

# The fiscal relief package 2



*Due to the current situation as to the COVID-19 pandemic, the Government of Aruba has prepared a second fiscal relief package which should function as a structural framework for the recovery of the economy of Aruba. During the press conference of October 26, 2020, the Minister of Finance laid out the second fiscal relief package and the 11 measures which have been taken for the years 2020, 2021 and 2022. The second fiscal relief package will go into effect on November 1, 2020.*

*Please note that the below is a summary of the most recently announced measures and information. Due to the current situation these measures, and information are continuously changing. We will inform you as soon as there are any updates to the information below or if new information becomes available.*

## **Fiscal relief package**

Below we will briefly elaborate on the 11 measures of the second fiscal relief package.

### **1. Small business regulation**

The current threshold / maximum for the small business regulation will be increased. Businesses that are sole proprietorships ("eenmanszaken") with revenues not exceeding Afl. 84,000 per year (was Afl. 12,000 per year) are exempted for BBO, BAZV, BAVP payments as from the year 2021 and further.

The entrepreneur must be registered with the Departamento di Impuesto ("DIMP") and will be issued an annual declaration BBO/BAZV/BAVP to enable the DIMP to verify the turnover.

The exemption should be requested with the Tax Inspector.

### **2. Increased loan deduction for promising sectors**

Companies that exist as from January 1, 2017 and are registered with the Chamber of Commerce, DIMP and the Social Insurance Bank of Aruba can deduct 50% of the principal amount of the loan in the years 2020, 2021 and 2022 up to a maximum of Afl. 30,000 per calendar year if it belongs to the so-called promising sectors. The loan should have been closed in 2020.

The promising sectors regard:

- *Tourism*: culture tourism, sport tourism, adventure tourism and medical tourism.
- *Knowledge economy*: solar energy, ocean technology, higher education and ICT, island-based solutions.
- *Logistics*: maritime services, airline services, port hub (Free Zone Aruba - FZA), high value goods storage and tugboats.
- *Agriculture*: local organic food production.
- *Circular economy*: waste to energy, seawater industries, recycle and reuse of waste.

- *Creative industries*: art and music, graphic design, photography web design, art studio's and fashion.

### **3. Professional training deduction**

A deduction of 300% will be provided for the costs of professional training (in Dutch: "scholingsaftrek") of employees in the years 2020, 2021 and 2022.

Companies may also reimburse their employees for training costs, which are necessary for the performance of the relevant function and / or profession of their employees, without being taxed in the income tax / wage tax. This applies to both online and physical training.

The travel and accommodation costs to and from the training facilities abroad and costs for food and drinks are excluded, as these expenses, if the specific conditions are met, can be reimbursed tax-free to the employee on the basis of the general provisions for untaxed expense allowances (AB 2007 no. 114).

### **4. Additional deduction for marketing expenses**

A deduction of 200% will be provided for marketing and promotional costs, with a maximum deduction of Afl. 30,000 per year for the years 2020, 2021 and 2022. This measure is to compensate for the extra marketing and promotional costs incurred by companies such as costs relating to websites, adds, social media promotions and other paid commercials.

Actual invoices for marketing and promotional costs must form part of the administration in accordance with the General Tax Ordinance and can be audited by the DIMP.

### **5. Extension loss carry forward**

Losses in the years 2020, 2021, and 2022 may be carried forward to offset profits in the following 7 years rather than the standard 5 years.

### **6. Broader application 10% dividend tax rate**

For individuals receiving dividend distributions from companies located in Aruba or abroad a personal income tax rate of 10% will apply, instead of the going rate of 25%.

### **7. Savings and provision fund**

The requirements for "savings and provision fund" will be more flexible for the years 2020 and 2021. Savings and provision funds can directly be withdrawn (if conditions are met) instead of first complying with the four-year waiting period. Please note that certain conditions should be met before the savings and provision funds can directly be withdrawn.

## 8. Investment allowance

The standard rate for the investment allowance will be increased from 6% to 10%.

In addition, all investments in business assets are eligible for the investment allowance in 2020, 2021 and 2022, regardless of whether these business assets have been purchased from a domestic or foreign entrepreneur.

## 9. Abolition of the environmental tax (BBVAM)

The annual environmental tax (BBVAM) on rental cars and rental motorcycles is annulled as of the last quarter of 2020. However, a nil return will have to be filed for this period and overdue taxes and / or fines must be paid.

## 10. Flexible payment arrangements

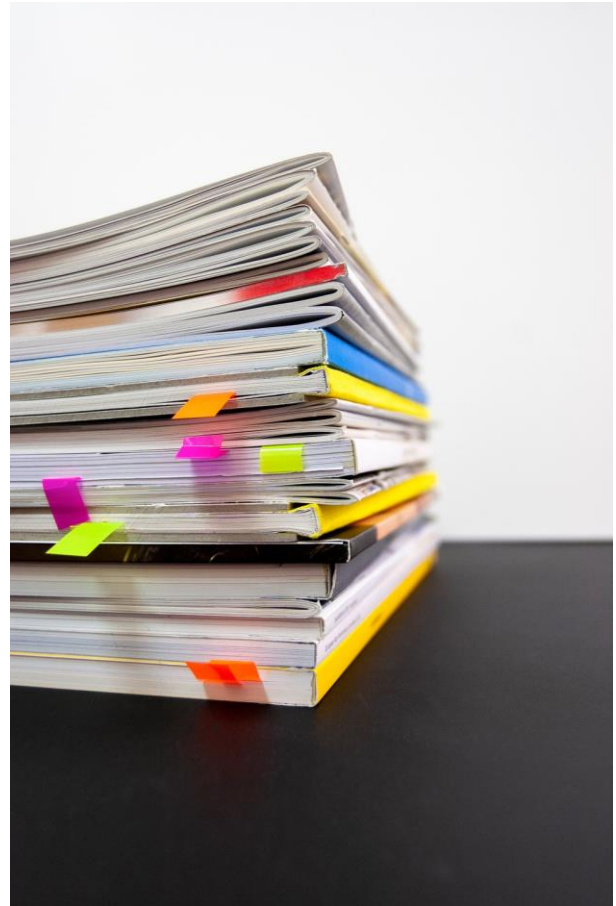
Entrepreneurs, businesses and individual taxpayers, including retired taxpayers (60+), affected will be eligible for a flexible payment arrangement, applicable for taxes and non-taxes such as income tax, social premiums, profit tax, property tax and land lease, as follows.

- 3, 6 or 12 months for businesses with a minimum monthly payment of Afl. 500.
- 6, 12 or 18 months for persons with a minimum monthly payment of Afl. 100.
- 12, 18 or 24 months for retired persons with a minimum payment of Afl. 75 per month.

The new flexible payment arrangement does not apply to monthly taxes for which taxpayers have been provided additional time under the fiscal relief package 1 for the tax due for the months of April, May and June 2020.

## 11. Discount for payment in full of outstanding amounts

A special discount of 30% will be applicable for payments in full of outstanding amounts with the tax authorities until June 30, 2021. The tax authorities have provided more information regarding this measure on their website.



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# Contact



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