

Highlights turnover tax (BBO)

General

Subject to turnover tax (“belasting op bedrijfsomzetten”), hereinafter: BBO, are entrepreneurs that in the course of their enterprise supply goods or render services in Aruba. The taxable base consists of all remunerations (in cash or in kind) received by the entrepreneur for the supply of goods or the rendering of services. The rate is, as per January 1, 2010, set on 1.5% (before: 3%).

Transitional regulation regarding rate change

As per January 1, 2010, the rate has been decreased from 3% to 1.5%. For entrepreneurs using an invoice/accrual based system for the BBO, the BBO is due on the date of issuing the invoice. In case of goods sold and/or services rendered in December 2009, 1.5% BBO is due and should be paid no later than January 15, 2010.

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.

Export

Export of goods to buyers residing or situated outside of Aruba will be subject to a 1% BBO (in stead of 3%) as long as the entrepreneur can make credible that the sold goods are send or transported by him to a destination outside of Aruba. Additional regulations may follow.

Entrepreneur

An entrepreneur is defined as any person or entity that conducts an enterprise. Therefore even a company established abroad is an entrepreneur for BBO purposes on Aruba.

Goods and services

Goods are defined as all physical objects as stipulated in the Aruba civil code, but also include water, gas and electricity.

Services are defined as all activities, except the supply of a good, rendered against a payment.

Payment

All income received that relates to the supply of a good or the rendering of a service is considered a payment. Therefore the BBO charged on for example the supply of a good is also subject to BBO. If the payment received is not arm's length or non-monetary, the taxable base is the fair market value of the good supplied or the service rendered. An exception is made for own products, for which the payment is determined on the cost of the good.

Supply of goods

Goods are in principle supplied at the moment of transfer of ownership via an agreement. There are some exceptions however, in which cases from a legal point of view no supply has taken place yet but for BBO purposes it has.

In case in connection with the supply the goods are shipped or transported, unless an installation supply is deemed present, the taxable event is there where the transportation of the good started. In all other cases the taxable event is there where the goods physically are. An example to illustrate. If X Inc., situated in the US, sells a water scooter to an Aruba hotel, X Inc. is not subject to BBO since the transportation of the water scooter (in connection with the supply) starts in the US.

Rendering of services

If services are rendered, the taxable event is there where the entrepreneur is established or has a permanent establishment from which the services are rendered.

Exceptions are made for services related to:

- Real estate and movable property, which are taxable there where the real estate or movable property is located.
- Transportation of goods and persons (including loading and offloading), movable property, culture, sports, science, education, entertainment or similar events, which are taxable there where the services are physically rendered.

Fiscal unity (group tax relief)

If the parent company owns 100% of the shares in the subsidiary, upon request the turnover generated with intercompany transactions is exempt from BBO.

Cash or invoice (accrual) based

The BBO is levied on a cash basis. Upon request however, an entrepreneur may opt for an invoice (accrual) based BBO. The tax authorities will have to approve the request however.

Requirements invoices and cash register receipts

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.

Exemptions

Exempt from BBO is the turnover generated with amongst others (please note this list is not complete):

- Selling of real estate, in as far as transfer tax is due.
- Prescription medicines, including certain medical aids.
- The turnover of WEB and Elmar, in as far as it concerns generating and supplying water and/or electricity.
- Renting out of apartments or hotel rooms, in as far as room tax is due.
- Providing the opportunity to gamble, in as far as gaming tax is due.
- International transportation of goods and persons via ships or airplanes.
- Renting out of real estate that is used as an own dwelling.
- Investment income, like interest and dividends.
- Certain bank transactions.
- Insurances and the services performed by intermediaries of insurance companies.
- Transitional expenses, in as far as the supply of the good or rendering of the service is done on behalf of and for risk & account of another entrepreneur.
- Export of goods and services by a company established in the free zone (we refer to our “highlights free zone company”).

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.