

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

## Social Security

### The Fundamentals

Social security premiums are levied in connection with the wage tax. Aruba knows six (6) different social security taxes, being (i) Old age pension and widow & orphans pension insurance, (ii) Mandatory Pension for employees, (iii) General health insurance, (iv) Sickness insurance, (v) Accident insurance and (vi) Cessantia.

### Old Age Pension and Widow & Orphans Pension (AOV/AWW)

The total premium amounts to 15.5%, which premiums are due up to a maximum wage of AWG 85,000. The total premium is in principle divided between the employer (10.5%) and the employee (5%). The employer can however pay the employees’ part of the premiums tax exempt. The AOV/AWW premiums are only due until the employee reaches the pension age, which is 62.5 in 2019 (and will increase with ½ year per year until 2025 when the pension age becomes 65).

### General Health Insurance (AZV)

The total premium amounts to 10.5%, which premiums are due up to a maximum wage of AWG 85,000. The total premium is in principle divided between the employer (8.9%) and the employee (1.6%). The employer can however pay the employees’ part of the premiums tax exempt.

### Mandatory Pension

All employees in the private sector (excluded are civil servants or similar) will be granted with a pension right based on a defined contribution system (“beschikbare premie”), or a defined benefit system (final pay system or average pay system). Since the defined benefit system is not common in the private sector, only the defined contribution system will be elaborated upon

- The mandatory pension age is currently 62.5, but will be increased gradually to 65 in 2025 with 6 months per year.
- The premium is set on a minimum of 6%, of which the employer should pay at least half. The premium is applied on the pensionable salary, which is defined as at least 12 times the fixed gross monthly salary, increased with the average of the variable wage components of the past three years in case the employee mainly works based on variable components. The variable wage components focus on commissions and such.
- The employer is obliged to choose the best insurance company available for the employees. The pension is transferable in case the employee switches employers. The employee is however no longer allowed to buy off his pension rights if (s)he only has a limited number of years, unless the monthly pension payment is lower than AWG 50 or the employee permanently leaves Aruba (in which case the pension may be bought off three years after the employee left Aruba).
- The maximum premium in a defined contribution system amounts to 25% of the pensionable salary, unless a pension deficit in the last five (5) years is present, in which case the maximum premium amounts to 120% of 25% = 30% of the pensionable salary. For defined benefit regulations, the maximum is set on 2% for average pay systems and 1.75% for final pay systems.



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## Sickness Insurance

The sickness insurance premium amounts to 2.65%, which premiums are due up to a maximum wage of AWG 70,200 and are only due by the employer.

## Accident Insurance

The accident insurance premium varies between 0.25% and 2.50%, depending on the risk of the work performed and up to a maximum wage of AWG 70,200 and are only due by the employer.

## Cessantia

The cessantia premium amounts to AWG 40 per employee per year and is only due by the employer. The cessantia is in principle paid out upon dismissal of the employee by the employer, or in case the employees' pension payments do not exceed twice the old age pension. If the dismissal is due to acts of the employee, no cessantia is due.

*The above is not intended to constitute, nor should it be relied upon, to replace any professional advice. No action should be taken without first consulting your tax advisor. The above reflects the law effective January 1, 2019.*



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