

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

## Exempt Company

### The Fundamentals

The exempt company is company that if the activities are restricted to certain pre-defined areas, the profits generated with these activities are tax exempt on Aruba. An Aruba exempt company (AVV), a corporation (NV) or a limited liability company (VBA), are all eligible for this regime. The exempt company remains subject to corporate income tax, i.e. a corporate income tax return needs to be filed if issued, but its profits are exempt.

In order for the profits of the AVV, NV or VBA to be tax exempt, the activities should restrict itself to one or more of the following:

- Holding of shares, provided that the entities in which the shares are held, are subject to a tax rate of at least 12.5% (50% of the current corporate income tax rate of 25%). An exception exists if dividends received from non-qualifying entities amount to less than 5% of the total dividend income received in that year. Because there are no time restrictions or minimum percentage requirements, the trading of shares is also an allowed activity.
- Financing, not being a credit institution, of enterprises and entities. Financing includes amongst others hedging, financial lease, treasury and cash management.
- Investments, as long as pertains to normal asset management.
- Licensing of intellectual and industrial ownership rights, similar rights and usage rights. It is explicitly not allowed to develop these rights in an exempt company.
- Captive Insurances.

If one activity, no matter how small, is not mentioned above, the exempt status will be denied and the profits are subject to the normal corporate income tax rate of 25%. A common non-qualifying activity is having a non-interest bearing current account with related parties which exceed 10% of the assets of the entity which do not serve a business purposes.

*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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