

Tax reform highlights Curaçao 2015



This newsflash outlines the legislative amendments in the tax laws of Curaçao which were passed by Parliament on December 30, 2014. With the changes in the law the government aims to stimulate the economy, the business climate for foreign companies, employment, simplifying the tax system and easing the administrative burden.

In this newsflash only the most significant amendments which are applicable as of January 1, 2015 are described. Changes which will be applicable as of January 1, 2016 or on a still to be determined date will be highlighted in separate newsflashes.

General tax ordinance

- The definition of a transparent company is expanded to all entities which capital is (partially) divided into shares.
- A legal basis is codified for electronic declarations for the sales- and wage tax.

Personal income tax ordinance

- Based on the new ordinance interest derived from capital insurance will be considered as taxable proceeds from movable capital. An exception may be applicable for interest included in a capital payment as a result of death. The definitions for a capital insurance, interest and premiums will be specified in the tax ordinance.
- Interest received from bonds issued by the Government of Curacao will be considered as taxable income.
- Interest from domestic banks and savings balances will be taxed for 8.5%. No social security premiums are due on the interest payment.
- The possibility for investment deduction is limited. An investment deduction of 10% is possible in the year of investment (of NAf. 5,000 or more) for a variety of assets. In case of investments in qualified monuments, a depreciation of 25% is allowed.

- (Business) gifts, courses, conferences, symposia, etc. are 100% deductible, while related travel and accommodation costs are 80% deductible.
- Representation costs (including receptions and entertainment, excursions, study trips etc.) are no longer deductible.
- Costs incurred for food, drinks and stimulants are 80% deductible.
- The threshold for deduction of charitable contributions is increased to NAf. 500.
- Abolishment deduction for costs of maintenance.
- Deduction for interest paid on debts, costs of loans and repayments of debts relating to a training or study for a profession, up to an amount of NAf. 10,000 per year for up to 10 years.
- Health insurance premiums (BVZ) are not deductible.
- The income tax rates are lowered and the tax basis per tax bracket is broadened.

First tax bracket	0 – NAf. 30,000	10.75%
Second tax bracket	NAf. 30,000 – NAf. 41,500	16.25%
Third tax bracket	NAf. 41,500 – NAf. 60,000	26.25%
Fourth tax bracket	NAf. 60,000 – NAf. 89,000	30.75%
Fifth tax bracket	NAf. 89,000 – NAf. 127,500	39.00%
Sixth tax bracket	NAf. 127,500 -	48.25%

- A special rate of 19.5% is applicable for income received from a private foundation/ Trust or from a substantial interest. In case a lower amount of tax is calculated based on the tax bracket, this amount will apply.
- The tax free allowance will be increased to NAf. 2,112.

Corporate income tax ordinance

- The exempt status can also be obtained for NVs.
- The possibility to be designated as a fund entity (doelvermogen) which is taxed at a 10% corporate income tax rate is expanded to exempt BVs, NVs and mutual funds.
- The possibility for investment deduction is limited. An investment deduction of 10% is

possible for the year of investment (of NAf. 5,000 or more) in assets. In case of investments in buildings that are considered as monuments a depreciation of 25% is allowed.

- The deduction limitation on interest paid to a local exempt company which is part of the same group has been extended to interest payments to foreign group entities that are not subject to a tax levied on its profits in any form.
- (Business) gifts, courses, conferences, symposia, etc. are 100% deductible, while related travel and accommodation costs are 80% deductible.
- Representation costs (including receptions and entertainment, excursions, study trips etc.) are no longer deductible.
- Costs incurred for food, drinks and stimulants are 80% deductible.
- The corporate income tax rate is lowered to 25%. For entities with a book year which is different than a calendar year this rate is applicable as of the first book year which starts after January 1, 2015.

Wage tax ordinance

- A so-called common wage (minimum mandatory wage) for a person who is both a director and substantial shareholder of a company has been introduced. As common wage is considered 50% of the company's revenue or NAf. 50,000, in case the revenue of the company is more than NAf. 100,000. The common wage for a person who is both a director and substantial shareholder must be at least equal to the employee with the highest wage in the company. In specific situations the common wage can (temporarily) be set at a lower amount or even disregarded by the tax inspector.
- Introduction of new article to combine the withholding of wage tax and social premiums in the event of different employments. One employer will then be responsible for the payment of the income and remittance of wage tax and social premiums. The article outlines the scope and conditions of the regulation.
- Codification and clarification of employment definition for interns and temporary workers.

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