

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

## Special Zone San Nicolas - revoked

### The Fundamentals

With retroactive effect to January 1, 2013, a special zone has been created in San Nicolas, a town located in the south-east of Aruba and home of the former refinery. This special zone intends to stimulate the area of San Nicolas with certain tax incentives. The Special Zone has been revoked with a transitional regulation ending December 31, 2020 for companies already applying the regime.

### Advantages special zone San Nicolas

The special zone had the following advantages:

- Corporate income tax rate reduced to:
  - 2% for (i) reinsurance/ captive insurance and (ii) sustainable development, green energy and agriculture, provided that at least 75% of the turnover is generated locally;
  - 10% for (i) hotels and (ii) export, provided that at least 75% of the turnover is generated abroad.
  - 15% for all other activities.
- No dividend withholding tax on dividend distributions;
- Reduction of 50% of the ground tax due for a period of five (5) years, while the Minister of Infrastructure can also reduce the taxable base for investors;
- No turnover tax and/or, upon approval from the Central Bank of Aruba, foreign exchange commission, on the supply of goods or rendering of services to entrepreneurs abroad;
- Additional investment allowance of 10% on all investments (not only local investments) exceeding AWG 50,000 a year;
- The expat regulation also applies in the special zone, we refer to the Fundamentals “wage tax”.

### License special zone San Nicolas

The conditions to receive a license for the special zone are:

- The entrepreneur needs to be established in the designated area and needs to obtain a license (AWG 500) from the Aruba Financial Center;
- Except for reinsurance companies with a license from the Central Bank of Aruba, a minimum investment of at least:
  - AWG 150,000 for e.g. retail, services, light industries, small tourism related activities, food & beverage industry, and agriculture, except if the entrepreneur is already established in the special zone;
  - AWG 1,000,000 for tourism related activities (like hotels and/or golf courses) and heavy industries.

The qualifying investments include investments in real estate, machinery, equipment, renovations, and inventory. Excluded are investments in motor vehicles and personnel.



L.G. Smith Boulevard 26  
Oranjestad  
ARUBA

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

[www.bdoaruba.com](http://www.bdoaruba.com)  
[www.bdo.global](http://www.bdo.global)

## Conditions for application

The conditions for application for the benefits of the special zone are:

- Maintenance of at least AWG 30,000 a year over a period of five (5) years if a property is owned;
- Except for reinsurance companies with a license from the Central Bank of Aruba, per AWG 1,000,000 turnover at least 3 employees, unless the Minister of Finance has provided an exemption of this criterion. For tourism related activities and heavy industries the minimum number of employees is 9 and increases with 3 employees every additional AWG 1,000,000 in turnover.
- Annual contribution of AWG 1,200 per year (for entrepreneurs with 9 employees or less) or AWG 2,400 per year (for all others) to the San Nicolas Business Association for cleaning, security, maintenance and such of the special zone;
- For hotels additional criteria apply:
  - An earth check or similar certificate (of the lowest category);
  - Annual investment of AWG 90,000 for hotels with more than 100 rooms, divided into 1/3rd for green energy, 1/3rd for training of people and 1/3rd for purchase of companies situated in San Nicolas;
  - Annual investment of AWG 45,000 for hotels with less than 100 rooms, divided into 1/3rd for green energy, 1/3rd for training of people and 1/3rd for purchase of companies situated in San Nicolas.
- Anti-abuse measures (to be incorporated into the law). The anti-abuse measures in case of providing incorrect information and/or misuse of the special zone are:
  - Monetary penalty of AWG 1,000,000;
  - Corporate income tax rate of 37.5% (150% of 25%);
  - Ground tax rate of 0.08% (200% of 0.04%);
  - In order to avoid profit shifts between the special zone and elsewhere in Aruba, specific allocation measures are applicable which are based on the amount of the investment (50%), the m2 (30%) and the number of employees (20%). An example to illustrate:

	Investments	M2	Personnel	
San Nicolas	2,000	30	10	
Elsewhere	8,000	80	40	
Total	10,000	110	50	
Ratio SN / Total	20%	27%	20%	
Weighting Factor	50%	30%	20%	
Profit allocation factor	10%	8%	4%	22%

In other words, the profit that can be allocated to the entity in the special zone is 22% of the total profit.

*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.*

