



**BONAIRE - SABA - SINT EUSTATIUS**

**Year-End Tips 2022**

**General tips for improving your overall tax position**

## **Preface**

With the end of the year approaching, we would like to take this opportunity to offer you some general information about possibilities for tax savings which may be implemented before the end of the year as well as some general tax advice to avoid any additional tax costs by preparing you for the end of the tax year.



## Wage Tax

### *Cost Allowances*

Under certain circumstances, it is possible to provide tax-free cost allowances to staff members. Examples of these cost allowances include:

- the phone allowance;
- reimbursement of study costs;
- travel expenses including a daily allowance for meals;
- representation costs;
- costs for the workspace at home.

Please note that the employer, if desired, can make tax-free contributions to the pension plan of the staff members.

Optimizing the cost allowances within the conditions set in the tax law may lead to significant tax savings.

### *Benefits in kind valuation*

When an employer provides benefits in kind, these benefits are considered taxable wages. However, under circumstances, the prescribed method to calculate the benefit of the use of certain company assets, such as a car or a house, or even a company meal, can lead to tax savings for the employer and employee.

Optimizing the salary package with fringe benefits may lead to tax savings.

## *Expatriate ruling and administration*

Additional tax-free allowances and other benefits are available for employees who have not worked in the BES for a period of at least 5 years and will earn at least USD 83,500 per year.

These benefits include:

- tax-free allowance for school fees;
- tax-free fringe benefits up to USD 8,380 per year;
- tax-free allowances for the removal costs, the additional costs for housing in the first months, and a rental car in the first months.

Also, the employer and employee can agree upon a net wage contract. The wage tax will then be calculated on the net wages and not be grossed up. Applying for the expatriate ruling can allow for a more competitive offering to potential candidates overseas.

## *Salary of the director-shareholder*

Director-shareholders are obliged to take into account a market salary (in Dutch: gebruikelijk loon) for their services to the company they hold at least 5% of the shares in.

The market salary is considered the highest of:

- USD 14,000 (please note that as of January 1, 2023, this will be increased to USD 23,000);
- approximately the salary a person in the same position would earn if they did not own shares in the company (at least 70% of that amount);
- the salary of the employee that earns the most without having shares in the company.

Please note that the legislation allows a taxpayer to deviate from these conditions if they can prove why the salary should be set at a different amount. It is important to correct any commissions in the correct calculation of the salary of the Director-Shareholder or to administer why the salary deviates from the conditions described above.

### *Reconciliation of wages*

It is important to ensure that the wage tax summary and the wage costs in the annual accounts are reconciled and accounted for to avoid corrections and penalties in the future.

## **General Expenditure Tax (in Dutch: Algemene Bestedingsbelasting / ABB)**

### *Refund of input ABB for manufacturers*

The ABB allows manufacturers to receive a refund of the ABB charged to them by other manufacturers or on the import of goods when these goods are used by the manufacturer as raw materials or semi-finished products to produce their products.

Please note that refunds are only allowed if the invoices and import documents are prepared according to the prescribed format and the documents are available in the administration of the manufacturer. It is important to ensure all input ABB has been refunded.

### *Combination of services and supplies, what rate to use?*

A lot of services provided are a combination of the supply of goods and services. For instance, the repair of a boat demands goods, as well as the installation of a new bathroom, which is a combination of supply of goods and services, and even the delivery of food by restaurants is a combination of both supplies of goods and services.

Since the supply of goods is only taxable when provided by a manufacturer, but taxed at a higher rate, it is important to verify the correct taxation of the combination of services and supplies and whether an entrepreneur should be considered a manufacturer.

In principle, all provisions should be considered on a standalone basis, even if the combination is charged in one price. However, if the average consumer cannot distinguish the various stages, the combination of supplies and services are closely related and do not have any purpose on their own, the combination will be taxed on the basis of the main component. Therefore, it should be determined whether the provision of services or goods is the main component.

To avoid additional taxation at a later stage it is important to assess all combinations of the supply of goods and provision of services prior to the end of the year.

#### *Refunds on ABB from bad debts and discounts*

Please note that the ABB will be refunded upon invoices that are not (fully) paid and which will not be paid in full, as well as with regard to discounts provided on invoices.

It is important to check before the end of the year if a refund has been requested for all discounted invoices and bad debts.

#### *Cost sharing agreements*

The legislation ABB does not have the possibility for affiliated entities to join in a so-called fiscal unity to avoid ABB on intercompany transactions.

However, when a group of affiliated companies has certain expenses that are incurred by one entity but have been used by multiple entities, a cost-sharing agreement may provide a solution to avoid ABB taxation on intercompany transactions.

A cost-sharing agreement is a legal agreement whereby the costs of services or intangibles are shared by the group in a pre-defined manner based on the utilization of these services by the other entities and the entity incurring the costs passes on the exact costs for the services to the other group entities.

In certain situations, for example, when wage costs are incurred by one entity within a group, no ABB is levied due to this agreement despite the lack of fiscal unity. Since the allocation of the costs has to be pre-defined it is important to ensure that the agreement has been entered into and the allocation key has been provided for before the year-end.

### *ABB on solar panels and wind turbines*

On November 10, 2022 (amongst others) the Tax Plan 2023 was passed by the House of Representatives in the Netherlands. The Tax Plan 2023 also includes regulations relevant to Bonaire, Saba, and Sint Eustatius (the Caribbean Netherlands).

The 2023 Tax Plan includes an exemption and zero rates for the ABB on the supply and installation of solar panels and wind turbines. In the Caribbean Netherlands, the import, supply, and installation of solar panels, solar collectors, and wind turbines are currently subjected to ABB. Both entrepreneurs and private individuals currently cannot reclaim this ABB by registering and filing a tax return for the ABB, since the ABB is not a VAT. By exempting the abovementioned products and services for private individuals and non-electricity companies for ABB purposes, and by applying a zero rate for electricity companies, the Dutch government wishes to stimulate investments in solar panels, solar collectors, and wind turbines on these islands and to treat the Caribbean Netherlands in a manner comparable to the European part of the Netherlands. The above will enter into force as of January 1, 2023.

If you want to invest in solar panels, it is recommended to wait to invest until January 1, 2023 so you can take advantage of the exemption/zero rate.

## Personal Income Tax

### *Increase of the tax-free allowance for personal income tax*

The tax-free allowance in wage and income tax in the Caribbean Netherlands will be increased from USD 12,198 to USD 12,698 (an increase of USD 500).

This is a measure to ensure an increase in purchasing power that is partly related to the planned increase in the statutory minimum wage on Bonaire, Sint Eustatius, and Saba. To prevent that the increase in the minimum wage leads to additional taxation, it is proposed to increase the tax-free sum by USD 500.

The increase provides taxpayers with an income that is (at least) at the level of the tax-free sum with an annual tax benefit of USD 500 x 30.4% (current tax rate) amounting to approximately USD 150. In addition, the tax-free sum will also increase as of 1 January 2023 due to the annual inflation correction in the Income Tax Ordinance BES.

### *Deductible Costs Main Residence*

The costs of any interest on loans for the main residence are deductible for Income Tax purposes up to an amount of USD 15,364. Furthermore, the premiums for fire and natural disaster insurances are deductible, as well as maintenance costs to an amount of USD 1,676 or 2% of the value of the main residence. It is important to spread out the maintenance costs over a period of time to ensure maximum deduction of these costs.

### *Cost Deduction for Study and Children*

The costs for study for a job and the costs for study and the necessary cost of living for children can be deductible for Personal Income Tax purposes.

It is important not just to keep the invoices of these costs, but also the proof of payment since for deduction purposes you need to prove you have paid the expense.

## Learn More

We trust that this information is useful to you. If you need more information or guidance, do not hesitate to contact us.



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