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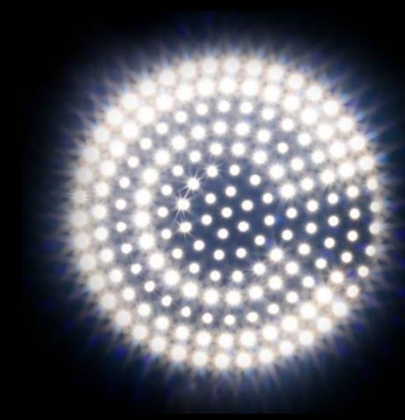
International Tax
Aruba Highlights 2018



Investment basics:

Currency – Aruba florin or guilder (AWG or Afl.) which is pegged to the US dollar (USD) at a rate of 1.79 (USD 1 = AWG 1.79).

Foreign exchange control – A 1.3% foreign exchange commission is calculated as a percentage of the gross outflow of money on transfers from residents to nonresidents, and on foreign currency cash transactions.

An exchange rate margin commission is applicable on all purchases (at 3/8%) and sales (at 1/8%) of foreign exchange transactions settled through the commercial banks.

Accounting principles/financial statements – Financial statements must be prepared annually. No specific financial reporting framework is required.

Principal business entities – These are the limited liability companies (NV, VBA and AVV), exempted AVV, general partnership, (private) foundation, limited partnership and branch of a foreign corporation.

Corporate taxation:

Residence – A corporation is considered resident in Aruba for tax purposes if it is incorporated under the laws of Aruba or managed and controlled in Aruba.

Basis – Residents are taxed on worldwide income; nonresidents are taxed only on Aruba-source income. Foreign-source income derived by residents is subject to corporation tax in the same way as Aruba-source income.

Taxable income – Corporation tax is imposed on a company's profits, which consist of business/trading income; passive income, such as dividends and interest; and capital gains. Normal business expenses may be deducted in computing taxable income, while additional incentives may apply.

Taxation of dividends – In principle, dividends received are taxed according to the regular taxation rules, although exemptions may apply (e.g. see "Participation exemption," below).

Capital gains – Capital gains normally are taxed, unless the participation exemption applies.

Losses – Losses incurred by an individual company on a stand-alone basis may be carried forward for five years, in principle. The carryback of losses is not permitted.

Rate – 25%

Surtax – No

Alternative minimum tax – No

Foreign tax credit – Foreign tax paid may be credited against Aruba tax on the same profits, but the credit is limited to the amount of Aruba tax payable on the foreign income.

Participation exemption – Dividends and capital gains received by an Aruban resident company from a participation in a domestic or foreign company are exempt under the participation exemption, provided certain conditions are met.

Holding company regime – No

Incentives – An Aruba limited liability company may qualify as an imputation payment company (IPC). In such cases, the profit tax rate generally is reduced from 25% to 10% and the dividend withholding tax is reduced to nil.

Aruba also has several free zones that offer tax benefits.

Withholding tax:

Dividends – A 0%, 5% or 10% withholding tax may be levied on outgoing dividends, although exemptions are available.

Interest – No

Royalties – No

Technical service fees – No

Branch remittance tax – No

Other taxes on corporations:

Capital duty – No

Payroll tax – Wage tax is levied on the employment income of an individual, and is a pre-levy to the personal income tax. The income is taxed under a schedular system.

Real property tax – An annual 0.4% "ground tax" is levied on the value of real estate, determined by the local tax authorities.

Social security – The employer is required to make pay-related social insurance payments on behalf of its employees.

Stamp duty – No

Transfer tax – A 3% transfer tax is levied on the purchase of real estate up to AWG 250,000. Any real estate purchase exceeding this amount is taxed at 6%, with the purchaser being responsible for paying the tax.

Other – A 9.5% tourist levy is payable by tourists staying at hotels and resorts. Fixed amounts apply for time-share rentals. An environmental levy applies on all occupied rooms or units at fixed amounts, depending on the type of accommodation.

Anti-avoidance rules:

Transfer pricing – Aruba respects internationally accepted transfer pricing guidelines and the arm's length principle. Statutory transfer pricing documentation requirements apply, and documentation should be retained in the taxpayer's records.

Thin capitalization – No

Controlled foreign companies – No

Disclosure requirements – No

Compliance for corporations:

Tax year – In principle, a calendar year or book year applies.

Consolidated returns – Where a fiscal unity exists for profit tax purposes, the subsidiary companies included within the fiscal unity file a nil return, and the company at the head of the fiscal unity files a consolidated return. However, separate annual financial accounts still are required for each entity within the fiscal unity.

Filing requirements – A self-assessment regime applies. Entities subject to corporate income tax must file a provisional annual return with the Aruba tax authorities within five months after the book year ends. The amount of corporate income tax due must be paid at the same time that the tax return is filed. If the provisional tax return is timely filed, an additional extension of six months is given for the final tax return. Corporate income tax due on the final tax return must be paid at the time of filing the final tax return.

The tax return must be accompanied by all information needed to establish the company's taxable income, including the balance sheet, the profit and loss account and any other information requested by the tax authorities. If a completed return is not submitted, the tax authorities may issue an estimated assessment. The final assessment must be issued no later than five years after the end of the relevant tax year. If an extension has been obtained for filing the return, the final assessment also is correspondingly extended.

Penalties – Penalties apply for late filing of a return and the late payment of tax.

Rulings – Companies may apply for, e.g. fiscal unity, cost plus, participation exemption and transparent status rulings.

Personal taxation:

Basis – Aruba residents are taxed on their worldwide income; nonresidents are taxed only on Aruba-source income.

Residence – An individual is considered to be a resident if, based on the actual facts and circumstances, his or her center of existence is deemed to be in Aruba

Filing status – Joint filing is permitted.

Taxable income – Income is taxed under a schedular system. Employment income, the results derived from conducting a sole proprietorship and revenue from immovable and movable property are, in principle, considered taxable income.

Capital gains – Capital gains are exempt, except for those derived from the sale of shares relating to a "substantial interest." A taxpayer is regarded as having a substantial interest in a company if he/she, either alone or together with his/her next of kin, holds directly or indirectly at least 25% of the shares of the company

Deductions and allowances – Subject to certain restrictions, deductions are granted for medical expenses and insurance, retirement annuities, mortgage interest, etc. Personal allowances are available to the taxpayer and his/her spouse, children and other dependents. Special allowances are available under the expatriate regime and fringe benefits policy.

Rates – Rates are progressive from 7% up to 58.95%.

Other taxes on individuals:

Capital duty – No

Stamp duty – No

Capital acquisitions tax – No

Real property tax – An annual 0.4% tax is levied on the value of real estate. Additionally, a 3% transfer tax is levied on the purchase of real estate up to AWG 250,000. Any real estate purchase exceeding this amount is subject to transfer tax at 6%, with the purchaser responsible for paying the tax.

Inheritance/estate tax – Both inheritance and gift taxes exist in Aruba and certain deemed transactions may lead to taxable events. Exemptions are available.

Net wealth/net worth tax – No

Social security – Employed and self-employed individuals are required to make social insurance payments, with a capped amount based on the individual's salary.

Compliance for individuals:

Tax year – Calendar year.

Filing and payment – A self-assessment regime applies. The tax return must be filed within two months after the year end. Upon request, an extension for filing the tax return is possible.

Penalties – The Inspectorate of Taxes will levy a fine if the tax return is filed late or tax is paid late.

Value added tax:

Taxable transactions – Turnover tax is, in principle, levied on the sale of goods and the provision of services. Exemptions are available.

Rates – The standard rate is 1.5%.

Registration – Residents and nonresidents that make taxable deliveries of goods or services in Aruba must register.

Filing and payment – A self-assessment regime applies, with filing required on a monthly basis.

Other – A "health tax" of 2% applies on the sale of goods and the provision of services. The mechanics of the health tax are similar to those of the turnover tax, except for the fact that the remitted health tax must be disclosed on the invoice, which is not required for the turnover tax.

Source of tax law: Profit Tax Act, Turnover Tax Act, Personal Income and Wage Tax Acts and the General Tax Act. Case law also forms part of the tax law in Aruba, and tax policy announcements by the government also should be taken into consideration.

Tax treaties: Aruba has tax treaties with the Netherlands, Curaçao, Sint Maarten and the BES islands, a limited double tax treaty with Australia, investment tax treaties with the Nordic countries and several tax information exchange agreements.

Tax authorities: *Departamento di Impuesto*

Contact:

Micheal-Leo van Romondt
(mlvanromondt@deloitte.aw)

Julian Lopez Ramirez
(jlopezramirez@deloitte.cw)