



Tax measures in connection with the outbreak of the COVID-19 in Curaçao

Introduction

On March 23rd, 2020, the Government of Curaçao presented the first support package, including some tax measures. Please note that in principle this package is valid for the upcoming three months (April 2020 up to and including June 2020). However, the local Government has indicated that they might extend the applicability of the tax measures included in this support package. The local Government expects to be able to provide an update by March 27th, 2020, with regard to a possible expansion of the first support package.

Some of the tax measures presented relate to a postponement and some of the measures concern a complete relief. We will list the concerning tax measures applying this distinction. We will also list the measures that have not been confirmed yet. This first support package will cost the local Government approximately 34,1 million guilders, which consists of 16,4 million guilders related to postponement measures and 17,7 million guilders related to complete relief measures.

The first support package of measures, in connection with the outbreak of the COVID-19, presented by the local Government on March 23, 2020.

In this newsflash we will also list the measures that were taken by the Central Bank of Curaçao and Sint Maarten (hereinafter referred to as: 'CBCS'). Based on an first analyses by the CBCS it is expected that a total amount of minimum 125-155 million guilders per month will be needed to cover most significant impact on the economy of Curaçao. This amount consists of 25-35 million guilders for budget support, 40-50 million guilders for support for employee retention and 60-70 million guilders for the financing of balance of payments. Therefore, the CBCS has calculated a total amount of 750-930 million guilders for six months, which translates to 375-465 million guilders for three months. It is to be seen if the local Government follows this indication when proposing the following phases of relief.

Tax measures

Tax measures related to postponement:

- Payment arrangements for outstanding tax liabilities can, upon request, be deferred by three months.
- The Compliance project is suspended.
- Companies can enter into a payment arrangement with the Tax Authorities (for taxes and non-taxes) in case they are experiencing liquidity problems.

Tax measures related to complete relief:

- Interest on outstanding tax liabilities is reduced from 6% to 0%.
- Collection charges on outstanding tax liabilities will be reduced to nil.
- In case of late or no payment of the tax payable, no default penalty will be imposed (for a period of three months).
- For the companies that are active in the hospitality sector, beauty salons, travel industry, car rental, car wash and transport, no employer contribution (9,5%) for the premiums AOW / AWW nor sales tax needs to be paid. Please note that the sales tax is still withheld but does not need to be paid.
- They have created a so-called "COVID-19 package", which includes hand sanitizers, thermometer, vitamin C etcetera. These products are now part of the already known basic necessity basket ("makutu basiko"). The import duty and sales tax for these products will be reduced to 0%.

Please note that despite of the above mentioned tax measures, all companies must continue to file their tax returns.

Possible measures / Other:

- The local Government is considering an increase of the basic income tax discount that applies to employees, so that their net salary increases. The basic income tax discount will be adjusted / increased for the year 2020 with retroactive effect to January 1st, 2020. The exact increase has not been confirmed yet.
- The local Government also wants to introduce a solidarity tax that will be levied on the employee. This has not been confirmed yet.
- The local Government furthermore informed the public that if the companies are not able to pay their utility bills, because of liquidity problems, there is a possibility to enter into a payment arrangement with Aqualectra.
- Some of the financial institutions will provide a grace period on loans and other payables to their customers.
- The local Government is working on the possibilities to lower the amount of hours that the employees are working in order to lower the costs for the employer (the so-called "Werktijdverkorting"). This has not been confirmed yet.

Measures taken by the CBCS*

The CBCS decided to enable the financial system to finance the economy, in order to keep the economy running smoothly in these extremely difficult times. In this context the CBCS has taken the following measures:

Monetary measures

- To reduce the pledging rate by 150 basis points. The pledging rate is the rate at which the commercial banks can borrow at the Bank. Furthermore, the surcharge on the pledging rate of 200 basis points on loans exceeding NAf. 20.0 million will be suspended. Besides this measure, the Bank's overdraft facility for commercial banks will be reintroduced. Through this measure, the Bank aims at guaranteeing the commercial banks' access to liquidity in case this may be required while maintaining the cost of financing low. Thereby, the financing of the economy can be ensured.
- To lower the interest rates on Certificates of Deposit. Through this step the Bank will, within certain limits, temporarily ease the money market by absorbing less liquidity.
- To suspend with immediate effect, the extension of foreign exchange licenses for transfers abroad. This also applies for submitted applications that have not yet been granted a license. Transfers

which have not been executed yet based on a granted licenses can be carried out normally. The extension of foreign exchange licenses will be resumed at a date to be determined by the Bank. Transfers abroad that do not require a foreign exchange license can be carried out as usual.

Prudential measures

CBCS will implement more flexibility to the certain supervision rules:

- Commercial banks and credit institutions will be allowed to provide a 3 to 6-month payment moratorium on interest and principles of all outstanding loans, without having to make an adequate provision. This flexibilization will take effect immediately. The CBCS will closely monitor this provision.
- Commercial banks may exceed the debt service ratio, which is currently set at 37%, to a maximum of 50%. This flexibilization will take effect immediately. The CBCS will closely monitor this provision.
- Life insurance companies and pension funds will be allowed to provide clients a 3 to 6-month payment moratorium on policy premiums without having to make an adequate provision. This flexibilization will take effect immediately. The CBCS will closely monitor this provision.

*Please see the official announcement published by the CBCS on March 20th, 2020.

Please contact our office at the email addresses mentioned in this newsflash if you have any questions and/or need additional information. We would be pleased to assist you.

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