

NEWSFLASH: Changes in Sales Tax on Imports, increase in excise duties, real estate tax notification

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Introduction

The Government has announced that it will introduce measures from 1 August 2019 to cover the expected budget deficit for 2019. A bill that has since become public shows the following changes can be expected:

- abolition of the Sales Tax exemption for the import of trade goods;
- increasing the general Sales Tax rate on imports from 6% to 9% and limiting the settlement of Sales Tax on import of trade goods to 50%;
- raising excise duties on beer, spirits and cigarettes;
- increasing the waste collection tax;
- introduction of a reporting obligation for real estate tax.

We note that it is a bill and that therefore changes may follow. In this newsflash we discuss the intended measures as they have become known at this time.

Abolition of the Sales Tax exemption for the importation of trade goods

Recently the requirements for eligibility for this exemption have been tightened. Many entrepreneurs have made efforts to meet the new requirements. However, it now appears that the exemption may expire entirely after 1 August 2019. This has an impact on the cash flow for entrepreneurs. After all, where now the goods can be imported with an exemption and the Sales Tax only has to be paid after these goods have been sold, from 1 August onwards the Sales Tax will have to be paid on import. Subsequent settlement (only half of the tax on import) is allowed, but on balance the abolition of the exemption means that entrepreneurs must pay advance the Sales Tax on their imported trade goods.

Transitional rule

A transitional measure applies to goods which are underway. Trade goods that are already en route to be imported on 1 August 2019 by an entrepreneur who is entitled to the trade goods exemption can still be imported under this exemption. It is therefore of great importance to be able to prove the date of commencement of the transport.

Increase in Sales Tax on imports, restriction on settlement of Sales Tax on trade goods

According to the proposal, the general rate of 6% Sales Tax on import will be increased to 9% from 1 August 2019. We emphasize that according to the proposal the 6% rate for domestic transactions will not be increased.

In connection with the increase, the possibility of settling Sales Tax paid on import with the next payment of Sales Tax due is limited to 50%. This means that only 4.5% of the sales tax paid can be settled when importing trade goods and that the imported goods actually become 4.5% more expensive.

According to the bill, the changes are also intended in anticipation of the replacement of the current cumulative Sales Tax system with a General Expenditure Tax (in Dutch: Algemene bestedingsbelasting or ABB). A characteristic of an ABB is that it is levied on import of goods, on sale of goods produced by local entrepreneurs, and on services.

In connection with this, the Government has already proposed to change the name of the Sales Tax to ABB, even though the levy of Sales Tax / ABB in domestic transactions is still being maintained, with possible cumulation.

Increase excise duty on spirits, beer, and cigarettes, waste collection tax

According to the bill, the excise duty on beer will double and the excise duty on spirits will increase by approx. 75%. The excise duty on imported cigarettes will increase by 50%. The excise duty on locally produced cigarettes is not set to increase.

The waste collection tax will be increased. The charge for private use is set to increase from Naf 20 to Naf 35 per month.

Tax incentives on large investment projects

If you intend to make a large investment, it is possible to obtain a tax incentive under specific conditions, a.o. for import duties and profit tax. According to the bill, a request for application of an incentive will only be processed if it is demonstrated that you do not have any immediately payable tax or premium debts or that you have concluded a payment arrangement for these debts.

Introduction of reporting obligation for real estate tax

The real estate tax is levied by way of assessment. The Inspector imposes an assessment on the value he determines for each property. The explanatory notes state that according to the government the owners of a large number of properties are not registered at the Tax Inspectorate. For that reason, a notification

obligation will be introduced. Anyone who buys an immovable property is required to notify the Tax Inspectorate from 1 August 2019.

In addition, the obligation to notify also applies to those who already have a property on that date and who have not had a real estate tax assessment in the past five years. This notification must be made within 2 months after 1 August 2019. A notification must also be made if the property has increased in value in the past five years due to construction, renovation, improvement or if a previously jointly owned property has been split into two or more separate properties. There is no obligation to notify if the increase in value due to construction etc. is limited.

If no notification has been made, the Tax Inspectorate can impose a fine of at most 100%.

Conclusion and actions

The abolition of the exemption from sales tax for the import of trade goods may have major consequences for your business operations in the very short term. It is important that anyone who has a valid exemption for import of trade goods on 1 August 2019 can still use it for all trade goods of which transport to Curaçao has already started before that date.

For the property tax it is important to check whether you own one or more properties for which you have not had a property tax assessment in the past five years or when new construction or major renovations have taken place. You must then notify the Tax Inspectorate before October 1, 2019.

Please note:

As already indicated, this is a proposal. The Government intends to have the changes take effect on 1 August 2019, but this may of course still change. One or more changes to the proposal can also be made as a result of the Parliamentary debate.

If you would like to know more, or have questions or comments with regard to the content of this newsflash, please contact:

TAX TEAM	EMAIL	Telephone
Steve Vanenburg (partner)	steve.vanenburg@cw.gt.com	+599(9)430 0211
Farine Larmonie	farine.larmonie@cw.gt.com	+599(9)430 0004
Lennart Huijsen	lennart.huijsen@cw.gt.com	+599(9)430 0006
Rene Kempkes	rene.kempkes@cw.gt.com	+599(9)430 0010
Behnaz Hasanzadah	behnaz.hasanzadah@cw.gt.com	+599(9)430 0127
Jady Liong-A-Jin	jady.liong.a.jin@cw.gt.com	+599(9)430 0147
Tahir Liberia	tahir.liberia@cw.gt.com	+599(9)430 0012