



*“It’s complicated,
that’s why we’re
bringing in BDO.”*

Beneficial Policy COVID-19 pandemic Savings Funds

In the National Gazette of December 17, 2021, the Beneficial Policy (hereinafter: “BP”) of November 6, 2020 relating to qualifying savings funds was updated and expanded. In this SmartNews, we would like to share these with you.

Qualifying savings fund

A savings fund qualifies for tax purposes if the following conditions are met:

- Future provision for the employee
- Separate entity
- Joint fund and jointly managed by a board that is independent of the employer and employee
- Blocked account: all staff funds in a blocked joint account are deposited at a bank, but separate registration for each employee
- Independent fund:
 - Employer may not have decision-making power in the fund
 - The employer is not allowed to freely dispose of the capital formed by the deposits
- Fund must be open to all employees

Tax benefits qualifying savings funds

Annually, a maximum of 5% of the gross income of the employee, with maximum AWG 3,360 per year, can be saved by the employee and employer together. This is achieved in the following way:

- Employer contributions are taxable, but the full amount saved (employer + employee contributions, up to said maximum), are tax deductible. This implies that the savings amount effectively decreases the wage tax and personal income tax levy.
- Withdrawals from a savings account are exempt from wage tax and personal income tax, provided the conditions are met.
- The interest credited on the savings amount is exempt from personal income tax in as far as the interest is paid by a credit institution (either in Aruba or abroad) under supervision of an authority.

Blocking period

All funds deposited in the savings fund need to remain on the account for a period of at least four (4) years.

Qualifying tax exempt withdrawals

Even though the amounts in the savings account may not yet have exceeded the blocking period of 4 years, based on the BP, the amounts may also be withdrawn tax exempt in the following situations:

1. Employee retirement;
2. The purchase of a house for personal use by the employee;
3. The extension or improvement of the employee-occupied home, whereby the value of the renovation amounts to at least AWG 50,000;
4. The investment in sustainability of at least AWG 10,000 in the employee-occupied home. An investment in sustainability is defined as an investment in generating for example solar and/or wind energy for own use;
5. Marriage of the employee;



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6. The financing of a study abroad for children of the employee where the employee enjoys child allowance for these children;
7. Disability whereby the employee is completely (100%) incapacitated for work;
8. Death of the employee;
9. Voluntary dismissal resulting in termination of employment (new);
10. Involuntary dismissal resulting in termination of employment (new);
11. Redemption of mortgage loans of the employee in relation to the employee-occupied home (new);
12. Redemption of loans relating to the study, which loans were invited from Aruba and/or Dutch Directorate Execution Education (in Dutch: DUO”) (new);
13. Expenses related to divorce of the employee (new);
14. Any withdrawals occurring in 2020, 2021 and 2022, regardless of (i) the purpose of the funds and (ii) whether or not the blocking period has been met.

In case an employee leaves the employment, participation in the savings plan is also terminated. However, the amounts cannot be withdrawn tax exempt at that time, unless either the blocking period has been met (for a certain amount) or one of the qualifying withdrawal options is applicable. Otherwise, the former employee will need to wait until the blocking period has lapsed.

BDO observation:

This measure will actually help the individuals that need a supplement on their (reduced) income and have participated in the savings plan but were not yet allowed to withdraw the funds untaxed. We noticed that the blocking period (which was 7 years) is maintained at 4 years.

How can BDO assist?

BDO Aruba has a dedicated team of professionals that is at your service. Please do not hesitate to contact us should you have any questions relating to the above or how the Beneficial Policy may be applied in your situation. You can reach BDO in Aruba at:

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