



ISSUES IN OWNERSHIP OF REAL ESTATE

DOMINICAN REPUBLIC

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1. Is perpetual fee simple ownership of real property permitted? If not, what are the principal forms of ownership, or other principal form of ownership, of real property?

Yes, perpetual fee simple ownership of real property is permitted. Nevertheless, depending on the kind of status of real property, such as family property or the agrarian property, or depending on several facts, such as the inheritance reservation or zoning dispositions, among others, there might be restrictions on the disposition and the use of said properties.

2. What instruments are used to convey fee simple ownership, or other principal form of ownership, of real estate?

To convey fee simple ownership persons may subscribe a purchase agreement, an exchange agreement, a donation act or a shares sale agreement.

3. How in this jurisdiction is the ownership of real property recorded or searched? Who generally performs the search?

The ownership of real property is recorded in the Registry of Titles of the jurisdiction of the location of the real property. This is the institution where the search is performed as well, generally performed by potential buyers, financing institutions and any other interested party.

4. What assurances of ownership are available to purchasers of real property (e.g., title insurance or title opinions)? What is the cost of obtaining such assurances?

The new Real Estate Registry Law provides that in the moment of the registry of the real estate rights, the interested party must pay a contribution to the Guarantee Fund held by the Supreme Court of Justice in order to ensure the payment of an indemnity to any owner that results prejudiced without any fault committed by him, because of the application of the law. However, this guarantee, even though previously provided as well in the former Real Estate Law, has never been implemented. This is why mostly foreign purchasers interested in benefiting from Title Insurance coverage hire the services of private companies with the payment of a fee.

5. What are the most common forms of investment vehicles? What are the most common entities employed to own investment real estate in a tax efficient manner?

Local and offshore corporations are the most common forms of investment vehicles. Limited liabilities partnerships are the most common entities employed to own investment real estate in a tax efficient manner.

6. Has this jurisdiction adopted, or is it considering, legislation permitting the creation of real estate investment trusts or similar entities?

Our Civil Law system does not allow the creation of real estate investment trusts or similar entities, since it does not allow the division of the estate owned by an entity.

7. What state or local transfer, stamp or similar taxes are levied generally on sellers or buyers upon the direct transfer of real estate?

Buyers of real estate properties are subject to the payment of a 3% tax on the purchase price or the appraisal of the property performed by the Government, whichever is the higher amount.

8. What state or local transfer, stamp or similar taxes are levied generally on sellers or buyers upon the transfer of interests in entities which own real estate?

On the occasion of the transfer of movable goods, as shares, sellers are subject to the payment of the 2% tax on the nominal value of the shares, if shares are acquired by individuals. If shares are acquired by corporations, sellers are not subject to such obligation.

9. How significant is local regulation and taxation of real estate? How significant is the variation of real estate law among political subdivisions of this jurisdiction?

Besides what it has been stated in our answers to questions 7 and 8, it is important to know that, real estate properties owned by individuals with an appraisal of more than RD\$5,000,000, are subject to the payment of 1% of the property value, with some exceptions, as rural properties dedicated to agriculture, or properties owned by senior citizens being more than 65 years old. Corporations are subject to the payment of a 1% tax on their assets, including their real estate properties, payment that may be deducted in the end of the year from the Income Tax payment. Municipalities' city halls may impose non-material or rather low local taxes on the use of properties.

10. Must ultimate beneficial owners of entities which own real estate be disclosed as a matter of public record?

No, ultimate beneficial owners of entities which own real estate are not subject to be disclosed as a matter of public record.