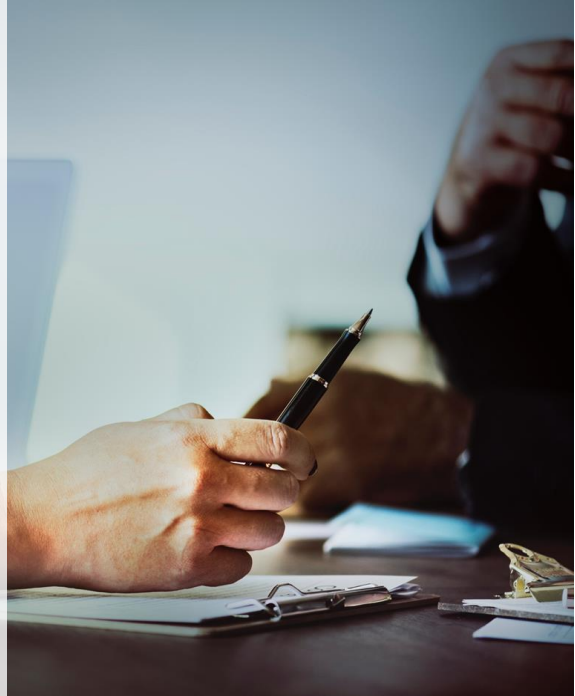
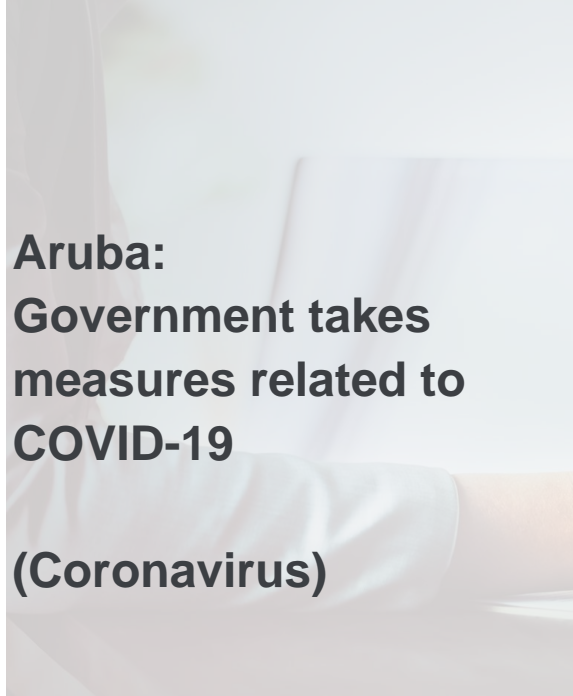


Tax Instant News



Aruba: Government takes measures related to COVID-19 (Coronavirus)

The Government of Aruba recently published information about a flexibility package to help businesses and employees to cope with the economical impact of the worldwide outbreak of the Coronavirus. In addition, on March 27, 2020 a fiscal relief package was announced. The primary goal of these measures is to safeguard jobs. In this TIN we will elaborate on the measures which are in principle effective from April 1, 2020 through June 30, 2020.

Aruba, March 2020

Tax Instant News

Background and purpose

The government of Aruba decided to take measures to mitigate the economical impact of the Coronavirus for both employers and employees. In the following chapters we will elaborate on the contemplated measures for the period from April up to and including June 2020.

1. The flexibility package

The government provides the opportunity for businesses and employees to apply for compensation from the Emergency Social Assistance Fund (known as "FASE"). The compensation helps to cover the loss of income of employees due to the reduction of working hours, causing them to earn less than AWG 950,00 in monthly salary.

Every employer that wants to make use of the several relief measures that the government of Aruba has introduced in connection with the Coronavirus, including the possibility to apply the FASE aid towards the employees, must comply with a set of requirements.

1.1. Requirements FASE program

In order to qualify for the FASE aid, the employer must comply with the following requirements:

- The March salary is paid as usual;

- The employer must present a detailed plan on how they intent to cope with the financial consequences of the Coronavirus crisis, taking the employees' interests into account;
- Depending on their financial ability, employers must be able to demonstrate that the possibility to suffice with partial flexibilization of working hours has been depleted, before reducing the working hours completely.

Employers that fail to meet these requirements will not receive any financial aid under the FASE program, and their employees will retain all rights to claim their salary from the employer.

1.2. Labor law aspects

As per the government's general announcement the following labor law aspects will apply:

- Flexibilization of working hours based on the demonstrated individual needs of each business.
- Employees will remain entitled to receive payment for the hours they have actually worked, as per the mutual consent between employer and employee.
- The Government urges companies to maintain working agreements active.

- It is recommended to grant paid vacation days, before applying flexibilization of working hours, provided that a minimum of 5 vacation days will remain as “buffer”.
- Employer's that do not comply with the requirements set out above, and cannot demonstrate the (financial) necessity to terminate labor agreements, are not granted approval on their request for dismissal permits by the DAO.

Please note that at the date of issuance of this TIN, no formal statutory provisions detailing the legal basis and elaboration on the unilateral decrease of working hours by the employer has been published on the governmental websites. For this reason, it would be best to come to a mutual agreement in regards of the reducing of working hours. In case of demonstrated financial necessity to do so, the employee - based on the principle of having to act as a good employee - in all reasonableness cannot refuse such proposal.

¹ Amongst others: casino's, transport and tour operators, security, cafés, bars, restaurants, landscaping, spa, car rentals, travel agencies, watersport, carwash, laundry, perfumery, jewelry,

2. Fiscal emergency relief program

2.1. Tax payment extension tourist sector for monthly taxes

Taxpayers related to the tourism sector¹ with a monthly revenue of less than Afl. 1 million can, upon request, receive an extension for paying their monthly taxes.

More specifically, this announcement applies to the turnover tax (BBO, BAZV and BAVP), tourist tax, special tax on short stays, special tax on rental cars and rental motorcycles and the casino tax.

In order to apply for the extension the taxpayer must:

- i. File a request;
- ii. Provide proof to the tax authorities of the cashflow problems;
- iii. Timely file the monthly tax returns;
- iv. Pay the taxes due in a maximum of six installments (after the operations are continued).

clothing stores, shoe stores, souvenir store, ground handlers, employment agencies and construction companies.

2.2. Extended filing deadline 2019 profit tax return

All taxpayers (except financial institutions) are granted an extension for filing the 2019 profit tax return as well as payment of any profit tax due. The profit tax filing deadline for book years that equal calendar years was May 31, 2020, and has been extended to November 30, 2020.

2.3. Social security premiums: Employer's contribution suspended for tourism sector

The employer's contribution for the AOV/AWW premium (10.5%) will be suspended for employers related to the tourism sector². The exemption only applies if a *payroll summary* is submitted when filing the wage tax return and social security contributions.

2.4. Deferral for tax payments

Taxpayers with a tax payment arrangement are granted a deferral for 3 months.

2.5. No penalties for monthly tax returns

No penalties will be imposed for not (or not timely) filing and paying the monthly tax returns.

2.6. No interest on outstanding tax liabilities

No interest will be charged on any outstanding tax liabilities.

² Refer to the previous footnote

2.7. Flexible tax payment arrangements

- 24 months for individuals with a minimum of AWG 100;
- 24 months for entrepreneurs with a minimum of AWG 500;
- 36 months for retired persons with a minimum of AWG 75.

2.8. Remission outstanding (tax) liabilities if paid at once

Taxpayers with outstanding (tax) liabilities can receive a discount, if the amount due is settled in one payment. The following discounts apply:

- (tax) assessments through December 31, 2010 – 75% discount;
- (tax) assessments issued from January 1, 2011 through December 31, 2014 – 50% discount;
- (tax) assessments issued from January 1, 2015 through December 31, 2016 – 30% discount;
- (tax) assessments issued from January 1, 2017 through December 31, 2019 – 10% discount.

2.9. Reduced income tax rate on dividend payments from foreign companies

In our January TIN we mentioned the reduced income tax rate (10%) on dividends distributed in 2020 by companies established in Aruba. This reduction is extended to dividend payments made by foreign companies. Further details are to be published.

2.10. Voluntary disclosure

Taxpayers and withholding agents that intentionally made incorrect filings, have the possibility to voluntarily recover these inaccuracies. On the basis of this so called 'voluntary disclosure' errors can be recovered without a subsequent criminal case for tax fraud. Moreover, no offense penalties will be imposed.

Voluntary disclosures must take place before the taxpayer knows or should within reason assume that the Tax Inspector is or will be familiar with the incorrectness or inaccuracy.

Further details are expected to be published.

2.11. Postponement of forceable collection measures

All forceable tax collection measures, such as seizure, will be postponed.

2.12. Postponement of tax audits

All tax audits (except for tax audits related to tax fraud) will be postponed.

2.13. Improvement of online tax services

Mandatory digital filing of tax returns, appeals, and other tax filings as well as making tax payments.

2.14. Further transparency of information

Updates and additional information will be disclosed through social media.

2.15. Duration

The above measures will sort effect as of April 1, 2020 up to and including June 30, 2020.

3. Notification tax authorities to avoid directors liability

In the event that a Company on Aruba is not able to (timely) meet its social security and tax obligations, it must inform the tax authorities within two weeks after the due date of the obligations. In case of failure to timely inform the authorities, mismanagement is presumed as a result of which the managing directors of the Company can be held personally liable for the full amount of the obligations.

4. Postponement Reforma

Fiscal II

Due to the impact of the Coronavirus, the implementation of the second phase of the fiscal reform plan (“Reforma fiscal II”) will be postponed until further notice.



Further information

We will update this TIN once more information is available. In case you require any assistance, please do not hesitate to contact one of our tax advisors or labor law specialists.

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