

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

Dividend Withholding tax

The Fundamentals

Upon distribution of a dividend, dividend withholding tax is due.

Rate

The dividend withholding tax rate is as follows:

- 0% if the shareholder can apply the participation exemption on Aruba;
- 0% if the profits to be distributed are derived by:
 - Companies applying the imputation payment regime per article 2a Corporate Income Tax Act;
 - Companies that operate an oil refinery or oil terminal;
 - Companies that investigate for or exploit oil and gas based on an agreement ex article 4 Petroleum Act;
 - Companies established in the free zone;
- 5% if the company or the shareholder is, directly or indirectly, for at least 50% of the shares and voting rights, listed at a qualified stock exchange;
- 5% if the shareholder is an entity which is situated in the Dutch Kingdom (Netherlands, Curaçao or Sint Maarten), holds at least 25% in the paid in capital of the distributing entity and the shareholder is subject to a tax on the dividend of at least 5.5%;
- 7.5% if the shareholder is an entity which is situated in the Dutch Kingdom (Netherlands, Curacao or Sint Maarten), and holds at least 25% in the paid in capital of the distributing entity;
- 10% in all other situations including distributions to individuals.

Dividend

A dividend is defined as a formal dividend, but also includes e.g. a repayment of capital (in as far as the repayment exceeds the paid in capital), bonus shares, liquidation payments in as far as it exceeds the average paid in capital, purchase of own shares and the imputation payment. A dividend is considered as payable if the shareholder can dispose over it. This could be the case if the board of the paying entity does not need any more approvals to pay out the dividend. A dividend is also payable if the debt because of the distribution becomes interest bearing.

Exemptions

The following regimes are exempt from dividend withholding tax:

- Companies situated in the special zone of San Nicolas with a license from the Aruba Financial Center, we refer to our special zone SN. We note that this regime has been revoked with a transitional regulation up to and including 2020.
- Profit distributions, in as far as it can make credible that these profits have been derived from:
 - Imputation Payment Companies as per article 2a, Corporate Income Tax Act;
 - Free zone companies as of the profits 2013;
 - Exempted activities as per article 2, paragraph c, Corporate Income Tax Act.



L.G. Smith Boulevard 26
Oranjestad
ARUBA

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

www.bdoaruba.com
www.bdo.global

Requirements

Within 15 days after the dividend has become payable, a dividend withholding tax return needs to be filed and the dividend withholding tax due must be paid. It is important to note that even if a 0% rate applies, a return needs to be filed.

Statement of approval Central Bank of Aruba

A statement of approval of the Central Bank of Aruba is required for all dividend distributions, regardless of whether they are received by a resident from a non-resident subsidiary or paid by a resident to a non-resident shareholder.

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.



www.bdoaruba.com
www.bdo.global