

## International Tax Curaçao Highlights 2017



### Investment basics:

**Currency** – Netherlands Antilles Guilder (ANG)

**Foreign exchange control** – A 1% license fee will be calculated as a percentage of the gross outflow of money on transfers from residents to nonresidents, and on foreign currency cash transactions. Holding companies can obtain an exemption from the fee.

**Accounting principles/financial statements** – IAS/IFRS. Financial statements must be prepared annually.

**Principal business entities** – These are the public and private company (NV and BV), exempt NABV, general partnership, (private) foundation, Curaçao trust, limited partnership and branch of a foreign corporation.

### Corporate taxation:

**Residence** – A corporation is resident if it is incorporated under the laws of Curaçao or managed and controlled in Curaçao.

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

**Taxable income** – Corporation tax is imposed on a company's profits, which consist of business/trading income, passive income and capital gains. Normal business expenses may be deducted in computing taxable income. An exemption applies for income from permanent establishments abroad.

**Taxation of dividends** – Dividends are not taxed if received from affiliated companies that qualify for the participation exemption.

**Capital gains** – Capital gains are included in profits and taxed at the normal rates. Under the participation exemption, gains derived from the disposal of a qualifying participation are fully exempt.

**Losses** – Losses may be carried forward for 10 years (five years for international business companies). The carryback of losses is not permitted.

**Rate** – 22%

**Surtax** – No

**Alternative minimum tax** – No

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

**Participation exemption** – A participation exemption may apply to dividends and to capital gains derived by a Curaçao holding company on the disposition of a substantial shareholding. To qualify for the exemption, the Curaçao company must hold a participation of at least 5% (or 5% of the voting shares) and the subsidiary must either (1) be subject to a tax of at least 10%, or (2) be an active business company. For subsidiaries that do not meet one of the two latter conditions, a tax rate of 10% applies on dividend payments.

**Holding company regime** – See "Participation exemption," above, and "Consolidated returns," below. Additionally, holding companies may request a cost-plus ruling.

**Incentives** – Investments made in tangible fixed assets may be eligible for an investment deduction of 10% in the first year of acquisition. Tax holidays are available for investment if the company invests in the tourism sector.

A tax holiday may be obtained upon request, and will be granted if specific requirements are met.

A special tax regime with favorable tax rates applies for export companies and insurance companies. Conversions, legal mergers and demergers are facilitated in such a way that potential tax claims may be deferred.

#### Withholding tax:

**Dividends** – No

**Interest** – Interest received by resident taxpayers from domestic banks is subject to an 8.5% withholding tax.

**Royalties** – No

**Technical service fees** – No

**Branch remittance tax** – No

#### Other taxes on corporations:

**Capital duty** – No

**Payroll tax** – No

**Real property tax** – Real estate tax is levied annually on the value of the property, at the following rates: 0.4% up to the value of ANG 350,000, 0.5% on the value exceeding ANG 350,000 up to ANG 750,000 and 0.6% on the value exceeding ANG 750,000. Properties with a value up to ANG 28,500 are exempt from real estate tax.

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

**Stamp duty** – No

**Transfer tax** – No

**Other** – Shipping companies may opt to pay tonnage tax in lieu of the normal corporate income tax.

#### Anti-avoidance rules:

**Transfer pricing** – Intercompany transactions must be carried out at arm's length and supported by sufficient documentation in the relevant administrative records.

**Thin capitalization** – Thin capitalization rules apply only with respect to loans from a tax-exempt company.

**Controlled foreign companies** – No

**Disclosure requirements** – Disclosure requirements apply only if a company is regarded as a large company. The annual accounts must be provided to the chamber of commerce.

#### Compliance for corporations:

**Tax year** – The calendar year applies, although a taxpayer may request a different tax year.

**Consolidated returns** – A parent company may request to form a "fiscal unity" with affiliated companies so that a

consolidated tax return can be filed. To qualify, the companies must be established in Curaçao and the parent company must hold 99% or more of the shares in each of the affiliated companies.

**Filing requirements** – A self-assessment regime applies. The tax return must be filed within six or 12 months of the company's year end.

**Penalties** – Penalties apply for late filing of a return and/or late payment of the taxes due.

**Rulings** – Holding companies may request a cost-plus or license ruling.

#### Personal taxation:

**Basis** – Curaçao residents are taxed on their worldwide income. Nonresidents are taxed only on Curaçao-source income.

**Residence** – Whether an individual is a resident depends on the facts and circumstances. An individual is considered to be a resident if he/she spends more than three months of the tax year in Curaçao. The individual is then considered to be covered by the social security system in Curaçao. An exemption may be requested if the individual indicates that he/she is not a resident, based on the facts and circumstances.

**Filing status** – Joint filing is permitted.

**Taxable income** – Income is taxed under a schedular system. Employment income, including most employment benefits, and profits derived from the carrying on of a business by an individual are taxable.

**Capital gains** – Capital gains are included in profits and taxed at the normal rates.

**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. Costs related to education loans (interest and repayment) may be deducted up to ANG 10,000 a year for ten years. The employer also may reimburse these costs tax-free.

A special expatriate tax regime may apply to employees assigned to Curaçao, which permits certain tax-exempt payments. To qualify for such tax-exempt payments, an employee must meet the following conditions: (1) the employee must be hired from abroad or seconded to a domestic employer in Curaçao; (2) the employee must not have lived in Curaçao during a continuous period of at least five years before the secondment to Curaçao; and (3) the employee must have specific expertise that either is not available or is only scarcely available on the Curaçao labor market. Only employees with a bachelor's

or university-level education, at least five years' work experience and an annual gross salary of at least ANG 150,000 will qualify.

**Rates** – Rates are progressive up to 46.5%. However, under the “pensioner’s regulations” (designed to attract wealthy foreigners), an eligible taxpayer may opt for taxation on foreign income at a 10% flat rate, or taxation on foreign income at the applicable progressive income tax rate on deemed income of ANG 500,000. A special rate of 19.5% is applicable for income received from a qualified pension savings account, private foundation (SPF), a trust or a substantial share interest.

#### Other taxes on individuals:

**Capital duty** – No

**Stamp duty** – No

**Capital acquisitions tax** – No

**Real property tax** – A 4% transfer tax is levied on the purchase or other transfer of real estate. The buyer is responsible for the tax.

**Inheritance/estate tax** – Both inheritance tax (at a maximum rate of 6%) and gift tax (at a maximum rate of 24%, or 25% for a SPF or trust) apply. Exemptions may apply.

**Net wealth/net worth tax** – No

**Social security** – Employed and self-employed individuals are required to make social insurance payments, with the 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 three months after the year end.

**Penalties** – The Inspectorate of Taxes will levy a fine if the tax return is filed late and/or the amount of taxes due is paid late.

#### Sales tax:

**Taxable transactions** – Sales tax is levied on the sale of goods and the provision of services. The price of goods or services is presented including the sales tax. Additional requirements are applicable to certain companies.

**Rates** – Tariffs vary, based on the type of goods and services. The standard rate is 6%, with 0%, 7% and 9% rates applicable in certain cases. Several exemptions may apply.

**Registration** – Residents and nonresidents that have taxable supplies of goods or services in Curaçao must register. In cases where there are no local taxable activities, an annual nil declaration should be filed for the sales tax.

**Filing and payment** – A self-assessment regime applies, and payment must be made on a monthly basis.

**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 Curacao, and tax policy announcements by the government should be taken into consideration.

**Tax treaties:** Curaçao has five tax treaties, 22 tax information exchange agreements and four agreements to promote economic relations with other countries. The Multilateral Convention on Mutual Administrative Assistance in Tax Matters also is applicable in Curacao.

**Tax authorities:** Inspectorate of Taxes, Sector Directorate of Fiscal Affairs

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