

## Proposed tax reform: phase II



On March 6, 2020, the Government of Aruba submitted to parliament proposed amendments in connection with the tax reform's second phase .

The government intends to bring the proposed tax amendments into effect on April 1, 2020, with a few exceptions for which a different effective date will apply. The proposed amendments are subject to approval of the Parliament of Aruba.

This newsflash provides a summary of the proposed amendments of the most relevant taxes. Please contact our tax team for additional and/or detailed information on all proposed amendments.

## Proposed amendments in the turnover tax and health levy

It is proposed to levy 6% turnover tax and health levy, BBO/BAZV/BAVP, on the import of all goods. Entrepreneurs can deduct the BBO/BAZV/BAVP paid on the import of trading goods from the BBO/BAZV/BAVP due that month.

## Proposed amendments in the corporate income tax

It is proposed to abolish the converted Imputation Payment Company regime, also known as the IPC regime. At the same time, the transitional arrangement for the old IPC regime will also lapse.

It is proposed to abolish the option of a self-administered pension by directors-major shareholders.

It is proposed to adjust the deduction limitation as follows:

- The deduction limitation will also apply to payments to natural persons. Currently, the limitation only applies to entities)
- In terms of related parties, for the application of the deduction limitation a 5% shareholders' interest will already lead to a relation. The current rate is 33.33%.
- A related party may also include a relation through a shareholders' interest held by the spouse or by certain of his relatives.
- The deduction limitation exception, which allows 75% payments deduction if conditions are met, will be abolished.
- The (interest) deduction limitation will also apply to payments to natural persons (currently this

limitation only applies to payments to entities);

The exception to the deduction limitation with regard to payments to listed companies will also be abolished.

No depreciation on real estate is allowed if the book value is lower than the tax authority's registered value.

The tax rate will be reduced from 25% to 23% on April 1, 2020. The government will consider a further reduction in the profit tax rate in the future.

As a further tax incentive for the acquisition of operating assets, the investment allowance in both income tax and corporate income tax will be increased from 6% to 10%. This applies to both local and international investment purchases made.

## Proposed amendments in the dividend withholding tax

Distributions of profits generated by IPC companies from 2020, will be subject to the regular dividend tax rate instead of the 0% rate.

The 5% rate for distributions made by or to listed companies will lapse.

## Proposed amendments in the foreign exchange provision

On April 1, 2020 the rate of the foreign exchange commission will be increased to 1.9%, up from 1.3%.

## Proposed amendments in the tourist levy distribution

The distribution of the revenues from the tourist levy between the public treasury and the Aruba Tourism Authority will be changed: 35% will be

allocated to the public treasury (currently 20%).

Please let us know if you have further questions and/or would like more information.



## Contact us:

**Michael-Leo van Romondt**  
mlvanromondt@deloitte.aw

**Ruben Giel**  
rgiel@deloitte.aw

**Milton van Brussel**  
mivanbrussel@deloitte.aw

**Raoul Kurban**  
rkurban@deloitte.aw

**Brian Dake**  
bdake@deloitte.aw

**Christine Laclé-de Groot**  
clacle@deloitte.aw

**Julienne Curiel**  
jcuriel@deloitte.aw

**Edona Babuni**  
edbabuni@deloitte.aw

**Gabriëlle Ponson**  
gaponson@deloitte.aw