

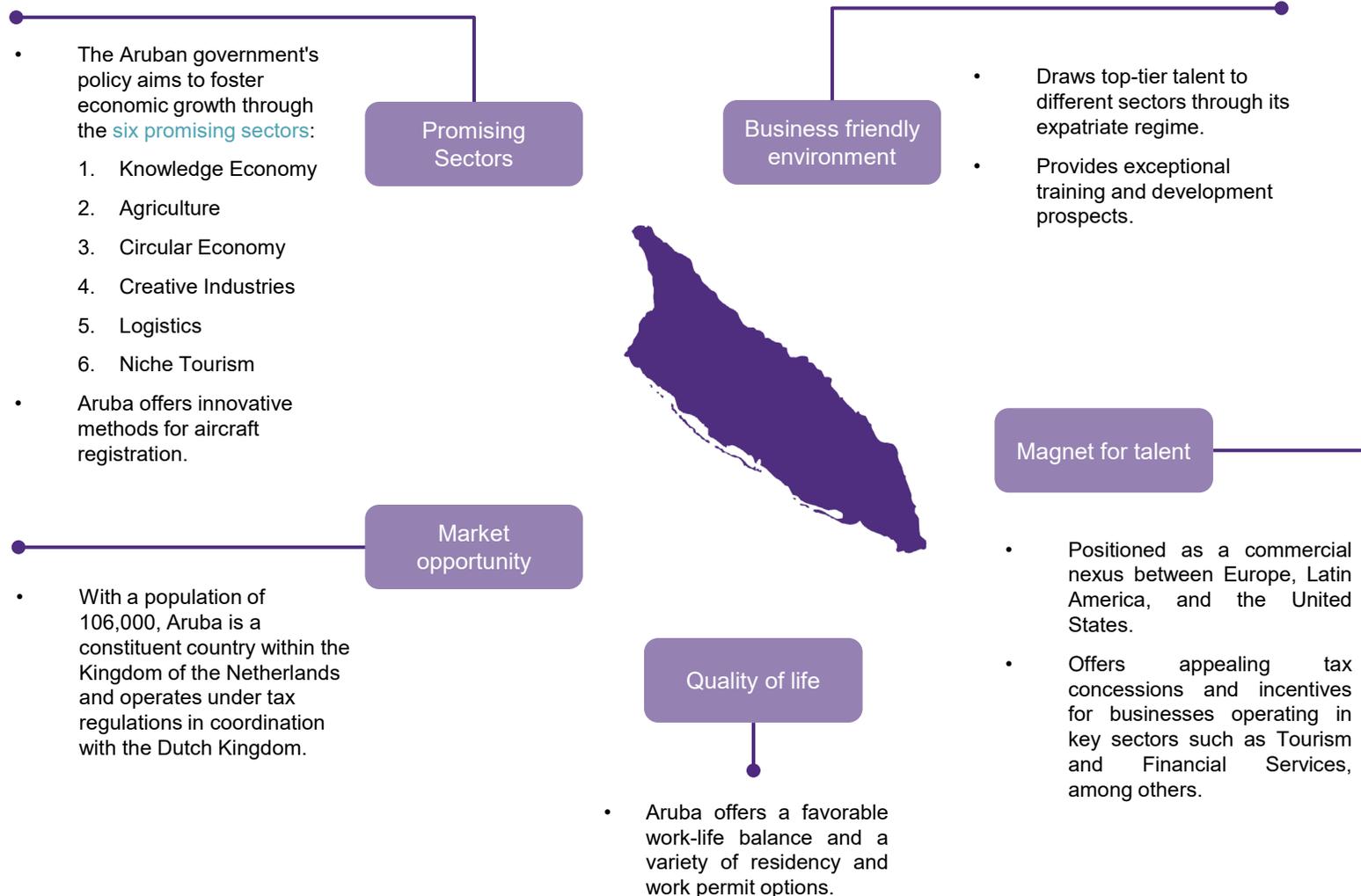
Go Beyond Borders: Aruba the perfect investment opportunity.

Investor Guide

March, 2024



Why choose Aruba?



Area:	180 km ²
Population:	108,000
Language:	Multilingual - Papiamentu, Dutch, English, & Spanish
Capital:	Oranjestad
Currency:	Aruban Florin (AFL and United States Dollar (USD))

Aruba stands as a premier choice for establishing companies and entities seeking operations in both the Caribbean and globally.

Having gained an autonomous status within the Kingdom of the Netherlands in 1986, this country of 108,000 inhabitants has solidified its position as a **forward-thinking, stable, and diverse** democracy.

Aruba boasts a world-class reputation, backed by its proficient skills and infrastructure, capable of accommodating various businesses and entities.

Flourishing within the tourism sector, which presently constitutes the primary source of income, Aruba thrives due to its open-system economy.

Government Structure

Aruba is one of the four constituent countries within the Kingdom of the Netherlands. Despite its distinct status, Aruba maintains robust economic, political, and defense connections with both the Netherlands and the other islands comprising the Kingdom.

While the Aruban government autonomously manages internal affairs such as aviation, customs, immigration, and communication, responsibilities for defense, citizenship, and foreign affairs remain under the purview of the Kingdom.

Aruba has its own constitution, which is founded on Western democratic principles. The King of the Netherlands appoints the Governor of Aruba, who serves a 6-year term and acts as the representative of the monarchy.

The legislative, executive, and judicial powers are vested in the parliament, located in Aruba's capital, Oranjestad. The Aruban parliament comprises 21 members elected through proportional representation for a four-year term. Members retain their seats until Parliament is dissolved, which occurs every four years through a general election.

Following elections, the party or coalition securing a legislative majority is tasked by the Governor to form a Council of Ministers comprising seven members. This Council is entrusted with executive authority and is led by a Prime Minister.



Taxes and Incentives – an overview

Aruba boasts an appealing business climate with an attractive fiscal framework. Standard tax incentives and benefits are available to all businesses based on their operations.

2024

Tax & Composition Aruba (in percentage)

TAXES ON INCOME AND PROFIT

52	Personal income tax rate (maximum)
22	Profit tax
10	Investment allowance
10	Dividend tax

TAXES ON INTERNATIONAL TRADE

12	Import duties (median)
2	Import duties on green products
1,3	Foreign Exchange Tax

TAXES ON GOODS AND SERVICES

2,5	Turnover Tax (BBO)
3	General Health Care Contribution (BAZV)
1,5	Levy on add provisions for public-private partnership projects (BAVP)

TAXES ON PROPERTY

0,6	Ground tax (maximum)
3	Transfer tax (starting)

Grant Thornton Aruba – your business partner overseas.

The Grant Thornton Aruba office has been delivering professional services for over 75 years. Our clients benefit from access to global resources through Grant Thornton International Limited's network of member and correspondent firms, all while receiving personalized attention from our team based in Aruba.

With a workforce exceeding 50 professionals, including 2 partners, our Aruba office ensures tailored service and top-tier quality in Assurance, Advisory, Tax and Business Process Solutions.

Our dedicated team prioritizes building lasting relationships with our clients and meticulously listens to your requirements to deliver the utmost quality.

Operating seamlessly across departments, we function as a unified team to provide you with unparalleled quality and client satisfaction.



Rachel Maduro
Managing Partner

Expanding your business in Aruba

Embarking on international expansion is a crucial endeavor, but with the guidance of a dedicated international business advisor, who invests time to comprehend your business and tailor services to your specific needs, you can be confident in managing risks and optimizing the potential that a new market presents for your business.

Our advisors offer support at every stage of your company's growth cycle – whether you're launching, securing venture funding, listing on a global exchange, engaging in acquisitions or mergers, or utilizing Aruba as a springboard to enter other markets. This means that no matter the challenge, we stand by your side, ready to assist.

1. Company set up

- Corporate structure
- Company registration
- Intellectual property



2. Location advice

- Conducting research services to pinpoint the optimal location for your business.
- Identifying potential locations tailored to the factors most critical for your business's success.

4. Audit and assurance services

- Providing comprehensive financial reporting and accounting services.
- Conducting thorough financial statement audits.
- Compiling financial statements according to regulatory standards.
- Performing reviews of financial statements to ensure accuracy and compliance.
- Assisting with conversions to International Financial Reporting Standards (IFRS).
- Reporting on controls at service organizations.
- Conducting both statutory and non-statutory audits.
- Assisting with conversions to new Generally Accepted Accounting Principles (GAAP).



3. Business growth support

- Specialized support to facilitate business expansion in the Caribbean, leveraging Aruba as a strategic hub.
- Conducting comprehensive market assessments and competitor analyses to inform strategic decision-making.
- Crafting market entry strategies tailored to your business objectives.
- Facilitating connections with pivotal business communities.
- Offering guidance on financial reporting and adherence to international financial reporting standards.

5. Taxation services

- Offering expertise in corporate and international tax matters.
- Providing guidance on indirect taxes.
- Assisting with transfer pricing strategies.
- Offering personalized advice on personal taxation matters.
- Handling tax registration processes.
- Addressing employment tax concerns.



Advisory

Our objective is to assist you in devising, overseeing, and implementing enduring, positive transformations. Grant Thornton Aruba's advisory services offer guidance and consulting to both local and international entities across the private and public sectors. By harnessing the power of local connections and global outreach, we deliver tailored solutions to address your business requirements. Leveraging a vast pool of global knowledge and experience within the Grant Thornton global network of firms, we adeptly implement local solutions to meet your needs.



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As your business expands, our advisory services are crafted to support you in reaching your objectives. Successful growth frequently involves navigating a multifaceted landscape of opportunities, challenges, and risks. Our seasoned practitioners are ready to assist you in comprehending, adjusting to, and surmounting the diverse obstacles that may hinder your progress.

Our approach encompasses three key elements:

- **Practical Solutions:** We are committed to delivering tailor-made, practical solutions that are implementable and ultimately enhance the value of your organization.
- **Lasting Change:** Our aim is to impart our knowledge and skills so that your organization can autonomously sustain the implemented changes over time, at its own pace.
- **Involvement and Cooperation:** Your active involvement and cooperation are integral to our customized approach, ensuring continuity, knowledge transfer, and ownership throughout the process.

Because you possess intimate knowledge of your own business, we prioritize listening to your needs. As part of our advisory process, we engage in dialogue, asking pertinent questions and attentively considering your responses.

Instead of utilizing off-the-shelf services that may only loosely align with various clients, challenges, and markets, we prioritize the development of solutions customized to your organization's distinct requirements and objectives.

Our comprehensive range of advisory services includes:

- Strategy and business planning
- Human Capital Management
- Corporate Governance
- Sustainability
- Process improvement
- Learning & Development Academy

Tax

At Grant Thornton Aruba, taxation plays a pivotal role within our organization. Our team stands ready to provide a diverse array of solutions, tailored to address the unique needs and challenges of your business, regardless of its size.

Within our tax department, we possess a wealth of specialist skills acquired through individuals with extensive experience in the field of taxation. Leveraging a combination of reason and instinct, we collaborate with you to devise a strategy that not only enhances your understanding but also effectively manages your tax liability in a transparent and ethical manner.



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Our tax team delivers a comprehensive suite of services to various clientele, including:

- Local clients, encompassing both individuals and companies.
- Investors hailing from diverse geographical locations.
- Individuals residing in different jurisdictions.

Our services span the entire spectrum of tax compliance, encompassing tasks such as tax return preparation and overseeing tax payments. Additionally, we provide expert tax advice and strategic tax planning guidance.

Whether you operate as a medium-sized, dynamic business or as a multinational corporation, we provide direct access to senior tax professionals worldwide. Our teams are dedicated to attentive listening, swiftly responding to your needs with insightful and pragmatic solutions.

Our key services are amongst others:

- Full Compliance Service: Preparation of tax returns for income tax, wage tax, and turnover tax.
- Property Sector Focus: Structuring advice for property development.
- Tax and Wealth Planning: Tailored strategies for high-net-worth individuals.
- Expatriate Tax Services: Assistance for expatriate employees.
- Employee Incentive Schemes: Advice on incentive plans and stock options.
- Tax Planning and Incorporation: Strategic tax planning and incorporation assistance.
- Estate and Retirement Planning: Guidance on estate and retirement plans.
- Investment Advice: Tax-efficient investment strategies.
- FATCA and CRS Advisory: Assistance with compliance with international tax reporting standards.

Business Process Solutions

Successful growth often entails navigating a myriad of opportunities, challenges, and risks. Dynamic organizations must prioritize driving their business forward, and outsourcing can facilitate this endeavor. Transferring financial services to a third party enables you to concentrate on your core business activities while potentially enhancing quality, efficiency, time savings, and cost reduction.

Business Process Solutions prepares periodical financial reports, assesses accounting systems, sets up accounting systems in an automated environment, and assists and advises clients on challenges regarding accounting and business economics.

Our Business Process Solutions services encompass:

- Maintenance of financial records and accounting
- Ensuring compliance and administration of payroll
- Compiling and preparing financial statements
- Providing support for various business needs
- Offering outsourcing and business services
- Assisting with digital transformation initiatives
- Providing interim services
- Developing financial business plans



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Assurance

External assurance is vital not only for management but also for shareholders, banks, and governmental organizations. It ensures the completeness, accuracy, and reliability of financial or non-financial information presented by the company.

Our team offers assurance services that provide tangible value and enhance investor confidence. With our extensive size, scope, breadth, depth, and global reach, we cater to dynamic organizations worldwide. We collaborate and communicate based on our shared global strategy, fostering greater consistency and improved quality across our services.



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We conduct high-quality audits in compliance with International Standards on Auditing, offering the assurance you need regarding the financial information you rely on. Utilizing a global audit methodology and tools such as our LEAP audit program and cutting-edge data analytics software, we ensure efficient and effective audits.

Our team employs secure cloud services for safe and efficient communication and document sharing during the audit process.

In addition to delivering the requested assurance level, we prioritize providing meaningful feedback on our observations throughout the assurance process. This feedback is conveyed formally through management letters and board reports, as well as informally through discussions with you and your team.

Our team offers innovative assurance services covering a range of areas:

- Financial statement audits
- Financial statement compilations
- Financial statement reviews
- IFRS conversions
- Reporting on controls at service organizations

We assure you of excellent service, quality audits, and dedicated attention to our client relationships. With confidence in our competencies, we aim to support your vision effectively.

To enhance your operational excellence, we provide in-house expertise to guide you in improving the quality of your business processes, as well as the quality of your financial reporting and planning & control processes.

Local feel, global team

Grant Thornton is one of the foremost global networks of independent assurance, tax, and advisory firms. Regardless of where you conduct business, you seek access to individuals with innovative ideas and critical thinking skills to foster your business growth, both domestically and internationally. To ensure uninterrupted service, we operate 40 International Business Centers (IBCs) led by experts from diverse backgrounds worldwide. These centers collaborate to offer and coordinate access to the resources of Grant Thornton, serving as a gateway to support your business needs effectively.



Dynamic organizations can achieve remarkable success with the right support. You require advisors who possess a deep understanding of your business, industry, and broader growth objectives. With our capabilities, expertise, and culture, Grant Thornton Aruba is uniquely positioned to fulfill that role.

We believe that we are the only organization capable of offering the potent combination of true scale, exceptional service, and meaningful relationships to deliver added value to your business.

We invest time to genuinely comprehend your business, providing valuable insights and a fresh perspective to propel you forward. Our agility, characterized by shorter decision-making chains and empowered teams, ensures you receive the outcomes you need swiftly.

Operating across borders, our global network of International Business Centers (IBCs) and country desks are strategically positioned to coordinate international endeavors effectively. They manage and enhance international business and relationships, ensuring seamless collaboration and success.



1 Office
2 Partners
50+ Employees

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Appendix – Aruba Tax Facts

Appendix

Between Aruba, Curacao, St. Maarten, and the Netherlands exists a tax arrangement, the so-called 'Tax Regulation for the Dutch Kingdom', the 'Belastingregeling voor het Koninkrijk' or, abbreviated, the 'BRK'.

Aruba tax facts

Aruba has the following taxes and levies:

- Profit tax
- Turnover tax (VAT)
- Dividend withholding tax
- Wage tax
- Income tax
- Foreign exchange commission (FEC)
- Import duties
- Excise tax
- Real property tax
- Property transfer tax
- Tourist levy
- Casino tax

Aruba does not have:

- Net wealth tax
- Withholding tax on interest
- Withholding tax on royalty payments
- Capital tax

Profit tax

General

Aruba has a profit tax with a rate of 22% for both resident and non-resident taxpayers. Aruba also has special tax regimes, being the Aruba exempt regime, the Free Zone regime, both taxed at a lower profit tax rate.

In Aruba the profit tax is levied on the profits of corporations, limited liability companies, open limited partnerships, other entities, and associations of which the capital is fully or partly divided into shares, cooperations, mutual insurance societies.

Resident entities are taxed on their total income. Non-resident entities are taxed on the following Aruba source income:

- Profits allocated to a permanent establishment or permanent representative in Aruba.
- Profits from real property located in Aruba.
- Profits on loans secured by a mortgage on real property located in Aruba.

In accordance with the State Ordinance Profit Tax ('SOPT') a foreign entity will always have a permanent establishment ('PE') in Aruba if there is a place of construction, excavation, maintenance, cleaning, assembly, or installation work if the duration of that execution or work exceeds a period of 30 days.

Furthermore, a PE can also be deemed to be present based on the facts and circumstances. In this case the explanatory notes to the SOPT refer to the OECD guidelines on PE's. In that regard according to the OECD there is a PE if there is a fixed place of business, through which the business of an enterprise is wholly or partly carried on.

Appendix – cont'd

Participation exemption

Profits and losses derived from a qualifying participation are not included in the tax base (participation exemption). A qualifying participation exists in case of shareholding, or a holding of participation certificates in companies, associations, or foundations which carry on a business. If shares or participation certificates are held in a foreign entity, the participation exemption only applies if these are not held as an investment and the foreign entity is subject to a tax on profits.

The exemption applies to dividends as well as to capital gains.

Fiscal unity

It is possible to form a fiscal unity for the profit tax. Aruban resident NV's and VBA's holding at least 99% of the shares in other Aruban resident NV's and VBA's can file a consolidated tax return. To apply for this facility, a request must be filed with the Aruba Tax Authorities. Certain conditions must be met for the application of this facility. Standard conditions applicable to a fiscal unity have been published. Advantages of this facility are that the recognition of intercompany profits may be deferred, and losses may be offset with profits of other companies within the fiscal unity.

Transfer pricing

The profit tax in Aruba also applies the 'at arm's length principle' for transfer pricing purposes and determining the profit of an entity subject to profit tax in Aruba. This entails that in the event of intercompany transactions entities are required to do business with each other taking into consideration the same terms and conditions as would be applicable between unrelated entities.

Entities are considered related if an entity participates directly or indirectly in the management or supervision of, or in the capital of another entity. The aforementioned applies equally if one or the same person(s) directly or indirectly participates in the management, supervision or the capital of one and the other entities.

In the event of intercompany transactions, the entities are required to include information in their administrations, showing how the terms and conditions regarding intercompany transactions were established and based on which it can be concluded that it concerns conditions that would have been agreed upon by independent entities during the course of fair trade. Based on the documentation obligation an entity must generally provide information on the used transfer pricing method, the reason for the use of the specific transfer pricing method, the arm's length calculation of any intercompany price and the agreement as concluded with the affiliated party

Deduction limitations

Based on the arm's length principle, related parties should carry out business with each other as third parties. If a payment to a related party can be deemed at arm's length, the payment is only tax deductible if the party receiving the payment:

- I. Is not affiliated to the company. An affiliation is deemed to exist for tax purposes at interests of at least 25%.
- II. Is taxed at an effective tax rate of at least 15%.

Investment allowance

An investment allowance of 10% of the invested amount in company assets may be claimed. In principle, the following conditions should be fulfilled to apply the investment allowance:

- It regards a total investment of at least Afl. 5,000.
- Investment allowance cannot be claimed on the purchase of for example land, dwelling houses, goodwill, personal cars and boats, licenses and assets that will mainly be put at the disposal of third parties.

If an investment, on which the investment allowance was claimed, is sold within six years after the start of the calendar year in which the investment took place, a capital disposal charge is due of 10% of the sales price.

Appendix – cont'd

Offset of losses

Losses generated in a year can be carried forward and offset against profits generated in the following five years after the year the loss is suffered. The remaining losses that have not been offset against profits within the period of five years will evaporate.

Country-by-Country reporting obligations

Taxpayers that belong to a multinational group of companies of which the consolidated yearly revenue is at least Afl. 1,500,000,000 (roughly USD 838,000,000 (USD 1 = Afl. 1.79)) are required to notify the Aruba Tax Authorities ultimately by the 31st of December of the applicable financial year that they are required to file a Country-by-Country report which report is ultimately due on the 31st of December of the following year. If the book year is not equal to a calendar year, then the notification should be ultimately filed on the last day of the book year and the report ultimately 12 months after the end of the book year. In short, the Country-by-Country report should contain information on the group entities and the revenues per jurisdiction in which the entities are established and or have operations. The country report must be provided to the Aruba tax administration within 12 months from the last day of each financial year. The Aruba entity is to keep a master and a local file in its administration.

Compliance

Under the VAS ('voldoening op aangifte') system the profit tax due must be paid at the moment the profit tax return is filed with the Aruba tax department.

Under the VAS system, the profit tax return of a financial year must be filed, and the corresponding profit tax due must be paid within five (5) months after the end of the financial year (hereafter: 'first deadline').

If filing a profit tax return is not possible as per the first deadline, a onetime filing extension of six (6) months (hereafter: 'second deadline') can be obtained if a preliminary profit tax return is filed and the corresponding profit tax due is paid before the first deadline. Note that the preliminary profit tax return must report at least the same taxable profit as the most recently filed profit tax return.

Turnover tax (BBO/BAZV/BAVP)

General

The BBO/BAZV/BAVP is levied over the business turnover realized by entrepreneurs in the course of their business through the sale of goods and the provision of services. The BBO/BAZV/BAVP rate is in total 7%.

BBO/BAZV/BAVP of 7% is furthermore levied at import. The BBO/BAZV/BAVP paid at import on the importation of goods is deductible from the BBO/BAZV/BAVP owed over the sales revenue insofar the goods which were imported qualify as trade goods.

Goods are all physical objects as well as electricity, gas, heating, cooling, and such. Services are all performances rendered against payment. A payment is defined as all proceeds in connection with the delivery of goods or services rendered. In the case of goods, the place of the taxable event is either where the transportation starts (if sold abroad) or in other cases at the physical location of the goods at the moment it is delivered. The place of the taxable event regarding services is generally the place where the entrepreneur is established or from where he has a permanent establishment from which the service is rendered.

Some exemptions apply, for instance:

For business turnover for the supply of goods to foreign customers, insofar as these goods are exported in connection with the supply.

Reverse charge

The reverse charge is applicable on business-to-business transactions for specific services as mentioned below. This entails that the liability for the remittance of the turnover tax is shifted to the (local) recipient of the service if this service is provided by a foreign entrepreneur to a local entrepreneur. The local entrepreneur is then required to pay the turnover tax on the amount charged by the foreign service provider.

Appendix – cont'd

The reverse charge is only applicable if the foreign service provider is not established in Aruba (nor has a permanent establishment from which it provides the service). The following services from foreign service providers are deemed to take place in Aruba and are subject to the reverse charge:

- Services related to an immovable property, including building, construction, maintenance, cleaning or installation work, the services of architects and other experts, as well as services for preparing or coordinating the execution of construction work.
- Services consisting of the transportation of persons or goods.
- Services consisting of cultural, artistic, sporting, scientific, educational, entertainment or similar activities.
- Services consisting of loading, unloading or similar activities incidental to transportation.
- Services consisting of activities and expert studies related to movable property.
- Telecommunications services, radio and television broadcasting services and electronic services.

Electronic services are defined as services in digital form and services provided through the internet or a digital network, for example, creating a website or providing access to and downloading of music, movies, or games, including gambling.

Compliance

The BBO/BAZV/BAVP implements monthly return periods, and the returns must be filed no later than the 15th day of the calendar month following the month over which the tax is due. The BBO/BAZV/BAVP due should be paid monthly when filing the return and no later than the 15th day of the calendar month following the month over which the tax is due.

Dividend withholding tax

General

Aruba levies a withholding tax on all dividend distributions by Aruba resident entities. As dividend distributions generally qualify formal dividend distributions, liquidation payments, bonus shares, paying back of share capital and imputation payments.

The tax rate is:

- 10% of the dividend distribution.
- 0% if the participation exemption is applicable on the receiving company.
- 0% if the dividend is distributed from profits from the operation of an oil refinery or oil terminal.

Dividends distributed from Aruba to countries within the Dutch Kingdom are subject to the Regulation for the Dutch Kingdom (BRK). In the following situations, based on the BRK, the dividend withholding tax can be reduced to:

- 7.5%, if the parent company owns at least 25% of the paid in capital of the distributing company.

5%, if the parent company owns at least 25% of the paid in capital of the distributing company and the dividend at the parent company level is subject to a profit tax of at least 5,5%.

Compliance

Within 15 days after the dividend becomes payable, the dividend withholding tax return must be filed with the Aruba tax authorities together with the payment of the amount due by the withholding agent. The dividend is payable if the distribution is at the disposal of the shareholder, or the debt becomes interest bearing because of the distribution.

Note that the Central Bank of Aruba requires a statement of approval before the dividend is distributed.

Appendix – cont'd

Wage tax

General

Wage tax is levied on the employment income of an individual. Wage tax must be withheld as soon as employment exists, and the employee receives wage from a withholding agent.

Employment is defined quite broadly to include normal employment contracts, but also contracts that (apart from their legal form) should be considered employment contracts for all other accounts and purposes.

Note that the Aruba wage tax allows for certain non-taxable allowances, among which a fixed car allowance, a fixed allowance for employment costs, certain allowances for meals, the provision of company cars, phone allowances, allowances for work anniversaries and rental allowances. When an employee is hired from abroad, the employer is allowed to provide tax-free allowances for the transportation of household items and the costs of refurbishment of a new property (up to a maximum of Afl. 15,000), as well as a place to live and a rental car for the first month.

As to personnel hired from abroad these personnel will be subject to wage tax in Aruba (i) if this personnel qualifies as employees (ii) in an employment relationship (iii) with a withholding agent. As per the wage tax legislation, non-residents will only qualify as employees if (amongst others) they perform an employment in Aruba. It will also have to be verified if and with whom there is an employment relationship: e.g. with the employer abroad or with an employer in Aruba (to conclude to an employment relationship there must be power and authority (who has the authority and executes this authority/ who pays the personnel (bears the burden)).

And if the employer is not a resident of Aruba, an employer is considered a withholding agent if the employer (i) has a permanent establishment or a permanent representative in Aruba, (ii) employs one or more persons and has been designated as a withholding agent by the tax inspector. For Aruba wage tax purposes, a permanent establishment is in any case considered to be the place of execution of a construction work or of construction, excavation, maintenance, cleaning, assembly, or installation work if the duration of such execution or work exceeds a period of 30 days.

Compliance

The wage tax return should be filed monthly by the employer and no later than the 15th day of the calendar month following the calendar month over which the wage tax is due. The wage tax due which has been withheld by the employer should be remitted to the Aruba tax department within 15 days of the calendar month following the calendar month over which the wage tax is due.

Social security premiums

General

AOV/AWW and AZV

The insurance premiums Old Age Pension (AOV), the Widow and Orphans Insurance (AWW) and the General Health Insurance (AZV) are levied separately from the wage tax. AOV and AWW are levied as one (1) premium. In case of employment, the AOV/AWW and AZV premiums are paid by the employee and the employer.

The total AOV/AWW premium rate is 15.5% which is divided in principle between the employer and the employee. The employer covers 10.5% and the employee covers 5%. The maximum annual income as to the AOV/AWW is Afl. 85,000.

The AOV/AWW premiums are due until the employee reaches the retirement age or is no longer registered at the civil registry of Aruba. The AZV premium is not tied to a maximum age. The total AOV/AWW premium rate is 15.5% which is divided in principle between the employer and the employee. The employer covers 10.5% and the employee covers 5%. The AOV/AWW premiums are only due until the employee reaches the pension age. The pension age will increase each year with ½ year until the pension age becomes 65 in 2025. The maximum annual income as to the AOV/AWW is Afl. 85,000.

- The AZV premium rate is 10.5%. The AZV premium is also divided between the employer and the employee. The employer covers 8.9% and the employee covers 1.6% up to a maximum annual income of Afl. 85,000. This is an obligatory health insurance coverage which is withheld on a monthly basis.
- Note that the AOV/AWW and the AZV premiums are due by Aruba residents which are registered at the Municipal Office of Aruba. As to hired personnel from abroad, in principle these will not be subject to these premiums.

Appendix – cont'd

Employees insurance

Health insurance

The health insurance premium amounts to 2.65% with a maximum premium income of Afl. 70,200. The health insurance is only due by the employer. This is an insurance for loss of income because of sickness.

Accident insurance

The accident insurance premium varies between 0.25% and 2.50%.

Expat regime

General

Expatriates which are hired from abroad can apply for the so-called expat regime.

The expat is considered an employee who is hired from abroad, who lived abroad during a consecutive period of at least five years immediately prior to its employment in Aruba.

The employer will be the one that has to file a written application for the benefit of the employee with the Aruba tax department to consider the employee as an expatriate. The employee also has to sign the application and will be considered an expatriate for the duration of five (5) years.

The expat regime is only applicable if the expatriate has an income of at least Afl. 150,000 (USD 83,799) per year and the person concerned should possess a specific expertise for which it can be demonstrated that the expertise of the expatriate is not available on the local market, or only to a limit extent.

The following three allowances paid to the expatriate may, under certain conditions, remain untaxed:

- Untaxed allowances not exceeding Afl. 15,000 (USD 8,380) per calendar year. It concerns here remunerations paid in cash, such as a daily reimbursement.
- Untaxed allowances for the educational expenses of the children of the expatriate up to Afl. 25,000 (USD 13,966) per child per calendar year.
- Untaxed allowances for the housing expenses of the expatriate up to Afl. 2,500 (USD 1,397) per calendar month if the expatriate rents its own house.

Contrary to the main rule, the wages of the expatriate will be grossed up only once, provided that the employer has agreed on net wages with the expatriate in writing. In this case, the main rule is that the net wages should be converted into gross wages for the calculation of the wage tax. The wage tax due is accounted for by the employer.

Income tax

The following individuals are subject to income tax in Aruba:

- Residents; and
- Non-residents who receive certain source income such as:
 - Salary as managing director or member of a supervisory board of a resident company.
 - Income from real estate property located in Aruba, or
 - Dividend and profits realized on the sale of shares if the shareholders hold a substantial participation in the capital of a resident company.

A substantial participation exists if an individual holds, directly or indirectly, at least: 25% alone or together with spouse, children or brother and sisters. Dividend and profits on the sale of shares forming a substantial participation are taxed at a flat rate of 25%.

The income tax is progressive. The maximum tax rate is 52%. For certain types of one-time income, a special rate of 25% is available.

Interest received from savings accounts from local and international credit institutions are tax free.

Foreign Exchange Commission

General

A foreign exchange commission ('FEC') (a levy for the purpose of the Central Bank of Aruba) is due when Aruba residents make a payment abroad in connection with certain legal transactions. The FEC is calculated as 1.3% of the payment abroad.

Appendix – cont'd

Based on the FEC legislation, a payment abroad is considered:

- a payment with local currency or a payment from a florin account, whether or not by electronic transfer.
- a payment with foreign currency or a payment from a foreign currency account, whether or not by electronic transfer or
- a payment from a foreign currency account held abroad or from an intercompany account held by a person or entity abroad, whether or not by electronic transfer.

FEC is due to the extent the abovementioned payment is a result of one or more of the following legal transactions:

- the purchase of foreign instruments of payments or foreign monetary instruments.
- obtaining control over receivables in one or more foreign currencies.
- or the crediting of an account in name of a non-resident of Aruba held at a foreign exchange bank or an institution abroad.

FEC is due to the extent the abovementioned payment is a result of one or more of the following legal transactions:

- the purchase of foreign instruments of payments or foreign monetary instruments.
- obtaining control over receivables in one or more foreign currencies.
- or the crediting of an account in name of a non-resident of Aruba held at a foreign exchange bank or an institution abroad.

Compliance

The Aruba resident making payments abroad will be subject to the 1.3% FEC. In order to be able to levy this FEC, the Central Bank of Aruba requires Aruba resident entities to comply with certain formalities (e.g. the filing of overviews of transactions on a quarterly basis). Subsequently, the Central Bank of Aruba will issue assessments FEC as to the FEC due.

Exchange rate margin levy

The Central Bank of Aruba will charge commercial banks with an exchange rate margin levy equivalent to 3/8% (0.375%) on all sales of foreign currency to the public. The exchange rate margin levy is a charge to the commercial bank, not directly a charge to the client of the bank.

Import duties

Import duties are due upon the importation of goods. The import duties are levied according to a tariff, which tariff is a percentage of the CIF value of the product.

The import duties tariff currently varies from 0% up to 62%.

Real property tax (ground tax)

Real property tax is levied on real property located in Aruba. The tax is levied annually from a person who at the beginning of a year has the use of real property by virtue of any contractual right.

The tax basis is determined once every five years and is either based on the value determined by the yearly proceeds or the fair market value of the real property, whichever value is higher.

For resident individuals, the real property tax rate is based on a sliding scale with a maximum of 0.6%. For everyone else the tax rate is 0.6%.

Property transfer tax

Property transfer tax is levied on the transfer of the legal ownership of real property situated in Aruba and of ships belonging to Aruba. The transfer of shares in an entity holding real property is also taxable. The property transfer tax rate is 3% over the first Afl. 250,000 of the real property and/or ship, and if a real property and/or ship value more than that amount, 6% over the remaining value of the real property and/or ship.

The tax basis is the fair market value of the real property and/or ship.

Appendix – cont'd

Tourist levy

Tourist levy is levied on the provision of accommodation to a guest by means of lodging or hotel room. The tourist levy rate is 12.5%.

The tourist levy is a monthly tax, to be remitted to the Aruba Tax Authorities through monthly returns, to be filed ultimately on the 15th of each month, as to the tourist levy due over the preceding month.

The tourist levy is in principle levied from the owner of the lodging or hotel. Should a (space in a) lodging, or hotel be provided to guests using an agency and the tourist levy is paid to this agency by the guest, the levy of tourist levy can be shifted to this agency.

In the case that the owner does not reside or is established in Aruba, it can appoint a fiscal representative in Aruba.

Environmental levy

Environmental levy is levied on the stay in a timeshare resort or the overnight stay in a lodging or hotel room.

Taxable is the person who stays in a timeshare resort or who spends the night in a lodging or a hotel, except for residents of Aruba. The environmental levy will be withheld and paid by the person holding a hotel, lodging house or timeshare resort.

The environmental levy is a monthly tax, to be remitted to the Aruba Tax Authorities through monthly returns, to be filed ultimately on the 15th of each month, as to the environmental levy due over the preceding month.

Should a (space in a) lodging, or hotel be provided to guests using an agency and the environmental levy is paid to this agency by the guest, the levy of environmental levy can be shifted to this agency.

In the case that the person holding the hotel, lodging house or timeshare resort does not reside or is established in Aruba, it can appoint a fiscal representative in Aruba.

Casino tax

General

Casino tax is levied on the gross amount of the receipts from hazard games. Gross amount of revenue is in principle everything received in connection with a player's participation in games of hazard.

For slot machines, the tax basis is determined by the bucket drop. By way of derogation, the tax inspector will approve that in the event of slot machines equipped with a so-called 'billacceptor', the tax basis is set at a minimum of 1.55 * the slot win.

The tax rate is 4% of the gross amount of revenue.

Compliance

The casino tax return should be filed monthly no later than the 15th day of the calendar month following the calendar month over which the casino tax is due. The casino tax due should be remitted to the Aruba Tax Authorities within 15 days of the calendar month following the calendar month over which the casino tax is due.

Appendix – cont'd

Special tax regimes

Aruba exempt regime

Entities with relevant activities such as holding activities, financing and leasing activities, asset management activities and captive insurance activities can opt for the Aruba exempt regime provided that the entity complies with specific substance requirements. The Aruba exempt regime, upon fulfillment of the substance requirements, exempts the profit of the entity from the profit tax and exempts the entity from the dividend withholding tax in Aruba.

The relevant activities regard holding activities, financing and leasing activities, asset management activities, and captive insurance activities.

The substance requirements for the Aruba exempt regime are:

- The entity should have adequate tangible assets in Aruba;
- The entity should have an adequate number of qualified full-time employees working directly or indirectly for the entity in Aruba. The employees should be appropriately qualified for the nature and scope of the entity's activities;
- The entity should have an adequate minimum amount of annual recurring local operating costs. This amount should be appropriate for the nature and scope of the entity's activities;
- The core income generating activities must be performed in or from Aruba.

Free Zone regime

Companies operating in the Free Zone are exempt from customs duties and enjoy a reduced profit tax rate of 2% on profits earned from sales. Goods sold or services rendered to the domestic market from the Free Zone however are subject to the normal profit tax rate.

In order to qualify for the Free Zone facility a number of conditions must be met, including that the activities should be carried out from an area designated as a Free Zone





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