

To : Our clients
 From : Caribbean Accounting & Tax Consultants N.V.
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Dear Client,

Caribbean Accounting & Tax Consultants N.V. would like to inform you about the changes and possibilities of the Aruban tax system.

The purpose of this newsletter is to provide you with ideas, tips and possibilities for tax planning. We will inform you on the following items:

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Kind regards,



Reint J. Roossien



Wage Tax & social security premiums

1. Wage Tax

For the calculation of the 2009 wage tax, a taxable income for an amount up to AWG 20.252,- is tax exempt.

There are two tax rate groups. Tax rate group 1 is applicable for e.g. married tax payers with only one income earning partner as well as for single parents.

Tax rate group 2 is applicable for all other situations.

disk	Taxable Income		Tax rate group 1	
	I	II	III	IV
1	-	7,118	-	7.00%
2	7,118	16,759	498.26	9.55%
3	16,759	27,555	1,418.98	13.70%
4	27,555	39,888	2,898.03	18.00%
5	39,888	53,593	5,117.97	23.50%
6	53,593	68,944	8,338.65	29.00%
7	68,944	83,020	12,790.44	34.10%
8	83,020	98,189	17,590.36	38.00%
9	98,189	117,528	23,354.58	41.75%
10	117,528	145,448	31,428.61	43.20%
11	145,448	186,683	43,490.05	46.25%
12	186,683	250,446	62,561.24	52.00%
13	250,446	296,956	95,718.00	54.20%
14	296,956	-	120,926.42	55.85%

disk	Taxable Income		Tax rate group 2	
	I	II	V	VI
1	-	7,118	-	7.40%
2	7,118	16,759	526.73	10.05%
3	16,759	27,555	1,495.65	14.45%
4	27,555	39,888	3,055.67	19.00%
5	39,888	53,593	5,398.94	24.80%
6	53,593	68,944	8,797.78	30.60%
7	68,944	83,020	13,495.19	35.95%
8	83,020	98,189	18,555.51	40.10%
9	98,189	117,528	24,638.28	44.05%
10	117,528	145,448	33,157.11	45.60%
11	145,448	186,683	45,888.63	48.80%
12	186,683	250,446	66,011.31	54.85%
13	250,446	296,956	100,985.32	57.20%
14	296,956	-	127,589.04	58.95%

For example:

The taxable income amount of a married couple is AWG 75,000. The man is the breadwinner.

Income	AWG 75,000.-
Tax exemption	AWG 20,252.- -/-
Taxable Income	AWG 54,748.-
Lower taxable income	AWG 53,593.- -/-
Taxed with	AWG 1,155.-

Income tax due	AWG 8,338.65
Income Tax due 29%*	AWG 334.95 +
Total income tax	AWG 8,673.60

*Tax rate group 1 is applicable.

2. AOV/AWW insurance

The maximum premium income with respect to the AOV/AWW (old age pension and widow & orphans pension insurance) contributions has been increased from AWG 52,728 (2008) to AWG 54,600 (2009).

The percentages of premiums due remain the same.

AOV/AWW	%	2009 (maximum)
Maximum premium	13.5	AWG 7,371
Employer's part	9.5	AWG 5,187
Employee's part	4.0	AWG 2,184

3. AZV insurance

The maximum premium income with respect to the AZV (General Health Insurance) contributions has been increased from AWG 75.600,- (2008) to AWG AWG 85.000,- (2009).

The percentages of premiums due remain the same.

AZV	%	2009 (maximum)
Maximum premium	9.5	AWG 8,075
Employer's part	7.9	AWG 6,715
Employee's part	1.6	AWG 1,360

4. Official Holidays 2009

The official Aruban holidays for 2009 are:

	Holiday	Weekday	Date
1	New year's Day	Thursday	January 1, 2009
2	Betico Day	Sunday	January 25, 2009
3	Carnaval Day	Monday	February 23, 2009
4	National Flag Day	Wednesday	March 18, 2009
5	Good Friday	Friday	April 10, 2009
6	Easter Monday	Monday	April 13, 2009
7	Queen's Day	Thursday	April 30, 2009
8	Labor Day	Friday	May 1, 2009
9	Ascension Day	Thursday	May 21, 2009
10	Christmas Day	Friday	December 25, 2009
11	2 nd Christmas Day	Saturday	December 26, 2009



5. Minimum wages

As per July 1st 2008 the gross minimum wages have been increased to AWG 1,505.25 per month.

The gross minimum wages for domestic servants is AWG 702.25 per month, if the domestic servant works less than 22 hours per week, the hourly rate wage amounts to AWG 7.90.

6. Fringe benefits

All the compensation (cash or in kind) that an employee receives as part of the employment is considered to be wage. However, some fringe benefits provided by the employer are non-taxable or taxed against a fixed amount/rate.

7. Company car

If an employee has the availability of a company car which is used for both business as for private purposes 15% of the catalogue value of the car is considered to be wage in kind.



8. Car and representation allowance

The following amounts can be provided tax free to certain categories of employees:

	Car allowance per month	Representation allowance per month
Managing Director (top management)	AWG 250	AWG 250
Manager (middle management)	AWG 200	AWG 100
Representative / sales person	AWG 400	AWG 100
Accountant / consultant	AWG 300	AWG 100
Other functions	AWG 200	AWG 0

The car allowance per month is applicable for the abovementioned employees who are using their private cars for more than 25% for business purposes.

The representation allowance per month is an allowance for proper representation of the employee.

9. Meal allowance

If meals are provided by the employer free of charge, *at least* the following amounts are considered to be wage in kind:

- AWG 2.50 breakfast;
- AWG 2.50 bread meal;
- AWG 5.00 warm meal.

10. Housing allowance

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 may vary between 10% or 20%.



11. Products of employer

If an employer gives the employee its business products for free, the integral cost price of the product is considered to be wage in kind. The employee may however not take off more products than is normal in his or hers circumstances.

12. Anniversary allowance

If an employee has 10 or 12,5 years of service, the employer may provide a half monthly gross salary tax free to the employee.

In case the employee has 25, 35 or 40 years of service, the employer may provide one monthly gross salary tax free to the employee.

The employer is also allowed to provide the employee every year with a tax free gift with a value of a maximum of AWG 200.

13. Telephone allowance

The telephone allowance is applicable for all employees who are using their private telephone for employment purposes.

The employer may compensate the employee for telephone costs up to an amount of AWG 1,200. However, the first AWG 40 of the telephone allowance per month is considered to be wage.



14. Personal Income Tax

If an individual is considered to be a resident of Aruba, the individual is subject to income tax over his/hers world wide income. If the individual conducts an enterprise, different regulations apply to determine the taxable income. If you have any income that is taxable in Aruba, it is mandatory to fill in your income tax return. Even if you have not received a income tax return, it is mandatory to request for a tax return from the Aruban tax authorities. Of course our experts can assist you with your income tax return.

Resident and non-resident individuals are subject to the same rates of income tax.

15. Sources of income

Residents of Aruba are subject to income tax on their world-wide income from:

- Income from a business or profession;
- Income from employment;
- Income from property (real estate);
- Income from moving capital;
- Certain periodic receipts (e.g. pension).

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

- Income from employment (business or profession) performed on Aruba;
- Real estate situated in Aruba;
- Salary received as a managing director or supervisory board member of an Aruba company;
- Dividend income in case the non-resident shareholder holds a substantial interest (25% of the shares or more) in an Aruban company;
- The capital gain realized on the selling of shares in an Aruban company in case of a substantial interest.

16. Deductibility costs of employment

As from January 1, 2008 an employee can deduct from his income the costs made to fulfill his employment. These costs are set on 3% of the income with a maximum of AWG 1,500.-.

17. Donations

A donation is a gift given from generosity. For tax purposes, donations are under conditions deductible from the taxable income.

As per January 1, 2008, only donations made to an in Aruba established charity fund is deductible from the taxable income. The yearly donations are deductible to the maximum of AWG 10,000. Please keep in mind that the tax department demands for written proof of the donations.

The in charity fund must be appointed by Ministry Decree to be considered an institute to whom the donations made are deductible (to the maximum of AWG 10,000).

This Ministry Decree has not yet been publicized by the Minister of Finance and Economic Affairs.

Some possible foundations to be appointed by Ministry Decree are:

- Red Cross Aruba;
- Aruba Cancer Society Queen Wilhelmina;
- Animal Rights Aruba;
- Aruba Foundation Child Help phone
- Fundacion Hende Muhe
- Fundacion Centro pa nos Grandinan
- Fundacion Casa Cuna Progreso
- Fundacion Arubano pa e Invalidonan.

If you make a donation to an in Aruba established charity fund, please make sure to get written proof of the donations. Ask the institution for a receipt.

18. Corporate Income Tax

As of January 2007, the corporate income is taxed at a flat rate of 28%.

Corporate income tax is levied on resident and nonresident companies. Local resident companies are incorporated under Aruba civil law.

Non resident companies are subject to corporate income tax on certain income such as profits realized by a permanent establishment or income related to real estate in Aruba.

19. Fiscal unity

If you have several Aruban companies (N.V.'s) you might consider a fiscal unity for corporate income tax purposes.

A fiscal unity can be used to offset losses of one company against the profits of other companies. We would be happy to assist you with the set up of a tax efficient structure for your companies.

20. Holding structure

If you have two or more legal entities such as an N.V., then it can be a wise option to restructure the business activities into a holding structure. A holding structure has many advantages for e.g. the applicability of the participation exemption and the possibility to form a fiscal unity.

If you wish for more information about tax planning with respect to your companies, please contact our team of advisor(s) for a consult to determine the best tax possibilities.

New regulations with respect to transactions between affiliated companies

Since January 1st, 2008, the "arm's length" principle has been codified in the Corporate Income Tax Ordinance of Aruba (hereafter: CITO). As from the same date a documentation obligation with respect to transfer pricing is introduced.

21. Transfer Pricing

A transfer price is a price, adopted for book-keeping purposes, which is used to value transactions between affiliated enterprises integrated under the same management at artificially high or low levels in order to effect an unspecified income payment or capital transfer between those enterprises.

22. Arm's length principle

The arm's length principle means that the conditions made between two affiliated enterprises in their commercial or financial relations should be the same as those which would be made between independent enterprises



23. Documentation obligation

The documentation obligation is to prove that the price agreed upon is arm's length. Those documents should contain the transfer pricing method which is used in order to determine the arm's length fee. This documentation is considered to be part of the administration of the company (group). In case the documentation is not available at the first request from the tax inspector this could lead to the shift of the burden of proof. Thus, it is in your best interest to have the documentation ready as a part of your administration

We are more than willing to provide you with advice regarding transfer pricing and assist you in preparing the required documents.

24. Turnover tax

The turnover Tax (BBO) is an indirect tax and is levied on the income realized with the supply of goods or services provided. The rate is set at 3%. However, the income realized with the export of goods is subject to 1% turnover tax.

Please note that companies should file and pay the monthly turnover tax return before the 16th of the month following on month the turnover tax is due.

25. Fiscal unity BBO

All (intercompany) transactions are subject to BBO (Turnover Tax). This can be avoided by entering into a fiscal unity for BBO purposes. We would be happy to inform and assist you with this.

State Ordinance Identification financial services

We would like to inform you about the new legislation of identification of financial services. Currently the legislation regarding the identification of financial services is applicable to: Banks, casino's, money transfer companies and life insurance companies.

The following service providers will also fall under this new legislation: Real estate agents, notaries, lawyers, tax consultants, accountants and trust companies.



26. Providing services

In accordance with the identification of financial services act, you are obliged to ascertain the identity of the client before commencing and providing your services.

As a service provider you should record the identification of your clients by the following documents:

- a. A clear copy of a valid passport, driver's license or valid identification card.
- b. If your client is a legal entity, please make sure to make a copy of the deed of incorporation (notary deed) of the legal entity and/or a (recently) certified extract of the Chamber of Commerce.

27. Sanction

If you do not comply with the rules of the legislation identification of financial services this could result in a penalty up to AWG 250,000.

As CATC will have to comply with these new regulations we kindly request you to provide us with a copy of your valid passport, driver's license or identification card and a certified extract of the Chamber of Commerce before May 15th, 2009.

28. Introduction Vennootschap met beperkte aansprakelijkheid (VBA)/Limited Liability Company

Aruba has modernized its corporate law. As of January 2009 a new legal entity is introduced to the Aruban business community, de Vennootschap met Beperkte Aansprakelijkheid (VBA). The VBA is comparable to the Limited Liability Company (LLC) and the Sociedad Responsabilidad Limitada (Srl).

29. Articles of incorporation

In Aruba, a limited liability company (VBA) is a legal entity which can be established by one or more individuals or legal entities.

The articles of incorporation, including the bylaws of the N.V., are not longer limited to Dutch, but can also be drawn up in English or Spanish and executed before a civil law notary in Aruba.

The VBA intends to be attractive, flexible, simple and suitable for tax planning.

30. Registration financial statements VBA

The financial statements of a VBA need to be registered at the Chamber of Commerce within 8 days after approval of the statements. The financial statements will not be given to third parties, unless approval is granted.

31. Conversion, Mergers and Divisions

A naamloze vennootschap can be converted into a VBA and vice versa. An Aruban exempt company can also be converted into a VBA. However a VBA can not be converted in an Aruban exempt company.

Furthermore, a VBA can merge with a naamloze vennootschap but also with a foreign legal entity which is similar to the VBA or N.V. Thus, mergers and conversions are also possible in cross-border context.



32. Tax position of the VBA

The VBA will be subject to corporate income tax at a tax rate of 28%. However, a VBA can opt for the tax exempt regime and the Imputation Payment Regime (as well as for the Free zone regime).

Furthermore, the VBA can opt for fiscal transparency (this must be done within one month of incorporation). We are more than willing to discuss the fiscal consequences/possibilities of the transparent status.

The VBA can also be used for Freezone activities. Even the AVV status (tax exemption status) is applicable for the VBA.

33. Imputation Payment Regime

The Imputation payment regime (IPC) applies to the VBA (and N.V.)

The qualifying activities are:

- (quality) hotel operations;
- exploitation of an oil refinery;
- exploitation of a shipping company;

- exploitation of an aviation company;
- Licensing;
- certain insurance activities;
- acting as a holding company;
- finance (not being a Credit Institution);
- Investments (two exemptions: neither in real estate nor in providing related companies/persons with funds).

In order to apply for the IPC regime certain conditions need to be met. In case you would like to receive more information with respect to the IPC regime please feel free to contact us.

34. Aruba Tax Exempt Regime

The tax exempt regime is applicable for the VBA (and AVV). In Aruba certain activities can be exempted from tax. It concerns the following activities:

- Holding activities;
- Financing activities;
- Investment activities;
- Licensing activities.

In order to apply for the tax exempt regime certain conditions need to be met. For more information please feel free contact us.



This newsletter has been carefully selected and made up for you. However, no rights can be derived from the content of this newsletter.

If you require our assistance in fiscal matters, please contact our assigned tax manager, Henri Rajan (henri@catcaruba.com).

If you require our assistance in the payroll field, please contact our assigned pay roll manager, Machteld van Agtmaal (machteld@catcaruba.com).

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