

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

Free Zone Company

The Fundamentals

The free zone is a special designated area on Aruba for activities abroad (export). It is however possible for services to be situated outside the designated areas by special decree, but no exemption from import duties can then be obtained.

Activities

In the free zone a company can store, process, adapt, assemble, pack, display and spread out its goods, or it can render services from it. These services include amongst others:

- Maintaining or repairing goods in Aruba of non-residents or providing these services abroad;
- Advice and research on behalf of non-residents;
- International trade and trade supporting services;
- Electronic services by means of ICT;
- Consultancy, courses, training and certifications.

Because of EU-regulations, financial services cannot be performed in the free zone.

Taxation

All profits generated with the activities abroad are subject to 2% corporate income tax (and not the normal 25%).

- All activities performed for residents are subject to the normal corporate income tax rate of 25%. The free zone company is allowed to generate a maximum of 25% of its turnover with activities for residents of Aruba.
- Services are not allowed to be rendered from the free zone to local customers.

In case of certain activities, the Minister of Finance in conjunction with the Minister of Economic Affairs are allowed to set the ratio foreign-local sales on 50%/50%. These activities are:

- Sustainable energy;
- Sustainable food supply;
- Medical tourism;
- Sustainable transportation;
- Airlines;

The Minister of Finance, in conjunction with the Minister of Economic Affairs, can allow a different ratio foreign-local sales in case of activities that assist with lowering utility costs (for the general public), better medical supplies, waste management or lowering of food costs. In these cases, the profit derived with the local sales will also be subject to the special free zone rate of 2%.

- No import duties are due if the products are imported, used in the activities on Aruba, and exported abroad.
- No turnover tax is due by the free zone company with the supply of goods or the rendering of services abroad.
- The free zone company is not subject to dividend withholding tax, we refer to the Fundamentals “dividend withholding tax” for financial years starting January 1, 2013 (for calendar based financial years).
- The expat regulation is applicable, we refer to the Fundamentals “wage tax”.



L.G. Smith Boulevard 26
Oranjestad
ARUBA

Office: +297 528 6336
Fax: +297 582 5256

www.bdoaruba.com
www.bdo.global

Free zone facility charge

The free zone facility charge is depending on the turnover as per the following table:

Sales in Afl.	Facility charge
0-100,000,000	0.75%
100,000,001-150,000,000	0.20%
150,000,001-200,000,000	0.10%
200,000,001 or higher	0.01%

Requirements

Before being able to operate as a free zone company, a license needs to be obtained from the free zone authority. An application procedure precedes obtaining the license. Some important items to keep in mind:

- Only a corporation (NV) or limited liability company (VBA) that is incorporated according to the laws of Aruba can establish itself in the free zone, whereby the name should include “free zone”.
- The NV or VBA has to have its place of business in a designated or appointed area on Aruba.
- Only qualifying activities are allowed.

Some important aspects

Before making a choice for the free zone, some important aspects that you need to know:

- Contrary to normal NV's or VBA's on Aruba, no business establishment license is required.
- No foreign exchange commission is due, we refer to the Fundamentals “foreign exchange tax”.
- The free zone is FATF-approved.
- There are strict know-your-customer procedures that have to be adhered to.

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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