

Regulation and tax compliance with respect to your vacation home in Aruba

1. Introduction

The Government wants to regulate the vacation rental sector in Aruba and has announced their intention to establish the Aruba Quality & Hospitality Authority (“AQHA”). AQHA will be the regulating entity responsible for the registration of all vacation home owners, issuance of needed licenses for exploitation of vacation rentals and also enforcement of hygiene regulations and payment of license fees. Furthermore, the Tax Authorities have become more focused on identifying and registering the (non-resident) vacation home owners in Aruba, in order to better enforce tax compliance with regard to vacation rental income generated in Aruba.

It is also likely that the AQHA and Tax Authorities will work together (e.g. with exchange of information) in order for both to be able to better perform their enforcement and compliance duties.

Renting out your property in Aruba can be a great source of additional income. However, understanding your obligations, specifically for tax purposes, is crucial. Below, we will give you a high level overview of your tax obligations, including income tax, property tax and relevant indirect taxes to consider.

2. Taxes

2.1 Personal Income Tax

If you generate income by renting out a property located in Aruba, you are legally required to file a yearly personal income tax return in Aruba. In this return, you must declare the total revenue from your property. Certain costs related to the property are also deductible. These deductible costs include utility bills, repairs, insurance, taxes and management fees. However, not all costs are deductible, such as costs of renovating the property, for example the costs of installing a pool or adding an extra room are not deductible.



2.2 Ground Tax

The next consideration is the ground tax. As soon as you own real estate in Aruba, regardless of whether you're renting out your property or not, you are obligated to pay ground tax in Aruba on a yearly basis. The yearly ground tax due is calculated at a rate of 0.6% of the value of the real estate owned by non-residents. If you do not receive ground tax assessments or if you have made renovations to your property, thereby increasing its value, you must notify the Tax Authorities. Failure to notify the Tax Authorities could result in a fine equivalent to 100% of the ground tax due.



2.3 Tourist Taxes

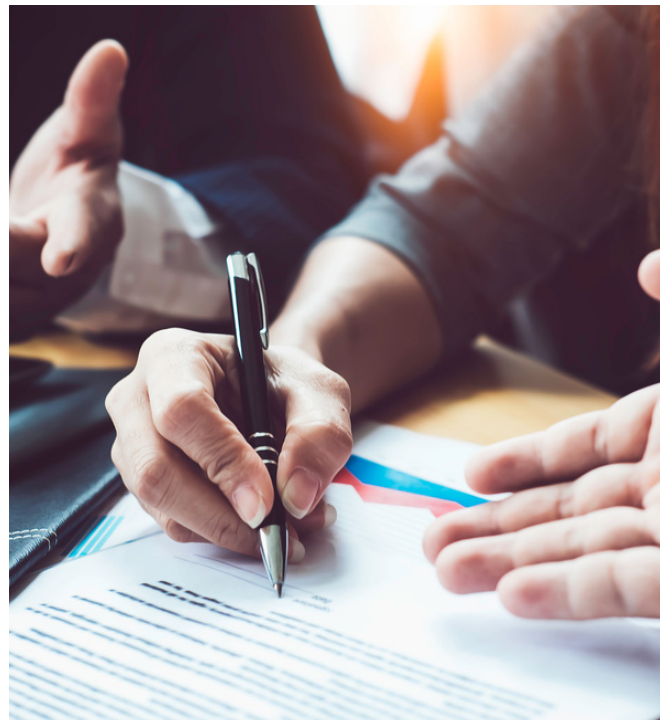
Additionally, short term rental of a vacation home is subject to 3 USD per night per occupied room as a special tourist levy and 12.5% tourist tax calculated over the nightly rate. Long term rental is subject to 7% BBO (sales tax) unless the vacation home is used as primary residence. A tax return must be filed for these indirect taxes. If you offer additional services like breakfast, housekeeping, or massages, you will owe BBO on the revenue generated from these services.

At Grant Thornton Aruba, we are ready to assist you with the preparation and filing of your tax returns, as well as with providing any other tax advisory services you may need. Understanding your tax obligations will prevent any unpleasant surprises related to that additional income you were aiming for.

3. Risk of non-compliance

It's important to note that the responsibility to declare these taxes lies with you. Failure to declare may result in fines. It could also have consequences for your legal position if challenged in court. Finally, it could even lead to criminal charges. We strongly recommend discussing your tax position with your tax advisor. This ensures compliance with the law and helps identify any potential deductions you might be overlooking.

Please note that the Aruba Tax Authorities recently have prioritized the taxation of vacation homes. We strongly advise to comply with your tax obligations to avoid problems with the tax inspector.



Contact

If you would like to know more or would like to request a meeting/consultation with one of our tax advisors then please contact us at:



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