

# Tax plan 2023 and 2024 - BES

—————> Today. Tomorrow. Together. – 1 November 2023

# Today's speaker

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# Just in!

- Raise in Minimum Wages
- Lower taxation proposed to alleviate the additional burden
  - Lower premiums employers for employee insurances
  - Higher tax-free amount

# Taxation in the BES

## Taxes in the BES:

- Income Tax
- Revenue Distribution Tax
- Wage Tax and Social Security Contributions
- Turnover Tax (ABB)
- Real Estate Tax
- Real Estate Transfer Tax
- Gaming Tax
- Local Taxes (Tourist Tax, Waste Tax)
  
- **NB. No Profit Tax**



# Income Tax and Wage Tax

- Levied on individuals residing in the BES and foreign residents with BES sourced income.
- Sources Income Tax:
  - Income from employment
  - Business Income
  - Income from investments
  - Periodic payments
- **NOT: Real Estate (unless part of a business or the main residence)**

# Income Tax and Wage Tax

- Tax free amount USD 17.352.
- Income Tax rate 30.4% (35.4% above USD 300.810).
- Excluding social security premiums (AOV/AWW and ZV)
  - Tax Credit for the amount of premiums due



# Income Tax and Wage Tax

- Wage Tax withheld on income from employment within the BES
- Deduction of Wage Tax withheld from the Income Tax due
- Wages:
  - All remuneration from employment
  - Including fringe benefits
  - Including income from third parties (ie. tips)
- Market value wages for Director-Major Shareholders
  - **NB. Changes as per January 1, 2024**



# Revenue Distribution Tax

- No taxation on profits from entities established in the BES
  - (NB. Taxation on business profits for sole traders in the Income Tax)
- Revenue distribution tax:
  - Dividend distributions
  - Profit distributions on certificates of shares
  - Distributions of cooperations and association with a business
  - Distributions on foundations and special purpose assets (doelvermogens)
- Tax rate → 5%
  - No changes as per in the tax rate per January 1, 2024!





# Revenue Distribution Tax

- Applicable to entities residing in the BES
  - Based on facts and circumstances
- All entities are deemed to be residing in European Netherlands (and subject to profit tax) unless:
  1. Turnover < USD 80,000 and Assets < USD 200,000;
  2. Assets < 50% “passive investments”
  3. Entity employs 3 local staff and uses property worth > USD 50,000
- Exemption for local holding entities changes per January 1, 2024

# Turnover Tax (ABB)



- Turnover Tax System
- Taxation upon delivery of goods and provision of services and import of goods
- Two general tax rates, two definitions of entrepreneurs
- Limited cumulative (tax on tax) Tax system
- Final ABB due depends on the number of entrepreneurs in the supply chain
- Refund of input ABB for some deliveries of goods

Extremely difficult turnover tax system!

# Turnover Tax (ABB)

Entrepreneurs →



anyone (individual or entity) who independently pursues commercial activities or who exploits an asset to obtain a sustainable income from this asset.

→ Provision of services

Producers →

entrepreneur who produces goods using raw materials and is not in retail.

→ Delivery of goods

# Turnover Tax (ABB)

- ABB tax rates
  - Import and delivery of goods: 6%
  - Provision of service: 4%
  - Insurance: 5%
  - Cars: between 18% and 30%
- Refund of input ABB only for producers for the delivery of goods by other producers or ABB upon import of goods.
  - No refund for service provided
  - No refund for services provided to producers



Combined goods and services?

# Turnover Tax (ABB) – QUIZ!

Combinations of goods and services:

- a. Restaurant services – delivery of food or service?
- b. Mechanic providing parts and installing them in the car?
- c. Delivery of a kitchen and build in the property?
- d. Food delivery by restaurants?



# Real Estate Tax

- Levied from the owner of a real property on January 1 of every year.
- Valuation by the tax authorities every 5 years
  - Last valuation over the year 2021
  - No objection against value apart from the first of the 5 years
- Deemed return on investment 4% of the value
- Tax rate 17.5%
  - Tax rate 10% for hotels owned by an entity

Changes as per January 1, 2024

# Real Estate Transfer Tax

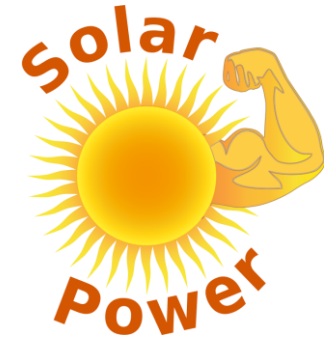
- Transfer of real estate and ships → legal title
  - Contribution to capital of legal entity included in taxable event
  - No taxation on transfer of economic value or shares
  - Exemption in ABB and vice versa
- Tax rate → 5% of the **market value**
- **NB. Please take note of all exemptions**

# Tax plan 2023

- Plans to provide for sustainability and improvement of the purchasing power
- Purchasing Power:
  - Increase in the tax free amount
  - Temporary reduction in excise duty on fuel (2023)
  - Increase in Child Benefits
  - Reduction of personal contribution for childcare
  - Increase in AOV payments



# Tax plan 2023



## ➤ Sustainability:

- ABB Exemption for delivery of solar panels and wind turbines
- Zero rate for investments in solar panels and wind turbines by electricity companies
- ABB exemption extended to any part of the actual solar panel and wind turbine system and machinery.
- NB. Excluded from the exemption are the generic materials used.

# Tax plan 2024

- Focus on further improvement of purchasing power and amendments of some “minor technical” nature.
- The most important changes include:
  - Revenue Distribution Tax
  - Dividend exemption in the Income Tax
  - Small business exemption ABB
  - Reporting requirements to the tax authorities
  - Import duties on cars
  - Market value wages for Director-shareholders

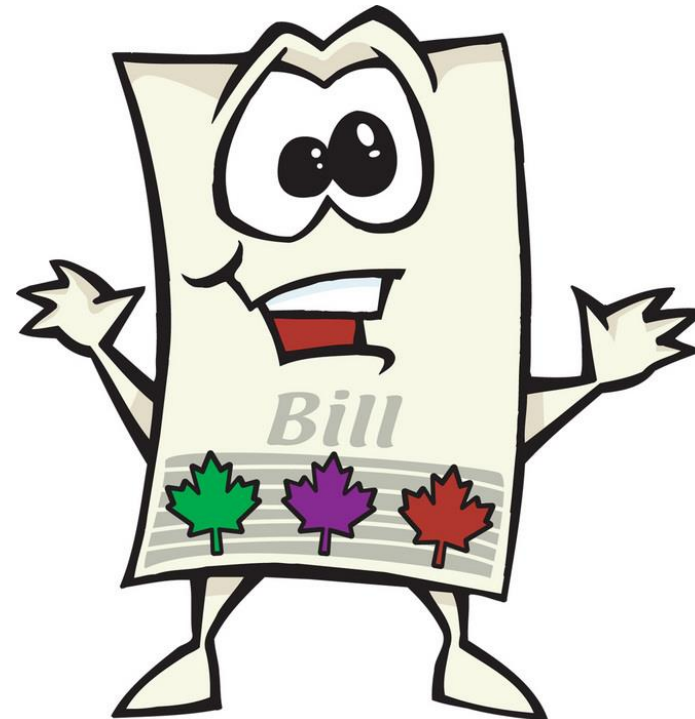
# Tax plan 2024 – Revenue Distribution

- Entities are deemed to be residing in European Netherlands unless:
  1. Assets > 50% “active investments”
  2. Assets < 50% “passive investments”
- Holding companies of BES active companies → 
- Special rule: holding companies > 95% of the shares in a “local” entity → 
- Changes: - holding companies >50% of the shares in a “local” entity  
- **Other activities also in line with general rules**   
  

- **Income Tax: Dividend income exemption of USD 5,000 will be abolished**

# Tax plan 2024 – ABB

- Small business exemption is expanded to a maximum turnover of USD 30,000
- Introduction of mandatory invoices for delivery of goods by producers



# Tax plan 2024 – Reporting Requirements

- Filing of annual financial statements extended to foreign businesses doing business in the BES.
- Obligation to report new owner of real estate in the BES within 4 months of obtaining the property.
- Any changes to the property to be reported within 4 months of the changes occurring.
- Anyone who owns real estate and did not receive an assessments needs to report to the tax authorities within 4 months after the end of a calendar year.

# Tax plan 2024 – Import Duties

- Changes to the definition of “cars” to align with other legislation:
  - Tax rates “trucks” and “vans” → 6%
  - Tax rates “cars” → 10% to 30%
- Definition of “car” to be changed to broader definition of Income Tax.
  - NB Impact mostly on pick up trucks with a single cabin



# Tax plan 2024 – Wage Taxes

- Changes to the definition of “market value wages” for Director-Shareholders:
  - 90% of the wages earned in the most comparable employment situation;
  - the highest wages earned by employees in the same entity or affiliated entities who are not shareholders in the entity or if no employees are working the company or affiliated entities 90% of the turnover less taxes and attributable costs of the company;
  - twice the tax-free allowance as defined in article 24 of the Income Tax Act.
- Partner of Director-Shareholder also included
  - NB Burden of proof that 90% of most comparable wages are lower than 2<sup>nd</sup> and 3<sup>rd</sup> bullet with the taxpayer

# QUESTIONS





# Locations

## **The Hague**

Bezuidenhoutseweg 10  
Malietoren 18e Etage  
2594 EV Den Haag  
The Netherlands

## **Aruba**

Caya Dr. J.E.M. Arends 13,  
Unit 2  
Oranjestad  
Aruba

## **Bonaire**

Bulevar Gob. N. Debrot 20  
Kralendijk, Bonaire  
Dutch Caribbean

## **Curaçao**

Huize Belvédère  
L.B. Smithplein 3  
Willemstad, Curaçao

## **Sint Maarten**

The Vineyard Building  
W.G. Buncamper Road 33  
Philipsburg, Sint Maarten

## **Suriname**

Cornelis Jongbawstraat 13  
Paramaribo  
Suriname