

Highlights individual income tax

General

If an individual is considered to be a resident of Aruba – residency to be determined by the circumstances – the individual is subject to individual income tax on his world-wide income. If the individual conducts an enterprise, different regulations apply to determine the taxable income, which regulations are similar to the corporate income tax (we refer to our “highlights corporate income tax”). A non-resident of Aruba is only subject to individual income tax on Aruba over certain sources of income.

Sources of income non-resident

A non-resident is subject to Aruba income tax for income derived from amongst others:

- Income from employment performed on Aruba.
- Real estate situated in Aruba.
- Salary received as a managing director or supervisory board member of an Aruba company.
- Substantial interest.

It is important to note that a non-resident individual is subject to the individual income tax as soon as he/she works 1 day or more on Aruba.

Tax rate

The Aruba individual income tax is a progressive system. As of an income of AWG 20,252 (USD 11,314) individual income tax is due. The maximum rate of 58.95% is reached at an income of AWG 296,956 (USD 165,897).

Substantial interest

A substantial interest is deemed present if an individual directly or indirectly owns or has owned in the last five years – alone or together with his relatives in the second line – at least 25% of the share capital of a company. Income and capital gains received from a substantial interest are taxable against an individual income tax rate of 25%. The capital gain is calculated by the selling price minus the price paid for the shares. The selling price of the shares has to be in accordance with their fair market value, otherwise the tax authorities can make the adjustment to the fair market value.

If substantial interest shares are owned in:

- A non-Aruban entity and the tax payer emigrates; or
- An Aruba entity, the tax payer emigrates and the factual place of management of the Aruba entity is transferred outside of Aruba; or
- The tax payer pass away and the heir(s) are not residents of Aruba,

such events are considered a fictitious sale of substantial interest shares and 25% individual income tax is due on the difference between the fair market value and the price paid for the shares. Since no actual sale has taken place, no cash may be available to pay the tax due.

Deductible amounts

- Employment costs can be deducted based on the standard deduction of 3% of the gross income with a maximum of AWG 1,500 (USD 843). The actual employment costs cannot be deducted.
- Premiums for life insurances or annuities (except for qualifying pension plans) can be deducted up to a maximum of AWG 5,000 (USD 2,809).
- A maximum amount of AWG 3,360 (USD 1,888) can be deducted for payments made to a qualified savings plan.

Others

Gifts/ donations are only tax deductible if made to certain (to be announced) institutions, with a maximum of AWG 10,000 per book year.

Penalties paid are not tax deductible for individual income tax purposes.

Special rate

The individual income tax law provides for a special 25% rate for:

- dividends and imputation payments
- gains derived from the sale of a substantial interest
- income received for damage payments, dismissal or other income substituting payment.

Interest income tax exempt

Interest received from deposits at qualifying institutions (i.e. institutions in Aruba or abroad which are subject to supervision) are exempt from individual income tax.

Entrepreneurs deduction

Enterprises, not being a corporate legal entity, will receive a deduction of AWG 2,400 (USD 1,348) on their profit, i.e. the first AWG 2,400 profit is tax exempt.

Invoice requirements

All invoices must (i) be numbered consecutively, (ii) be dated, (iii) mention the date on which the goods are delivered or the service is performed, (iv) mention the entrepreneurs' name, address and personal identification number for tax purposes ("tax PIN"), (v) mention the name and address of the buyer of the goods or recipient of the services, (vi) mention a description of the goods sold and delivered and/or the services rendered, including quantities involved and (vii) mention the consideration owed. The same requirements are also applicable to cash register receipts, with the exception of the listing of the name and address of the buyer.

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.