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Dominican Republic

Trade Policy Monitoring

Import Tariff Changes

2003

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Report Highlights:
In anticipation of the signing of an IMF Stand-by agreement, the Dominican Government increased the exchange surcharge from 4.75 percent to 10.00 percent on all imports.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Santo Domingo [DR1]
[DR]

As a result of a progressive deterioration in the Dominican economy over the past four months, the Dominican government (GODR) has requested assistance from the International Monetary Fund (IMF). As part of the initial agreement reached with the IMF recently, the GODR ordered the application of a two-percent surcharge on the CIF value of all imports. Decree 646-03 establishes that goods that have been exempt from taxes and surcharge under free trade agreements will not pay the new surcharge. The decree does not mention if free trade zone items are exempt, although previous statements from the government indicate the surcharge would affect free zone imports.

On a separate issue and due to a an internal conflict with local electrical power intermediaries, the GODR engaged in additional financial commitments that appear to have put the GODR out of compliance with debt and fiscal performance criteria of the Fund agreement. As a result, the IMF stopped disbursements until a further review and possible new agreement can be completed.

In anticipation of the signing of a second IMF stand-by agreement (expected to be in place before 2004), and in an effort to raise badly needed revenue, the GODR increased the exchange surcharge (Recargo Cambiario) from 4.75 percent to 10 percent. Dominican Customs collects the Cambiario, which is a tax imposed on the invoice dollar amounts of all imports into the Dominican Republic. The Cambiario was initially supposed to be gradually phased down according to the Monetary and Financial Law No. 183-02 (Nov. 21, 2002). On October 23, 2003, the Central Bank issued a resolution increasing the Cambiario to 10 percent and delaying the phase out until February 2004 or when macroeconomic conditions were stable. This resolution was implemented on November 3, 2003.

The above measures are part of the new taxes and charges the government is levying to raise revenue needed to comply with IMF fiscal requirements in order to assure access to a package of about US$1 billion of fresh funds from multilateral institutions, such as World Bank, Interamerican Development Bank and the IMF.