

Policy on the reduced rate on dividend payment extended

On December 20, 2019, the Minister of Finance, Economic Affairs and Culture announced extension of the beneficial policy on the reduced rate of 10% for individual income tax on dividends paid out in 2020. This measure is intended to increase shareholder liquidity that can be used for the development of new activities which give an extra boost to the economy of Aruba.

Application of the reduced rate is subject to the following conditions:

1. The dividend payment must originate from a company established in Aruba that has its capital divided into shares.
2. The dividend must originate from retained earnings accumulated in the years prior to the year 2020.
3. The dividend must be paid in the calendar year 2020.

We note that the remission of the company's receivable on its shareholder's (for example from a current account) also qualifies as a dividend payment. When determining the level of the dividend, note that a dividend payment may not jeopardize the company's business.

If a loan is concluded to enable dividend payment, the interest paid by the company on this loan will not be deductible for corporate income tax purposes. If this policy is abused, income subject to the abuse will be taxed at the regular individual income tax rate.

Please contact us if you would like to be informed on this possibility in more detail.

Legal Jurisdiction

Any dispute or other legal matter resulting from this correspondence shall be governed by the jurisdiction of the Common Court of Justice of Aruba, Curaçao, Sint Maarten and of Bonaire, Sint Eustatius and Saba.

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