

## ARTICLE

### A PRACTICAL GUIDE TO ESTABLISHING A CALL CENTER & BPO AS A FREE ZONE IN THE DOMINICAN REPUBLIC

#### Understanding the market: Why Dominican Republic?

The Dominican Republic (DR) is a strategic hub for businesses, offering a stable political environment, competitive operational costs, and proximity to major markets in North, Central and South America. For call centers and business process outsourcing (BPO) operations, the country provides a skilled, bilingual workforce, robust telecommunications infrastructure, and significant tax incentives under its Free Zone Law (Law No. 8-90). The DR is recognized as a leading location for nearshore outsourcing, making it an attractive destination for companies seeking efficiency and growth in the service sector.

To establish a call center or BPO in the Dominican Republic as a free zone entity, businesses must follow a structured process encompassing company registration, facility setup, permit acquisition, and compliance with legal obligations. Below is a detailed practical guide, organized by category, in a question-and-answer format.

#### 1-BUSINESS REGISTRATION

##### Q: What is the first step in establishing a call center in the Dominican Republic?

A: Ideally, register the company as a legal entity with the Chamber of Commerce. This includes ensuring compliance with the Mercantile Registry requirements and obtaining a Taxpayer Identification Number (RNC) from the Dominican Tax Authority (DGII). Also, an individual responsible for tax compliance shall be appointed.

The incorporation and management of a Dominican company is currently governed by the General Companies and Individual Enterprises of Limited Liability Law, No. 479-08, enacted in December 2008, as amended (“Companies Law”). This law provides for the following type of companies and corporate vehicles to develop investments in Dominican Republic: Joint-Stock companies / Corporations; Simplified Joint-Stock companies; Limited Liability Companies; General Partnerships; Limited Partnerships; and Individual Enterprises of Limited Liability (Sole Owner enterprises).

The legal entity can be a Dominican company, but it can also be a foreign company that is registered in DR as a branch and will be able to operate a legal entity in DR. Local laws do not limit any nationality to register a foreign company branch to do business in DR. Additionally, no residence or nationality requirements for principals, such as company’s CEO, manager or directors. As per timing, either incorporating a Dominican company or registration of a branch usually takes from 2-3 weeks.



## 2-FACILITIES

### **Q: Renting a Fully Operational Facility for BPOs: Are these available?**

A: For businesses looking to quickly establish operations, renting a fully operational facility designed for BPOs is an efficient and cost-effective option in the Dominican Republic. Some established free zone services companies offer turnkey solutions, including office spaces equipped with state-of-the-art technology, high-speed internet, backup power systems, and ergonomic workstations tailored for call center and BPO activities. These facilities often include essential infrastructure such as server rooms, training areas, and employee amenities, reducing setup time and upfront capital investment. Additionally, leasing within a fully operational facility for BPOs streamlines compliance with regulatory requirements, as these free zones are already authorized for service operations under the Free Zone Law. This option allows businesses to focus on recruitment and operations without the delays of constructing or retrofitting a new site. Also, some may offer additional services such as payroll management, recruitment and general services, as needed.

### **Q: Local Leasing: Facilities: How can the business secure a physical location?**

Leasing or purchasing a property for a BPO in the Dominican Republic is a flexible process, as Free Zone permits for service-based operations allow BPOs to establish their facilities in various locations, including those outside designated free zone parks. Real estate due diligence is advisable for leasing or purchasing. These permits provide operational flexibility while maintaining eligibility for free zone benefits. Most available properties are designed to meet the specific requirements of call centers and BPOs, offering essential features such as high-speed connectivity access, robust infrastructure, and easy access to public transportation for employees. Additionally, these facilities often include reliable utility services and are strategically located to support efficient business operations and employee convenience.

Ideally, a new BPO entering the DR should consider hiring an existing BPO facility under a short-term facilities agreement, ensuring access to physical workstations, connectivity, and other ready facilities, to start their operations. As the BPO grows and feels comfortable enough with the market, the BPO may consider leasing its own facilities and/or building, allowing more room to grow and reducing costs.

### **Q: Is connectivity an issue?**

The Dominican Republic boasts a robust telecommunications infrastructure, making it an ideal location for call centers and BPO operations. The country is connected to multiple international submarine fiber optic cables, ensuring high-speed internet and reliable connectivity to global markets. Local telecommunications providers offer redundant networks, advanced data solutions, and competitive pricing, which are critical for uninterrupted call center operations. Additionally, the government's focus on fostering a digital economy has encouraged investments in expanding coverage and enhancing cybersecurity, ensuring that businesses can operate seamlessly and securely. This strong connectivity infrastructure positions the Dominican Republic as a premier nearshore destination for service-based industries.

## 3-FREE ZONE PERMIT

### **Q: How does the company obtain free zone status to operate the BPO?**

A: Apply for a free zone permit through the National Free Zones Council (CNZF). Submit required documents, including a business plan, projected employment, and investment plans. Approval is contingent on meeting criteria set forth in Free Zone Law No. 8-90. The Free Zone Permit process requires business projection and information on how many potential jobs the BPO is expected to generate within 1 to 5 years of operations. After obtaining the free zone status additional registrations and steps shall be completed to obtain local tax exemption card and registration as a free zone company at the Tax Department. The Free Zone Permit process should be guided by your legal counsel. As per timing, the process usually takes 3-6 weeks. BPO approved companies as free zones are required to pay a quarterly minimum contribution to the Free Zone Council every quarter.

According to article 24 of Law 8-90, free zone companies will benefit of a special customs and tax regime, and will received 100% exemption on: Income taxes, construction permit taxes, loan and credit taxes, transfer tax of any asset, share capital increase, municipal taxes, all import taxes, customs duties, no taxes in the purchase of office equipment, consular rights, import tax and duties for the import of any machinery and equipment, vehicle import tax for work vehicles (buses, trucks, trash collectors, etc.). Free zones may service or sell goods in the Dominican Republic territory up to 100% of the production, after paying all import duties and applicable taxes.

#### 4-TAX BENEFITS & COMPLIANCE

##### **Q: What fiscal incentives are available for free zone companies?**

Approved free zone companies in the Dominican Republic enjoy significant tax incentives under Law No. 8-90. These benefits include full exemptions from corporate income tax (currently set at 27%), VAT (ITBIS) (currently at 18%), customs duties on imports, and a wide range of other national and municipal taxes. These exemptions are granted for an initial period of up to 15 years, with the possibility of renewal upon expiration, depending on the company's location and activity. These incentives are designed to foster growth, attract foreign investment, and enhance the competitiveness of businesses operating within the free zone regime.

Fiscal Obligations

##### **Q: What tax and financial reporting requirements apply to free zone companies?**

A: While free zone companies enjoy significant tax exemptions, they must still file annual tax reports with the DGII. They must also maintain accurate records of payroll taxes and social security contributions.

#### 5-EMPLOYEES & LABOR OBLIGATIONS

##### **Q: What are the minimum wage levels and workforce availability for free zone employees in the Dominican Republic?**

As of April 2024, the minimum wage for employees in the free zone sector of the Dominican Republic is RD\$16,700 (US\$275) per month, following a 20% increase implemented in two phases during 2023 and 2024. This competitive wage structure, combined with the country's skilled and diverse workforce, makes the Dominican Republic an attractive location for BPO operations. DR boasts a large pool of bilingual professionals, particularly fluent in Spanish and English, with many individuals trained specifically for customer service and technical support roles. Additionally, the Dominican Republic's robust educational system and ongoing professional training programs ensure a steady supply of qualified candidates, enabling BPOs to meet their staffing needs efficiently while benefiting from the strategic advantages of operating within the free zone sector.

As of recent data, BPO agent wages in the Dominican Republic vary based on experience, language proficiency, and specific job roles. Entry-level agents typically earn between DOP 150 to DOP 250 per hour, equating to approximately USD 2.72 to USD 4.54.

For instance, at some BPO's the average hourly wage for a Customer Care Agent is reported to be DOP 161. These rates are competitive within the region and reflect the industry's growth and the demand for skilled professionals.

##### **Q: What are the key labor requirements for operating a call center?**

A: The Dominican Labor Code governs labor and employment relationships, ensuring rights and obligations for both employers and employees. It establishes a 44-hour workweek, mandatory employee benefits such as vacation leave, severance pay, and a Christmas bonus (13th salary). Employers must register their employees with the Dominican Social Security Treasury (TSS) and provide contributions for health insurance, pensions, and occupational risk coverage. The code emphasizes job stability, requiring justified cause for terminations, and mandates severance payments in cases of dismissal without cause. Collective bargaining and union rights are protected, promoting fair and transparent labor practices.

Employers in the Dominican Republic are required to contribute to the social security system on behalf of their employees, ensuring access to health insurance, pensions, and workplace risk coverage. The contributions include 7.10% of the employee's monthly salary to the Pension Fund (AFP), 3.04% to the Family Health Insurance (SFS), and 1.20% to the Occupational Risk Insurance (SRL), totaling 11.34% of the employee's gross salary. These payments are mandatory and are managed through the Dominican Social Security Treasury (TSS). Employers must ensure timely contributions to avoid penalties and to provide employees with the necessary social protections as mandated by Dominican labor laws.

Being the owner of your employees is always advisable, even if using a third party for payroll and/or recruitment. If this option is not possible, the starting BPO shall ensure to enter into a contract that allows the future transfer of your employees to your legal entity, should the BPO decide for that in the future.

## 6-OPERATIONAL COMPLIANCE

### Q: Are there any specific operational requirements for a call center?

A: Ensure compliance with regulations related to data protection and cybersecurity, particularly if handling international client information. Adhere to the telecommunications standards set by the Dominican Telecommunications Institute (INDOTEL).

## 7- BUSINESS CONTINUITY

### Q: What about pandemic if it hits again? What was it like during COVID-19 Quarantine and Work-from-Home Measures for BPOs in the Dominican Republic.

Very quickly DR government switch to work from home mode for BPO, allowing the industry to continue business as usual during quarantine. During the COVID-19 pandemic, the Dominican Republic implemented strict quarantine measures to curb the spread of the virus. Recognizing the importance of the BPO industry as a critical economic driver, the government allowed these businesses to continue operations under temporary work-from-home arrangements. Regulatory adjustments facilitated this shift, enabling employees to perform their duties remotely while maintaining data security and productivity. Telecommunications providers and employers collaborated to ensure reliable internet access, and businesses invested in remote infrastructure to support their workforce. These measures allowed the BPO sector to maintain service continuity, safeguard jobs, and contribute to the economy, all while adhering to health and safety protocols.

### Final remarks:

Establishing a call center or BPO in the Dominican Republic offers businesses a strategic advantage, combining a favorable legal framework, a skilled workforce, and significant fiscal incentives under the free zone regime. The Dominican Labor Code ensures a balanced relationship between employers and employees, fostering a stable and fair work environment. By leveraging the country's robust infrastructure, long standing tax benefits, and commitment to workforce development, companies can achieve operational efficiency and long-term success in this thriving nearshore destination.

*This summary only contains general information on the addressed matters and does not constitute a legal opinion. We recommend seeking specific legal assistance for each case.*

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