



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

Wage Tax

The Fundamentals

Wage tax is levied on the employment income of an individual, and is a pre-levy to the individual income tax (we refer to the Fundamentals “personal income tax”) which is a progressive system. As of an income of AWG 27,751, wage tax is due. The maximum rate of 52.00% is reached at an income of AWG 141,783. The social security is levied in connection with the wage tax (we refer to the Fundamentals “social security”).

Withholding agent

The wage tax applies to all employees. An employee is defined as a person that performs labor, is remunerated for that labor, and is under the authority of an employer. We note that certain work has been designated as an employment, e.g. supervisory board members or trainees. The wage tax has to be withheld (and paid) by the withholding agent, being:

- In case of a resident, the employer (either entity or individual).
- In case of a non-resident entity, the permanent establishment in Aruba of the non-resident entity. For the determination if a permanent establishment exists, the corporate income tax law will be used.
- In the case that a non-resident entity is appointed by the tax authorities, the non-resident entity.

Wage

The definition of wage is broad and includes all remunerations (in cash or in kind) that are received because of an (former) employment. Excluded from wage are e.g. the employers’ part of the social premiums and pension premiums (if certain conditions are met), as well as medical insurance premiums paid by the employer on behalf of the employee.

Fringe benefits

Certain types of income or cost re-imburements provided by the employer do not follow the normal wage tax rules. These types of income and re-imburements are included in the fringe benefit regulation and may be summarized as follows:

- **Company car.** 15% of the catalogue value of the car is considered to be wage in kind.
- **Meals.** If meals are provided by the employer free of charge, the wage in kind amounts to AWG 5 for a warm meal and AWG 2.50 for every other meal.
- **Housing.** If the employer provides the employee with free housing, the wage in kind is set at 8% of the fair market value of the house, with a maximum of 15% of the annual gross income of the employee. If the house is furnished, the percentage changes to 10% or 20%.
- **Car and representation allowance.** The following amounts can be provided tax exempt per month to certain categories of employees:

Position	Car allowance	Representation
Managing director (top management)	AWG 250.00	AWG 250.00
Manager (middle management)	AWG 200.00	AWG 100.00
Representative/ sales person	AWG 400.00	AWG 100.00
Accountant/ consultant	AWG 300.00	AWG 100.00
Other functions (whom use the car > 25%)	AWG 200.00	AWG 0.00



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- **Own products.** If an employee is supplied with products the employer produces, the cost price of the product is considered to be wage in kind, in as far as the consumption is normal.
- **Anniversary allowance.** If an employee has 10 (or 12.5), 25, 35 (or 40) years of service, the employer may provide ½ (in case of 10 or 12.5 years of service) or 1 (all other cases) monthly gross salary tax exempt.
- **Gifts.** A gift with a maximum value of AWG 200 can be provided tax exempt annually.
- **Telephone allowance.** The employer can provide AWG 1,680 to the employee per year for reimbursement of telephone costs, of which AWG 480 will be considered taxable income. Any reimbursement exceeding AWG 1,680 is taxable.

Please note that each fixed allowance mentioned above must be substantiated, which substantiation must meet the following conditions:

- The fixed allowance must reimburse the necessary employment costs made by the employee.
- The employer must have the following information regarding the benefits in his administration:
- An overview regarding the (periodic) costs made by the employees relating to the employment, for which the employer provides the (tax exempt) benefit. Please bear in mind that costs can no longer be reimbursed on a declaration basis if they are included in this overview!
- Granting the fringe benefits to (certain) employees must be documented.

Bonus

A flat rate of 25% may be applied in case of profit related performance bonuses for key-management personnel. A decree of the tax authorities is required before this special rate can be applied by the withholding agent.

Expat regulation

The expat regulation applies to all employees that (i) have not lived in Aruba for the five years preceding the start of the employment on Aruba, (ii) have a specific expertise that is not or only limitedly available on the Aruba labor market (which will be determined by the tax inspector) which can be demonstrated by a gross wage of at least AWG 150,000 a year. The expat regulation consists of the following benefits:

- Allowances in kind are tax exempt up to a maximum of AWG 15,000 per calendar year;
- Allowances for the special education of children of the expat are tax exempt for a maximum of AWG 25,000 per year per child;
- Allowances for housing are tax exempt for a maximum of AWG 2,500 per month, provided the employee pays for the housing;
- In case the expat works on a net basis as per his/ her labor agreement, the employer does not need to gross up the wage;
- Reimburse the airline ticket of the employee and his/her family tax exempt, as well as the costs related to shipping the household of the employee;
- Provide tax exempt hotel accommodation, lodging and car rental, for a maximum of 2 months;
- Provide a tax exempt refurbishment allowance of two times the monthly gross salary, with a maximum of AWG 15,000;
- Provide one free ticket per year to the country of origin, for a maximum of 5 years.

The expat regulation applies for a period of five years, which can be extended with another five years upon request before the end of the initial period and provided that it can be made credible that the specific knowledge of that expat is still not available on the labor market of Aruba. The expat regulation needs to be requested by the employer within four months after the start of the employment of the expat. The request needs to be accompanied by various documents like the relevant diploma's/certificates/certifications, the residence and working permit, the labor agreement and an overview of the remuneration package of the expat.



The expat status will be received as of the first day of employment. In case the residence and working permit cannot be handed over as of the start of the employment, the expat status will still be applicable as of the first day of employment provided that the residence and working permit can be filed at the tax inspector within one year after the first day of employment.

In case the employment is continued elsewhere within the group or at another employer, the employee can - under conditions - keep the expat status.

Concession allowance for lower incomes

For income up to a certain amount, the Aruba government introduced a concession allowance (in Dutch: “reparatietoeslag”). This allowance is paid by the employer and deducted from the amount of wage tax and social security premiums to be withheld and remitted to the tax collector by the employer. The table of the allowance per month is as follows:

Salary at least	But not exceeding	Allowance amounts to
1,711.15	1,750.00	130.00
1,750.00	1,850.00	125.00
1,850.00	1,950.00	120.00
1,950.00	2,050.00	115.00
2,050.00	2,150.00	110.00
2,150.00	2,250.00	105.00
2,250.00	2,350.00	100.00
2,350.00	2,450.00	95.00
2,450.00	2,500.01	90.00

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.

