



Reforma Fiscal Aruba

Tax Newsletter

February 2022

This week various stakeholder's meetings have taken place in which the Government of Aruba together with the tax reform committee have announced the proposed changes for the upcoming tax reform. In this newsletter we will provide a high-level overview of the proposed changes. Please note that at this moment these are proposed changes and therefore these can still be adjusted/changed.

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Tax reform Aruba 2023 – 2027

During the year 2020 The Netherlands agreed to provide Aruba with financial support in order for Aruba to be able to survive the economic impact of the pandemic. As a result, The Netherlands provided Aruba with various conditions as to this financial support. Amongst others, Aruba agreed to reform its current tax system to a more efficient, simple and modern system. The changes which will be discussed in this newsletter are the result of the commitment of Aruba to reform its tax system.

The phases of the tax reform

The tax reform will be divided into three (3) phases. First phase will be in 2023, in this phase the 'foundation' will be set in which the value added tax (VAT) will be implemented and the tax laws directly impacted by this will be adjusted accordingly.

The second phase of the reform is called 'equalization'. This will take place in 2025. In this phase the existing tax laws will be updated and modernized with focus on proper compliance. The third phase will take place in 2027 and will focus on innovation

Value Added Tax (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 tariff are as follows:

- Low tariff of 6% will be applicable for food and drinks (excl. alcoholic beverages).
- High tariff of (maximum) 18% will be applicable on all other goods and services (restaurant dining included).
- VAT will also apply for the importation of goods.
- A rate of 0% will be applicable for the export of goods.

This system will have an offset system (no refunds). The proposed exemptions will apply for the education- and medical sector, banks and utilities (WEB and ELMAR). An exemption will also be applicable for the room revenue of hotels which is already subject to tourist levy.

Changes in the personal income tax legislation

- The tax-free sum for the personal income tax will be increased from Afl. 28.861 to Afl. 36.000.
- The tax brackets will be adjusted and the tariffs will be lowered.
- The self-administered pension (in Dutch: 'pensioen in eigen beheer') will be abolished.
- The depreciation on real estate will be limited.
- All 'Tips' income (in Dutch: 'fooien') will be become taxable.
- The investment allowance will be abolished.
- The introduction of a deemed minimum wage for directors of a company in which they hold the majority of the shares (in Dutch: 'gebruikelijk loon regeling').
- The purchasing power allowance (in Dutch: reparatietoeslag) will be increased.
- The financial aid and welfare sum (in Dutch: bijstand en onderstand) will be increased.

Changes in the profit tax legislation

- The profit tax rate will be reduced from 25% to 22%.
- The new 10-15% imputation payment company (known as IPC) regime will be eliminated with a transitional regulation through 2025. The old 2% imputation payment company regime will remain applicable through 2025.
- Stricter rules regarding the deduction of payments.
- The self-administered pension (in Dutch: 'pensioen in eigen beheer') will be abolished.
- The depreciation on real estate will be limited.
- The investment allowance will be abolished.

Transfer tax

- The selling of shares in real estate companies will be subject to transfer tax as of January 1, 2023.
- The transfer of the economic ownership of real estate will be taxable with transfer tax as of January 1, 2023.

Other changes

- The elimination of the 5% dividend withholding tax for stock exchange listed companies.
- The tariff of the tourist levy will be increased from 9.5% to 12.5%.
- The introduction of an insurance tax (in Dutch: 'assurantiebelasting') of 6%.

General state ordinance taxes

- Introduction of legislation which allows the mandatory filing of returns electronically.
- Introduction of mandatory notification obligation (in Dutch: 'renseigneringsverplichting') between tax authorities and financial institutions.

Contact

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