

Aruba tax reforms are up and coming

The Aruba tax system will be reformed, starting January 1, 2019. Prime Minister Mrs Evelyn Wever Croes spoke at a recent information session on tax reform, where she announced that the Government of Aruba is currently working on tax reform legislation. The Prime Minister said the reform will be introduced in four phases.



Phase 1

Reform of wage tax, income tax and ground taxes

Phase 2

Reform of indirect taxes, BBO and import duties

Phase 3

Reform of corporate income tax and dividend withholding tax as well as personal income tax

Phase 4

Reform of tourist industry taxes, such as room tax, car rental tax and green tax

Phase 1 of the tax reform is set to start on January 1, 2019. The information received indicates the following.

Personal income tax

Aruba currently has a progressive income tax rate, divided over two groups and including 14 tax brackets (the rates progress from 7% to 58.95%).

Under the proposed reform, the income tax rates will be reduced to five brackets in one group with rates from 0 to 52%. The brackets proposed are as follows:

Income		Tax rate
Afl. 0	Afl. 27,751	0%
Afl. 27,751	Afl. 61,338	14%
Afl. 61,338	Afl. 91,120	25%
Afl. 91,120	Afl. 169,534	42%
Afl. 169,534		52%

Dividend income

Under the announced reforms the tax rate on dividend income for personal income tax purposes will be reduced to 10%, down from 25%.

Turnover tax (BBO)

The Government has indicated that invoices will no longer state Aruba turnover tax effective January 1, 2019. Instead, it will have to be included in the price paid for the goods or services. Most likely this will also apply to the BAZV and BAVP.

Pensioners

The rate for the general health insurance for pensioners was reduced to 4% on July 1, 2018. The low income allowance (*reparatietoelag*) was increased by Afl. 25 on July 1, 2018. The pension will be increased by Afl. 25 for single pensioners and Afl. 42 for married pensioners, effective January 1, 2019.

Ground tax

The Government of Aruba has announced a reform of the ground tax rates, too. The current rate is 0.4% over the registered value minus a tax free amount. Under the reform a proportional rate will be introduced, which will depend on the value of the property and whether or not the taxpayer is a resident of Aruba or not. The following rates will apply to non-commercial properties owned by Aruba residents.

Property value		Tax rate
Afl. 0	Afl. 120,000	0%
Afl. 120,000	Afl. 250,000	0.2%
Afl. 250,000	Afl. 500,000	0.3%
Afl. 500,000	Afl. 750,000	0.4%
Afl. 750,000		0.6%

The tax rate for both commercial properties and non-residents is 0.6% over the property value.

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We would be pleased to assist you with your questions.

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