

Highlights wage tax

General

Wage tax is levied on the employment income of an individual, and is a pre-levy to the individual income tax. The social security is levied in connection with the wage tax (we refer to our “highlights social security”). The wage tax has to be withheld (and paid) by the withholding agent, being:

- In case of a resident, the employer (either entity or individual).
- In case of a non-resident entity, the permanent establishment in Aruba of the non-resident entity. For the determination if a permanent establishment exists, the corporate income tax law will be used.
- In the case that a non-resident entity is appointed by the tax authorities, the non-resident entity.

Wage

The definition of wage is broad and includes all remunerations (in cash or in kind) that are received because of an (former) employment. Excluded from wage are e.g. the employers’ part of the social premiums and pension premiums (if certain conditions are met), as well as medical insurance premiums paid by the employer on behalf of the employee.

Tax rate

The wage tax rate is equal to the individual income tax rate and 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).

Fringe benefits

Some benefits (either in kind or cash) provided by the employer however are tax exempt or taxable against a fixed amount/rate. These benefits include:

- Company car. In that case 15% of the catalogue value of the car is considered to be wage in kind.
- Car and representation allowance. The following amounts can be provided tax exempt to certain categories of employees:

Position	Car allowance p/m	Representation allowance p/m
Managing director (top management)	USD 140.00	USD 140.00
Manager (middle management)	USD 112.00	USD 56.00
Representative/ sales person	USD 223.00	USD 56.00
Accountant/ consultant	USD 168.00	USD 56.00
Other functions (whom use the car > 25%)	USD 112.00	USD 0.00

- Meals. If meals are provided by the employer free of charge, the wage in kind amounts to AWG 5 (USD 2.81) for a warm meal and AWG 2.50 (USD 1.41) for every other meal.
- Housing. If the employer provides the employee with free housing, the wage in kind is set at 8% of the fair market value of the house, with a maximum of 15% of the annual gross income of the employee. If the house is furnished, the percentage changes to 10% or 20%.
- Own products. If an employee is supplied with products the employer produces, the integral cost of the product is considered to be wage in kind, in as far as the consumption is normal.
- Anniversary allowance. If an employee has 10 (or 12.5), 25, 35 (or 40) years of service, the employer may provide ½ (in case of 10 or 12.5 years of service) or 1 (all other cases) monthly gross salary tax exempt.
- Gift. A gift with a maximum value of AWG 200 (USD 112) can be provided tax exempt annually.

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- Telephone allowance. The employer can provide AWG 1,680 (USD 943.82) to the employee per year for reimbursement of telephone costs, of which AWG 480 (USD 269.66) will be considered taxable income. Any reimbursement exceeding AWG 1,680 (USD 943.82) is taxable.

Please note that each fixed allowance mentioned above must be substantiated, which substantiation must meet the following conditions:

- The fixed allowance must reimburse the necessary employment costs made by the employee.
- The employer must have the following information regarding the benefits in his administration:
 - An overview regarding the (periodic) costs made by the employees relating to the employment, for which the employer provides the (tax exempt) benefit. Please bear in mind that costs can no longer be reimbursed on a declaration basis if they are included in the this overview!
 - Granting the fringe benefits to (certain) employees must be documented.

Expatriates

If expatriates are hired, the employer can:

- Reimburse the airline ticket of the employee and his/her family tax exempt, as well as the costs related to shipping the household of the employee.
- Provide tax exempt hotel accommodation, lodging and car rental, for a maximum of 2 months.
- Provide a tax exempt refurbishment allowance of two times the monthly gross salary, with a maximum of AWG 15,000 (USD 8,427).
- Provide one free ticket per year to the country of origin, for a maximum of 5 years.

Deemed employments

The law deems certain individuals to be (fictitious) employees, i.e. (i) supervisory board members, (ii) a child older than 14 years who works in the enterprise of his/her parents, (iii) individuals who work on a commission basis, if they do not conduct an enterprise, (iv) resident and non-resident artists and sportsmen, (v) trainees, (vi) contractors and his/her assistants for the execution of specific tangible jobs, unless the contractor is an NV or an entrepreneur.

Permanent establishment definition

The wage tax has the same definition of a permanent establishment as the corporate income tax. We refer to our “highlights corporate income tax”. If a permanent establishment is deemed present, the foreign enterprise will have to withhold wage tax and social security premiums on the remunerations paid to its employees working in Aruba.

Identification obligations employee & anonymity rate

The tax authorities can impose penalties if the employer fails to have the following information in his administration:

- The name, address, age, civil status, personal tax pin number, as well as a copy of an official identification document, which original has to be shown to the employer, of each employee. Please note an employee must provide this information.
- To whom the wages were paid to or how much was paid to each employee.

Failure to comply with any of the above will result in application of the anonymity rate. The anonymity rate is set on the maximum rate of Rate category II (2008: 58.95%) on the relevant employees' wages, excluded deductions like social security and pension premiums.

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.