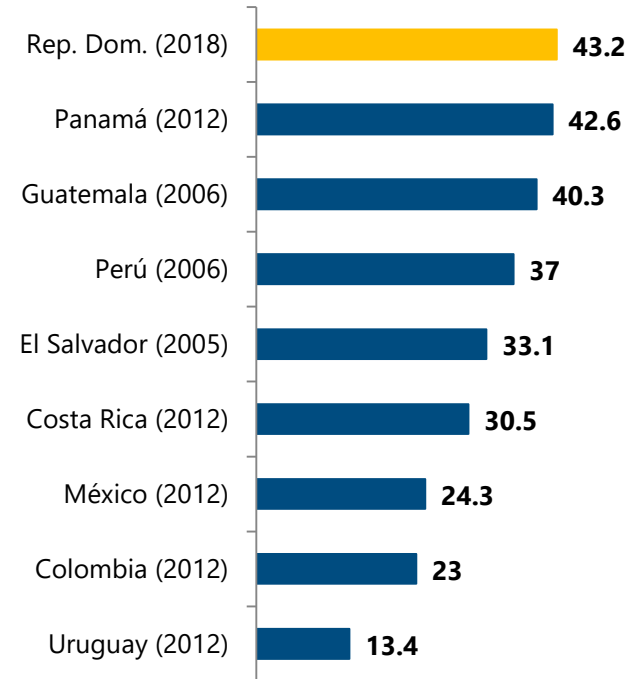
# TAX NON-COMPLIANCE IN THE REGION

Although the Tax Administrations' efforts have increased revenue consistently, **there is still room for improvement** as tax non-compliance remains high.

Where tax non-compliance includes:

- *Evasion*: voluntary and illegal sub-declaration of taxes.
- *Avoidance*: abusive use of legislation with the purpose of reducing your payments.
- *Arrears*: temporary difference between the tax declared and the one actually entered.
- *Unintentional sub-declaration*: arises from errors or ignorance of the rules.

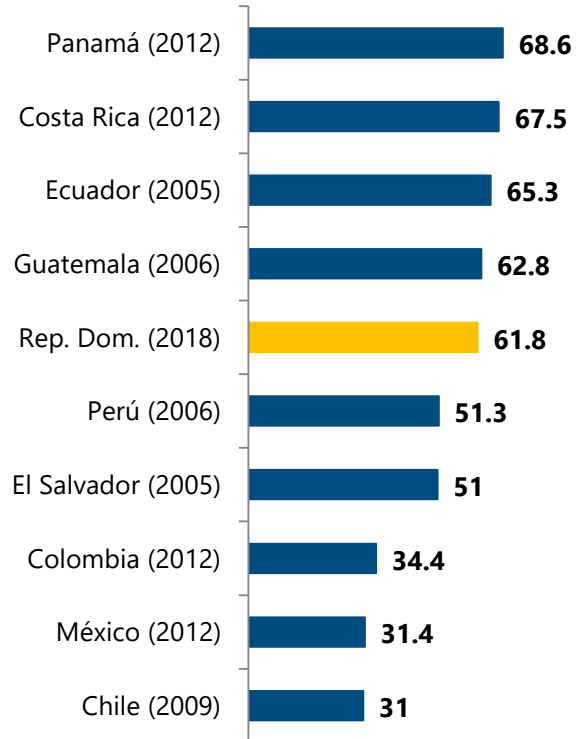
## VAT Non-Compliance - (%)



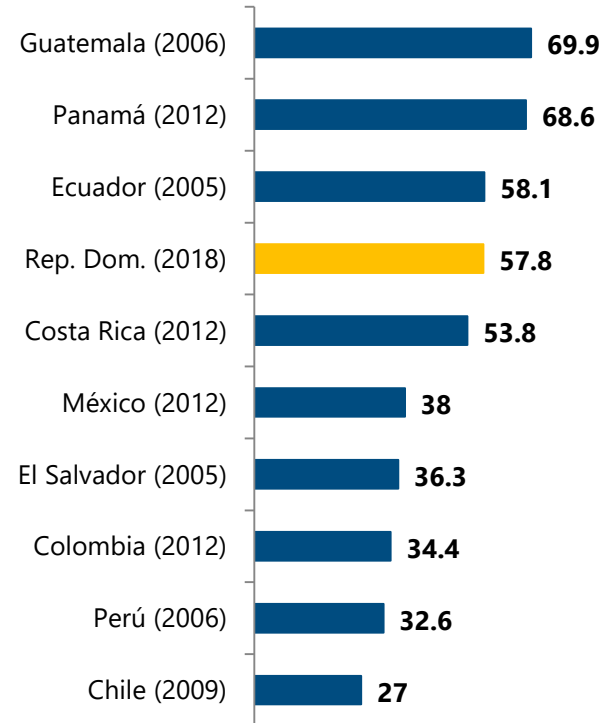


# TAX NON-COMPLIANCE IN THE REGION

## Personal Income Tax Non-Compliance - (%)



## Corporate Income Tax Non-Compliance - (%)





# 2020 MACROECONOMIC FRAMEWORK

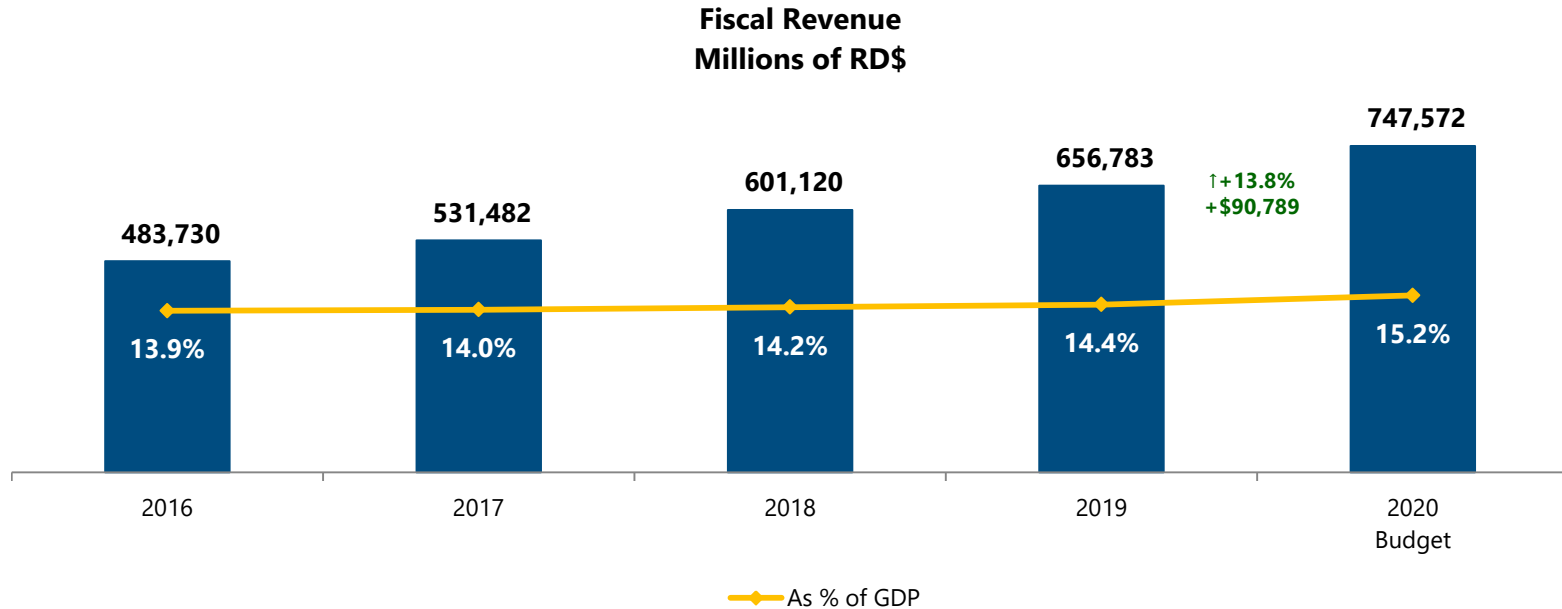


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Gold (US\$/Oz, average)	1,257.6	1,275.1	1,392.6	1,390.8
USA real growth (%)	2.4	2.9	2.1	1.9



# 2020 FISCAL REVENUE

The 2020 Budget includes fiscal revenues of **RD\$747.6 billion** (US\$14.0 billion), excluding RD\$2.9 billion (US\$55.9 million) of grants; for an increase of 13.8% compared to revenue for 2019, and 0.8 pp above total revenue as percent of GDP in 2019.





# 2020 BUDGET POLICY

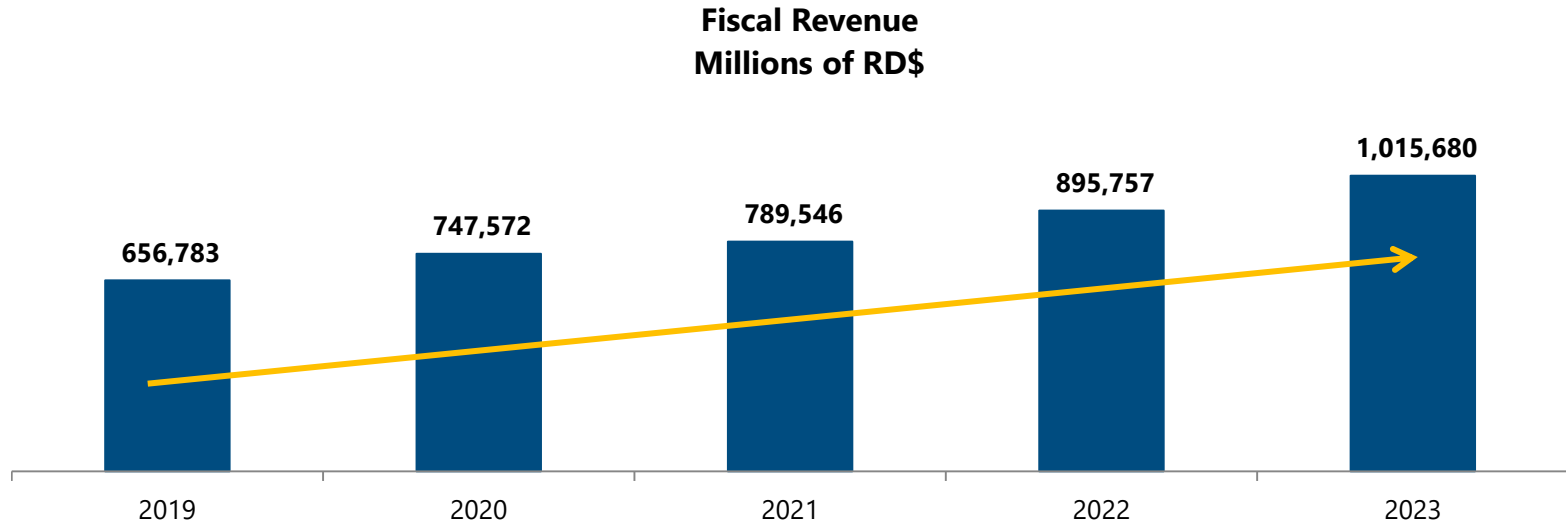
The main policy measures for 2020 include:

- Continued implementation of the **administrative measures** to increase taxpayer's risk perception, reduce tax non-compliance, and assure the proper use of tax incentives.
- Approval of the **Property Sincereness Law**.
- Implementation of **traceability projects** for the imports of alcohols and cigarettes, fuels and electronic devices.
- Extension of the use of **electronic invoicing**.
- Collection of the **tax on digital services**.
- Implementation of the **measures of the 2011 and 2012 Tax Reforms** that haven't been carried out.
- Update of the Tax Code to comply with the **OECD's BEPS Actions**, specifically those relating to transfer of pricing, treaty shopping and harmful tax practices.



# FISCAL REVENUE PROJECTIONS

Looking forward, we foresee improvements in the tax and incentives structure that will allow fiscal revenue to continue increasing.







**THANK YOU**

**Ministry of Finance**

**Directorate General of Tax Policy and Legislation**

**Dominican Republic**

**March 2020**