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ACCOUNTANCY TAX LEGAL & ADVISORY SERVICES

Newsflash

Introduction of the ‘Beneficial Tax Policy’ (Begunstigend Fiscaal Beleid) as per January 1, 2013

Introduction

Following the recent Social Dialogue on issues relating to tax reform and utilities policy, the government of Aruba has prepared a number of Draft State Ordinances. Those Draft State Ordinances provide for changes in the area of taxes and the reparation allowance. The Draft State Ordinances are expected to be discussed in Aruban Parliament later this month.

In anticipation of the introduction of the State Ordinances, the Minister of Finance, Communication, Utilities and Energy recently announced in the local newspaper that some of the proposed measures will already enter into force. These have been prepared with an eye to increasing purchasing power and to promoting sustainability by stimulating the use of energy-efficient products on the market. The applicability of the measures will be given legal basis at a later date.

The measures in question are summarized below.

Reparation allowance

The reparation allowance (reparatietoelag) was introduced on January 1, 2011. The allowance is paid to employees in the private sector whose monthly salary is less than Afl. 2,500, to retirees receiving a general old age pension and to individuals receiving a widow's or orphan's pension.

The maximum allowance for employees in the private sector was originally set at Afl. 75 per month (for minimum wages), with a minimum of Afl. 25. The beneficial tax policy increases the reparation allowance by Afl. 25 per month with effect from January 1, 2013.

For retirees receiving a general old age pension and individuals receiving a widow's or orphan's pension, the benefits have been increased by Afl. 50, to Afl. 100 per month, effective January 1, 2013. However, retirees are only eligible for the extra allowance if they have no other forms of income.

Personal income tax

Beneficiaries receiving an old age pension who do have other forms of income, and therefore by definition do not qualify for the extra reparation allowance, are eligible for an extra tax deduction in their personal income tax. As from January 1, 2013, they may claim an extra old age pension deduction (ouderenaftrek) of Afl. 3,500 per year, provided that their income is no more than Afl. 35,000 per year. The expanded old age pension deduction facility will lower the retiree's taxable income and as such lead to a decrease in the personal income tax to be paid.

The beneficial tax policy includes a second measure relating to personal income taxes: a special tax rate for severance pay and for the surrender of pensions. The tax on these forms



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of income has been reduced from 25% to 15% effective January 1, 2012. Income from severance pay and surrender of pensions received during 2012 is therefore also taxed at the reduced rate.

Import duties

The purpose of the changes relating to import duties is to stimulate the use of energy-efficient appliances. The import duty on various appliances, including certain energy-efficient air conditioners, refrigerators, freezers, washing machines, water heaters, other water-heating appliances that work on solar energy, and LED lamps, has been lowered to 2% effective January 1, 2013. The technical specifications that appliances must meet in order to qualify for the 2% rate for import duty are described in the beneficial tax policy. These specifications concern the 'energy-saving' aspects of the appliances.

Vehicle and motorboat tax

The government's sustainability goals have also carried over to vehicle and motorboat tax. In an attempt to stimulate the use of energy-efficient vehicles, the vehicle and motorboat tax rate has been lowered for vehicles with specific qualities. Effective January 1, 2013, the vehicle and motorboat tax on vehicles with an electric motor is Afl. 75, the vehicle and motorboat tax on vehicles with a hybrid motor is Afl. 150, and the vehicle and motorboat tax on vehicles that operate on 'flex fuel' is Afl. 225.

[This newsflash contains general information. If you have any questions about the new beneficial tax policy and the implications for your specific situation, please feel free to contact one of the ATLAS tax lawyers.](#)

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