

Aan : Our cliënts  
From : Caribbean Accounting & Tax Consultants N.V.  
Date : January 2010  
Re : Reduction BBO rate

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Dear Client,

On December 30 last, the State Ordinance for the reduction of the BBO was approved by the Parliament. As of January 1, 2010, the BBO rate amounts to 1.5% for the provision of services and the supply of goods in Aruba. As regards the supply of goods to foreign countries (export), the BBO rate of 1% has remained unchanged. In this newsletter, we will discuss the consequences of this reduction.

#### **Transitional measures**

No transitional measures have been taken for the reduction of the BBO rate. This may give rise to discussions about the rate to be applied. By means of some examples, we will indicate how to apply the BBO rate in certain situations.

##### *Example 1*

On December 23, 2009, a computer business sells a computer for Afl. 1,000 (inclusive of BBO). The buyer pays the price on January 6, 2010.

The price of Afl. 1,000 includes the BBO rate of 3%. As the payment is made in 2010, the question is whether 1.5% or 3% in respect of BBO is payable.

The main rule is that BBO is payable at the time of receiving the payment in whole or in part (the so-called cash-based system). In the above example, the payment is received in 2010. At that time, the rate amounts to 1.5%. The BBO to be paid then amounts to  $1.5\% \times \text{Afl. } 1,000 = \text{Afl. } 15$ .

The above has been confirmed by telephone by an employee of the 'Servicio di Impuesto'.

##### *Example 2*

In June 2009, a furniture business sold a lounge suite for Afl. 2,000 (exclusive of BBO). The purchase price is paid in January 2010. If the cash-based system is applied, the BBO payable then amounts to  $1.5\% \times \text{Afl. } 2,000 = \text{Afl. } 30$ .

##### *Example 3*

In December 2009, a construction company contracted for work for the amount of Afl. 10,000. This amount of Afl. 10,000 is paid in three installments. The first installment amounts to Afl. 4,000 and is payable on the date of signing the contract. The second installment amounting to Afl. 3,000 is payable before January 10, 2010. The third installment amounting to Afl. 3,000 is payable on the date of completion. If BBO is paid based on the cash-based system, the following rates apply. For the first installment, 3% BBO is payable in respect of Afl. 4,000, assuming that the first installment was actually paid on the date of

signing. For the second and third installments, 1.5% BBO is payable, assuming that the payments are made in 2010.

**Compensatory measures**

To compensate the BBO rate reduction, the excise duties on tobacco and liquor will be increased. According to the Government, these products will not become more expensive as a result of this increase: the increase of the excise duties will be equal to the reduction of the BBO rate. In addition, the room tax will be increased. As soon as more details about these measures are available, we will further inform you.

**Tip**

There may be a discussion with your debtors to whom you charged 3% BBO in 2009, while the rate amounts to 1.5% at the time of paying. In such cases, you could consider granting a discount amounting to 1.5%, i.e. the rate advantage. In this way, the advantage of the rate reduction is passed on to the client.

Of course, you may also opt for keeping the advantage and not granting a discount. For, in case of late payment, you suffered an interest loss due to the late payment.

We trust to have informed you sufficiently. If you still have questions after reading this newsletter, please do not hesitate to contact us at any time.

With kind regards,



Henri Rajan