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Your Partner in a Changing World

TAX SPECIAL ON BBO REDUCTION



**INTERESTING SIDE EFFECT FOR INVOICE/
ACCRUAL BASED ENTREPRENEURS**

On December 30, 2009, the Aruba Parliament passed the BBO reduction of 1.5%, which reduction will take effect per January 1, 2010. This implies that the normal BBO rate per January 1, 2010 is 1.5%. The special BBO rate for export has been maintained at 1%.

1 Invoice/ accrual based BBO or cash based BBO?

As you know, the BBO is levied based on one of two different systems:

- a) Cash basis, i.e. BBO is due upon receipt of the payment. Within 15 days after the month in which the payment is received, the BBO should be paid.
- b) Per request of the entrepreneur, invoice or accrual basis, i.e. the BBO is due when the invoice is issued. Within 15 days after the month, by which date the invoices should also have been issued, the BBO should be paid.



For entrepreneurs that applied for and received approval for the invoice/ accrual based levy of BBO, the decrease of the normal BBO rate per January 1, 2010 to 1.5% has – in our opinion – an interesting side effect.

2 Sale of goods and rendering of services in December 2009



The law stipulates that if an invoice/accrual based system for the BBO is applied, the BBO is due on the date of issuing the invoice. In case of goods sold and/or services rendered in December 2009, but invoiced in January 2010, in our opinion 1.5% BBO is due and should be paid no later than January 15, 2010. The Servicio di Impuesto y Aduana has verbally agreed to this interpretation, i.e. 1.5% is due on such transactions.

However, official policy has not yet been issued by the Servicio di Impuesto y Aduana, but is currently being considered.

3 Finally

For cash based entrepreneurs, the change of the normal BBO rate per January 1, 2010 of 1.5% implies that on all receipts as of January 1, 2010, regardless of the year in which the good was sold or the service was rendered, 1.5% BBO is due.

This **WTS** tax special contains our interpretation of the consequences of the reduction of the normal BBO rate to 1.5% per January 1, 2010. Please note that the Servicio di Impuesto y Aduana may have a different interpretation.

The team of **wts** can assist you with any questions you may have. You may reach us by e-mail at the following addresses:



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