

## **NEWSFLASH: Information on the National Ordinance on Tax Measures 2019**

5 September 2019

### **Introduction**

In connection with the expected budget deficit for 2019, the Government has previously announced that it will take measures to increase its revenue. The measures have been published in the Official Journal 2019-55, which is cited as "National Ordinance on Tax Measures 2019" (National Ordinance). The National Ordinance came into effect on 1 September 2019. As a result, the temporary national decree on the increase in excise duties (P.B. 2019-51) that has already been published has been withdrawn.

The National Ordinance includes the following measures:

- increase of Sales Tax on import;
- abolition of the Sales Tax exemption for the import of trade goods;
- restriction on offsetting Sales Tax on trade goods;
- introduction of a filing obligation for real estate tax;
- increase in excise duties on beer, spirits, wine and cigarettes;
- increase of the waste collection tax.

### **Increase of Sales Tax on import**

The general rate of 6% tax on import of goods has been increased to 9% as of 1 September 2019. This applies to all goods. For the sake of completeness, we note that the 6% rate for domestic transactions has not been increased.

### **Abolition of the Sales Tax exemption on the import 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, this exemption has lapsed entirely per 1 September 2019. This has an impact on the cash-flow of entrepreneurs. After all, where previously the goods could be imported with an exemption and the Sales Tax only had to be paid after these goods were sold, from 1 September onwards the Sales Tax will have to be paid on import.

### **Restriction on offsetting Sales Tax on trade goods**

The Sales Tax paid on import can be offset against the next payment of Sales Tax due. However, offsetting is limited to 50% of the Sales Tax paid on import of trade goods. This means that only 4.5% of the sales tax paid on importing trade goods can be offset and that the imported goods therefore become 4.5% more

expensive. The deduction only applies if the goods are used for a taxable transaction. If the merchandise is used for an exempt transaction, the Sales Tax paid cannot be offset.

*Are you already in possession of a decree for exemption of Sales Tax on the import of trade goods?*

Then this decree will be converted by operation of law into a decree giving the right to offset Sales Tax.

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This decree has lapsed on 1 September. To be eligible to offset 50% of the Sales Tax paid on import, a new request must be submitted.

### **Transitional rule**

A transitional measure applies to trade goods that are in transit on 1 September for an entrepreneur who was entitled to the trade goods exemption. These goods can still be imported after that date with application of this exemption. It is therefore in that situation essential to be able to prove the date of commencement of the transport.

### **Introduction of a filing obligation for real estate tax**

If you are the owner of a property on Curaçao, you will in principle be subject to real estate tax. The real estate tax is levied by way of assessment without a tax return needing to be filed; the Inspector imposes an assessment based on the value he has determined for each property. According to the Government, the owners of a large number of properties are unknown to the Inspectorate. For that reason, a notification obligation has been introduced. Anyone purchasing a property is obliged to notify the Inspectorate as per 1 September 2019. This concerns a form-free notification. The period within which the notification must be submitted is two months after the real estate has been obtained.

In addition, there is a notification and filing obligation for those who, at the time of entry into force of the National Ordinance, have the right to own, own or have a limited right to an immovable property (or with regard to a property on leased land) and who have not received in the past five years a real estate tax assessment. This notification must be submitted within six months after the entry into force of the National Ordinance. This also applies to real estate that increased in value in the past five years due to construction, renovation, improvement or if a previously joint owned property has been split into two or more separate properties. There is no obligation to file a notification if the increase in value due to construction, renovation or improvement is limited.

### **Additional recovery period and penalties.**

Failure to comply with the filing obligation, can result in the Inspectorate imposing an additional assessment and a penalty. The authority to impose an additional assessment and a penalty expires ten years after the tax liability arises. The Inspectorate can impose a maximum penalty of 100% of the tax due.

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

With the introduction of the "Temporary National Decree on raising excise duties", the increase in excise duties on beer, spirits, wine and cigarettes took effect on 29 August 2019. However, the Temporary National Decree has lapsed due to the entry into force of the National Ordinance. The increase in excise duties is also included in the National Ordinance, therefore the increase in excise duties no longer has a temporary character.

**Beer** - Beer was subject to an excise duty of NAf 120 per hectolitre. The excise duty to which beer is subject amounts now to NAf 240 per hectolitre. The excise duty on beer has therefore doubled. As a result, a bottle of beer (33cl) has in principle become approximately NAf 0.39 more expensive. A crate containing 24 bottles of beer has in principle become approximately NAf 9.35 more expensive.

**Spirits** - The excise duty on spirits has increased by approximately 75%. The duty on spirits amounted to NAf 1,150 and was increased to NAf 2,000. As a result, a 75cl bottle of liquor has in principle become approximately NAf 6.38 more expensive.

**Wine** - The excise duty on wine that contains no more than 20 liters of alcohol per hectolitre is now NAf 400 per hectolitre. A 75cl bottle of wine with an alcohol content of up to 20% is therefore approximately NAf 3 more expensive.

**Cigarettes** - The excise duty per hundred imported cigarettes has been increased from NAf 14.55 to NAf 21.85. This is an increase of 50%. On the basis thereof, a pack of cigarettes of 20 pieces has in principle become approximately NAf 1.46 more expensive. The excise duty on locally produced cigarettes has not been increased.

## Increase of the waste collection tax

The waste collection tax for private households is increased from NAf 20 to NAf 35 per month.

## Tax incentives on large investment projects

For large investment projects, it is possible to obtain a tax incentive under specific conditions, a.o. for import duties and profit tax. Based on the National Ordinance, a request for application of an incentive will only be processed if it is demonstrated that no immediately payable tax or social security premiums are outstanding or that a payment arrangement has been concluded for these debts.

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

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