

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

## Personal Income Tax

### The Fundamentals

If an individual is considered to be a resident of Aruba - residency to be determined by the circumstances - the individual is subject to personal income tax on his world-wide income. If the individual conducts an enterprise, different regulations apply to determine the taxable income, which regulations are similar to the corporate income tax (we refer to the Fundamentals “corporate income tax”). A non-resident of Aruba is only subject to personal income tax on Aruba over certain sources of income.

### Sources of income non-resident

A non-resident is subject to Aruba income tax for income derived from amongst others:

- Income from employment performed on Aruba.
- Real estate situated in Aruba.
- Salary received as a managing director or supervisory board member of an Aruba company.
- Substantial interest.
- It is important to note that a non-resident individual is subject to the personal income tax as soon as he/she works 1 day or more on Aruba.

### Tax rates

The Aruba personal income tax is a progressive system. As of an income of AWG 27,751, personal income tax is due. The maximum rate of 52.00% is reached at an income of AWG 141,783.

The personal income tax law provides for a special 25% rate for:

- Severance payments or pay-off of similar rights.
- Gains derived from the sale of a substantial interest.
- Dividends.

Only for dividends distributed in 2019, the rate has been decreased to 10% via Beneficial Policy. For severance payments, the rate has for 2019 been decreased to 15% via Beneficial Policy as well.

Enterprises, not being a corporate legal entity, will receive a deduction of AWG 2,400 (USD 1,348) on their profit, i.e. the first AWG 2,400 profit is tax exempt.

### Substantial interest

A substantial interest is deemed present if an individual, directly or indirectly, owns or has owned in the last five years - alone or together with his/her spouse and relatives in the second line - at least 25% of the share capital of a company. Income and capital gains received from a substantial interest are taxable against a personal income tax rate of 25%. The capital gain is calculated by the selling price minus the price paid for the shares. The selling price of the shares has to be in accordance with their fair market value, otherwise the tax authorities can make the adjustment to the fair market value. If substantial interest shares are owned in:

- A non-Aruban entity and the tax payer emigrates; or
- An Aruba entity, the tax payer emigrates and the factual place of management of the Aruba entity is transferred outside of Aruba; or
- The tax payer passes away and the heir(s) are not residents of Aruba,



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such events are considered a fictitious sale of substantial interest shares and 25% personal income tax is due on the difference between the fair market value and the price paid for the shares. Since no actual sale has taken place, no cash may be available to pay the tax due.

### **Deductible amounts**

There are some limitations for deductible expenses, like amongst others:

- Employment costs can be deducted based on the standard deduction of 3% of the gross income with a maximum of AWG 1,500. The actual employment costs cannot be deducted.
- Premiums for mandatory pension regulations are deductible up to 25% of the pensionable salary, except in case of a pension deficit, in which case the maximum is 30% (120% of 25%) of the pensionable salary.
- Premiums for life insurances or annuities (except for qualifying pension plans) can be deducted up to a maximum of AWG 10,000 (taking into account the premiums already paid for the mandatory pension).
- Interest relating to the purchase of a dwelling house is tax deductible up to a maximum of AWG 40,000 per year.
- A maximum amount of AWG 3,360 can be deducted for payments made to a qualified savings plan.
- Gifts/ donations are only tax deductible with a maximum of AWG 50,000 per year.
- Penalties paid are not tax deductible for personal income tax purposes.

### **Interest income from credit institutions**

Interest received from deposits at qualifying institutions (i.e. institutions in Aruba or abroad which are subject to supervision) are exempt from individual income tax. Interest received on government bonds however is taxable against the normal personal income tax rate.

### **Invoice requirements for entrepreneurs**

All invoices must (i) be numbered consecutively, (ii) be dated, (iii) mention the date on which the goods are delivered or the service is performed, (iv) mention the entrepreneurs' name, address and personal identification number for tax purposes ("tax PIN"), (v) mention the name and address of the buyer of the goods or recipient of the services, (vi) mention a description of the goods sold and delivered and/or the services rendered, including quantities involved and (vii) mention the consideration owed. The same requirements are also applicable to cash register receipts, with the exception of the listing of the name and address of the buyer.

*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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