

The Dominican Republic: A Premier Destination for Foreign Direct Investment

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The Dominican Republic has emerged as one of the most attractive destinations for foreign investment and business expansion in Latin America and the Caribbean. For the past two decades, it has consistently ranked among the fastest-growing economies in the region, with an average Gross Domestic Product (GDP) growth rate above the regional average. This remarkable performance has been driven by robust growth in key sectors such as tourism, mining, construction, financial intermediation, energy and services, as well as a deliberate, sustained effort to improve the country's business climate.

A Favorable and Modern Legal Framework

The Dominican Republic's success is not accidental. It is the result of comprehensive constitutional and legal reforms aimed at strengthening the rule of law, improving transparency and consolidating a business-friendly environment. Successive administrations have enacted investment-friendly regimes, tax incentives and regulatory simplifications designed to attract and retain long-term, sustainable foreign capital.

Key reforms include:

- Law No. 16-95 on Foreign Investment, guaranteeing equal treatment to foreign and domestic investors
- Law No. 479-08 on General Companies, which modernized corporate governance, simplified entity incorporation and introduced new corporate vehicles such as the *Sociedad de Responsabilidad Limitada* and the *Sociedad Anónima Simplificada*, making the country more attractive for international investors
- Law No. 189-11 on Trusts (*Fideicomisos*), enabling sophisticated structures for infrastructure, real estate development and estate planning, which have become widely used by both the public and private sectors
- Law No. 249-17 on Securities Market, which modernized the capital markets and created alternative financing channels, culminating in César Iglesias, S.A.'s landmark IPO in 2023, the first in Dominican history

These measures have provided a stable, predictable framework that reassures investors, while introducing clear standards for corporate governance.

Sectoral Success Stories

Tourism: A Global Powerhouse

Tourism has traditionally been the cornerstone of the Dominican economy. The country receives over 10 million visitors annually, making it the top destination in the Caribbean. Incentives under Law No. 158-01 have fueled the development of world-class resorts and tourism infrastructure, which has helped position the country as a global leader in sun-and-beach, as well as in ecotourism, and cultural tourism.

Industrialization and Free Trade Zones: Export Engines

Since 2020, the administration of President Luis Abinader has prioritized industrialization as a driver of competitiveness and job creation. The Dominican Republic's Free Trade Zones regime is one of the most successful in the hemisphere:

- 800+ companies operate under this regime, with gross investments exceeding US\$7.7 billion
- Production spans medical devices, electronics, apparel, agro-industrial products, tobacco, alcohol and logistics services
- The sector generates more than 200,000 direct jobs and is responsible for 73% of national exports, primarily to the US and Europe

Innovation and Technology: The Next Frontier

The Dominican Republic is looking beyond traditional sectors and is actively pursuing high-value industries:

- Decree 498-23 established a national artificial intelligence strategy, aiming to position the country as a regional hub for data and innovation
- Decree 324-24 declared the development of the semiconductor industry a national priority, supporting global nearshoring trends

Combined with its young, bilingual workforce and growing technology talent pool, the country is well-positioned to become a nearshoring hub for advanced manufacturing and services.

Strategic Location and World-Class Connectivity

Located at the crossroads of the Caribbean, the Dominican Republic offers unmatched proximity to the US market, with flight times under two hours to Miami. Its logistics infrastructure includes:

- Modern seaports (DP World Caucedo and Haina, Puerto Plata) with global shipping connectivity
- Eight international airports that connect to over 70 cities worldwide
- A rapidly developing logistics and distribution sector, ideal for regional supply chains

This geographic advantage makes the country a natural choice for nearshoring and friendshoring initiatives, especially in light of global supply chain realignments.

Tax and Treaty Advantages

The Dominican Republic provides a comprehensive package of tax incentives across multiple sectors:

- **Free trade zones** – Law No. 8-90 establishes a robust framework of tax and customs incentives to attract export-oriented investment. Companies operating under the free zone regime enjoy full exemptions from corporate income tax, import duties, VAT (ITBIS) and other customs charges on raw materials, machinery, equipment and construction materials. They are also exempt from municipal taxes, real estate transfer taxes, capital formation and increase taxes, as well as the asset tax. These incentives apply for up to 15 years (20 years in designated border zones), offering cost efficiency and legal certainty that have made free zones a key driver of Foreign Direct Investment (FDI) and industrial development.
- **Tourism development** – Law No. 158-01 grants qualified tourism projects 100% exemptions from income tax, national and municipal taxes on company formation and capital increases, real estate transfer tax, and property tax (IPI). Beneficiaries are also exempt from import duties, tariffs, and VAT on equipment, materials, and furnishings used for construction and start-up. The law further exempts taxes on financing and interest payments. Incentives are available for up to 10 years after project completion, subject to CONFOTUR compliance, driving investment in tourism infrastructure and services.

- **Renewable Energy** – Law No. 57-07 provides 100% exemptions from import duties, customs tariffs and Value-added Tax (VAT) on equipment for renewable energy generation, transmission and interconnection. Qualified projects also enjoy income tax exemptions for up to 10 years and a reduced 5% withholding tax on external financing interest. “Self-producers” may claim a tax credit of up to 75% of capital investment in equipment, amortizable over three years, incentivizing private and industrial renewable energy generation.
- **Film industry** – Law No. 108-10 stimulates domestic and foreign investment in film and audiovisual production through VAT and sales-tax exemptions on goods and services used in pre-production, production and post-production. It also grants a transferable 25% tax credit on qualifying in-country expenditures and income tax exemptions for film studios during defined periods. Customs benefits include temporary importation of filming equipment, duty-free import of capital goods and exemptions for exported or returned films, bolstering the Dominican Republic’s competitiveness as a film hub.
- **Aviation logistics and infrastructure** – Law No. 57-23 creates a special tax regime to enhance civil aviation, connectivity and logistics competitiveness. Benefits include exemptions from import duties and VAT on aircraft, parts and equipment; reduced withholding taxes (as low as 5%) on aircraft leasing, maintenance and crew training; and exemptions from the annual asset tax on certain aviation assets. Incentives, available for up to 15 years, support the development and modernization of airport infrastructure and route expansion.

Additionally, under DR-CAFTA, Dominican products enter the US with preferential or zero tariffs, and double taxation treaties with Spain and Canada further enhance cross-border investment efficiency.

Reliable Financial System and Capital Markets

The Dominican financial sector is one of the most robust in the region, with stringent oversight by the Superintendency of Banks and a diverse offering of credit and investment products. Beyond traditional banking, the securities market has opened new opportunities for project financing and capital raising, marking a structural shift toward more sophisticated investment vehicles.

A Proven Partner for Investors

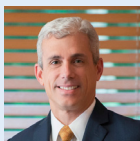
Foreign investment is more than a statistic – it is a pillar of national development. Reinvestment rates exceed 60%, reflecting investor confidence and long-term commitment. FDI has introduced cutting-edge technologies, global best practices and thousands of quality jobs, strengthening the Dominican Republic’s value chains and positioning the country as a reliable partner for multinational companies.

Squire Patton Boggs’ Santo Domingo Office offers strategic advice to clients regarding their business dealings in the Dominican Republic. We offer a multidisciplinary approach with a global mindset, which integrates legal expertise and tailored advice to doing business in the Dominican Republic.

You can find more information about investment opportunities in the Dominican Republic in https://prodominicana.gob.do/Documentos/Guia_de_Inversion_%20RD_en_Espanol.pdf

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