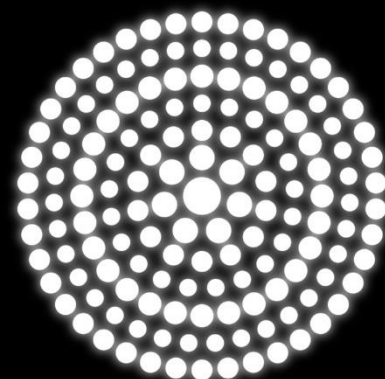


International Tax Aruba Highlights 2020

Updated January 2020



Recent developments:

For the latest tax developments relating to Aruba, see [Deloitte tax@hand](#).

Investment basics:

Currency – Aruba florin or guilder (AWG), 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:

Rates

Corporate income tax rate	25%
Branch tax rate	25%
Capital gains tax rate	25% unless the participation exemption applies

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. Branches are taxed in the same way as subsidiaries.

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.

Rate – 25%

Surtax – No

Alternative minimum tax – No

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.

Foreign tax relief – 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 fulfilled.

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.

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 and payment – 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 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.

Individual taxation:

Rates

Individual income tax rate	Taxable income	Rate
	AWG 27,751 – 61,338	14%
	AWG 61,339 – 91,120	25%
	AWG 91,121 – 169,534	42%
	Over AWG 169,534	52%
Capital gains tax rate		0%/25%

Residence – Individuals are considered to be a resident if, based on the actual facts and circumstances, their center of existence is deemed to be in Aruba.

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

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.

Rates – Rates are progressive from 14% up to 52%.

Capital gains – Capital gains are exempt, except for those derived from the sale of shares relating to a “substantial interest” (a shareholding of over 25%) which are taxed at 25%. Taxpayers are treated as having a substantial interest in a company if they, either alone or together with a next of kin, hold 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 taxpayers and their spouses, children, and other dependents. Special allowances are available under the expatriate regime and fringe benefits policy.

Foreign tax relief – 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.

Compliance for individuals:

Tax year – Calendar year

Filing status – Joint filing is permitted.

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 – A fine will be levied if the tax return is filed late or tax is paid late.

Rulings – Individuals may request rulings from the tax authorities.

Withholding tax:**Rates**

Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%/10%	10%	0%/5%/10%	10%
Interest	0%	0%	0%	0%
Royalties	0%	0%	0%	0%
Fees for technical services	0%	0%	0%	0%

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

Interest – Aruba does not levy withholding tax on interest.

Royalties – Aruba does not levy withholding tax on royalties.

Fees for technical services – Aruba does not levy withholding tax on technical service fees.

Branch remittance tax – No

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 must be retained in the taxpayer's records.

Interest deduction limitations – Payments (including interest and compensation for the use of tangible and/or intangible goods or for services (i.e., rent, royalties, management fees, etc.)) are not tax deductible unless the Aruba entity making the payment can prove that: (i) the recipient is not directly or indirectly related to the payer; (ii) the recipient's effective tax rate is at least 15%; or (iii) all of the recipient's shares are held, directly or indirectly, by an entity that has at least 50% of its voting shares listed on a qualified stock exchange. If a payment is made at arm's length and the recipient is subject to tax on the payment, 75% of the payment can be deducted even if the recipient does not qualify for one of the above exceptions.

Controlled foreign companies – Aruba does not have controlled foreign company rules.

Hybrids – Aruba does not have rules on hybrids.

Economic substance requirements – Aruba does not have economic substance requirements.

Disclosure requirements – Aruba does not have disclosure requirements.

Exit tax – Aruba does not levy an exit tax.

General anti-avoidance rule – Aruba does not have a general anti-avoidance rule.

Turnover tax:

Rates

Standard rate	1.5%
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Taxable transactions – Turnover tax is levied on the sale of goods and the provision of services. Exemptions are available.

Rates – The standard turnover tax rate is 1.5%.

Registration – Residents and nonresidents that make taxable deliveries of goods or services in Aruba must register for purposes of the turnover tax.

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

Other – A “health tax” of 3% and BAVP of 1.5% (a tax on the business turnover of public-private partnership projects) apply on the sale of goods and the provision of services. The mechanics of the health tax and BAVP are similar to those of the turnover tax. The turnover tax, health tax, and BAVP have to be included in the price paid for goods or services but their inclusion on invoices is optional.

Other taxes on corporations and individuals:

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the federal level.

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

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

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

Capital duty – No

Real property tax – An annual 0.6% “ground tax” is levied on the value of real estate owned by corporations, determined by the local tax authorities. The tax authorities must be notified of a purchase of immovable property and of any adjustments resulting in a change to the value of the property and the assessment to be imposed in the subsequent year.

The rates for residents are as follows:

- 0.00% for property with a value of AWG 120,000 or less;
- 0.20% for property with a value between AWG 120,000 and AWG 250,000;
- 0.30% for property with a value between AWG 250,000 and AWG 500,000;
- 0.40% for property with a value between AWG 500,000 and AWG 750,000;
- 0.60% for property with a value greater than AWG 750,000.

An annual 0.6% tax is levied on the value of real estate owned by nonresidents.

Additionally, transfer tax is levied on the purchase and acquisition of real estate under the law of succession and donations. For real estate valued up to AWG 250,000, the rate is 3%; real estate with a

value exceeding this amount is subject to transfer tax at 6%, with the purchaser responsible for paying the tax. However, if the property is the purchaser's residence, the transfer tax is 3% on real estate value up to AWG 250,000 and 6% on any value above AWG 250,000.

Transfer tax – For individuals purchasing their own residence, the transfer tax rate is 3% on the value of the residence up to AWG 250,000 and 6% on the value over that amount.

For the purchase/receipt of all other real property, the rate is 3% if the value is up to AWG 250,000 and 6% if the value is greater than that amount.

Stamp duty – No

Net wealth/worth tax – No

Inheritance/estate tax – Aruba does not have an inheritance tax. However, a transfer of real property as an inheritance is subject to transfer tax (see above under "Real property tax"). An exemption applies if the real property transferred was the residence of the deceased and it is transferred to the deceased's direct heirs or surviving spouse.

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.

Tax treaties: Aruba signed the OECD multilateral instrument (MLI) on 27 September 2018 and the MLI entered into force for Aruba on 1 January 2019.

Tax authorities: *Departamento di Impuesto*

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