



Update

Reforma Fiscal Aruba

Tax Newsletter

May 2022

This week the second round of stakeholder's meetings has taken place in which the tax reform committee has announced new scenario's for the proposed tax reform. In this newsletter we will provide a high-level overview of the newly proposed scenario's.

Please note that at this moment these are scenario's for discussion purposes, no final decision has been made.

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Tax reform Aruba 2023 – 2027

In our previous newsflash we have provided a high-level overview of the proposed changes as to the 2023 – 2027 tax reform. In this newsletter we will provide you with the latest scenario's which are being discussed within the tax reform committee and the Government of Aruba. No final decision has been taken as of yet regarding the below proposals.

Proposed scenario's as to the Value Added Tax ("VAT") (in Dutch: Belasting op Toegevoegde Waarde)

The introduction of the VAT is planned on January 1, 2023. As a result the BBO/BAZV/BAVP will be eliminated. The proposed tariffs are currently being discussed, however there are two (2) new scenario's being proposed:

Scenario's	Scenario 1	Scenario 2
Low tariff	12.5%	6%
High tariff		14%
Comments	Casino's will be included in the taxable base for the VAT	Casino's will be excluded from the taxable base for the VAT

- The first scenario applies a single tariff, being 12.5% on all goods and services.
- The second scenario: a low tariff of 6% will be applicable for food and beverages (excl. alcoholic beverages) and a high tariff of 14% will be applicable on all other goods and services (restaurant dining included).



We note that the room revenue for hotels and accommodations will be exempt in both scenario's considering this will be taxed with the tourism levy & environmental levy instead. According to the tax reform committee the hotel or accommodation will have the possibility to offset input VAT based on the VAT taxable revenue compared with the total revenue. The following example can illustrate this for a hotel or accommodation:

- Input VAT	50
- VAT exempt revenue	80
- VAT taxable revenue	20
- Total revenue	100
- Offset input VAT $20/100 \times 50 =$	10

Please note that if the offset of input VAT is higher than the total output VAT, a credit will be obtained for offset in future months. This excess amount of input VAT will not be paid out.

Import duties

The import duties will undergo a simplification with respect to the different tariffs applicable per category. Currently the import duties consists of 12 different tariffs. This number of different tariffs will be reduced. The proposed changes have also been separated in two scenario's.

Scenario's	Scenario 1	Scenario 2
Applicable tariffs	7	5
Tariffs	0%, 6%, 12%, 30%, 40%, 50%, 57%	0%, 6%, 18%, 28%, 58%

Depending on the chosen scenario, certain items will have an increase or decrease in tariff.

We do note that it was mentioned that the beneficial tariff of 12% (instead of 22%) for the import of furniture and fixtures by hotels and other accommodations will be eliminated.

Personal income, profit tax & other changes

We understand that all other proposed changes regarding the personal income tax, transfer tax, tourism levy, insurance tax will remain unchanged. Also, the proposed changes regarding the profit tax will remain unchanged, with exception of the investment allowance. We understand that the possibility of not eliminating the investment allowance is currently being discussed. We refer to our newsflash of February 2023 for an elaboration on the other proposed changes.



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