

Highlights exempt company regime

General

The exempt company is company with a special tax regime. If the activities are restricted to certain pre-defined areas, the profits generated with these activities are tax exempt on Aruba. An Aruba exempt company (AVV), a corporation (NV) or a limited liability company (VBA), are all eligible for this regime. The exempt company remains subject to corporate income tax, but its profits are exempt. If the exempt company does more than the pre-defined activities, the exempt company is subject to the normal corporate income tax rate of 28%.

Activities of the exempt company

In order for the profits of the company to be tax exempt, the activities should restrict itself to one or more of the following:

- Holding, provided that the entities in which the shares are held, are subject to a tax rate of at least 14%. An exception exists if dividends received from non-qualifying entities amount to less than 5% of the total dividend income received in that year. Because there are no time restrictions or minimum percentage requirements, the trading of shares is also an allowed activity.
- Financing, not being a credit institution, of enterprises and entities. Financing includes amongst others hedging, financial lease, treasury and cash management.
- Investments, as long as it is normal asset management.
- Licensing of intellectual and industrial ownership rights, similar rights and usage rights. It is explicitly not allowed to develop these rights in an exempt company.

Formal requirements

If a return is issued, the return must be filed within two months after the date of the return (with a possibility for extension up to a maximum of 12 months). Although in principle no returns will be issued, the tax authorities have indicated they may issue annual returns to determine if indeed the exempt company performs only qualifying activities.

Can **WTS** assist you further?

Should you be interested in more information or should you have plans to start a business on Aruba, our team of professionals is there to assist you with any questions you may have. You can reach us via the above mentioned contact information.