

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

Foreign Exchange Commission

The Fundamentals

Foreign exchange commission (hereinafter: FEC) is due when a resident makes a payment abroad.

Rate

The rate is set at 1.3% of the payment abroad.

Payment abroad

In the text of the law a payment abroad is defined as:

- A payment with domestic instruments of payment or to the debit of an account denominated in Aruba florins, electronically or not;
- A payment with foreign instruments of payment or to the debit of a foreign currency
- A payment made to the debit of an account denominated in foreign currency held abroad, or debiting a current account of a person or company domiciled abroad, electronically or not;

in as far as the payment is made within the framework of one or more of the following acts intended to have legal effect:

- Purchase of foreign instruments of payment, foreign monetary instruments; or
- Acquisition or control of claims denominated in one or more foreign currencies; or
- Deposit in an account in the name of a non-resident held with a foreign exchange bank or with an institution abroad.

Similar payments

Payments that the Central Bank of Aruba deems similar can be offset, implying only over the balance (if after the offset an outflow of funds remains) FEC is due. A payment can be deemed similar if the nature of the payment regarding which the receipt and payment occur can, in the view of the Central Bank of Aruba, be deemed as similar. If there is doubt about the similarity, it will be reviewed if at the moment of receipt and payment there is a direct relation.

Licenses

Licenses are divided between capital transactions and current payments.

- Capital transaction between residents and non-residents require a license from the Central Bank of Aruba. In special circumstances, a license can be provided afterwards. For transactions below AWG 750,000 (entities) or AWG 300,000 (individuals) per calendar year a general license is provided. Examples of capital transactions are loans, purchase of goods, and share purchases of resident entities.
- Simplified, a current payment results from a capital transaction. If a loan is closed by a resident with a non-resident, the resulting exchange transaction are interest and principal payments. For shares, the resulting exchange transaction are dividends.

Dividends

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.



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Foreign bank accounts/ foreign intercompany accounts

Any foreign bank account or foreign intercompany account needs to be registered at the Central Bank of Aruba. For both, monthly and quarterly reporting requirements exist. The FEC due is paid upon filing the monthly FEC return. In case of any deviations from the filed returns, a notice will be sent by the Central Bank of Aruba. In essence, all payments made from bank accounts and intercompany accounts of a resident abroad, FEC will also levied.

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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