Ground and Transfer Tax

The Fundamentals

Ground tax is due when an individual or entity owns the legal title of a real estate in Aruba per January 1 of each year. Upon the transfer of real estate, transfer tax will be due.

Ground Tax

Ground tax is levied over the registered value of real estate which was owned by an individual or entity per January 1 of any year. The registered value is determined once every 5 years by the tax authorities, unless specific circumstances arise, and can only be challenged in the first year of the 5-year period (taking into account the 2 month objection period as of the date of the assessment). 2017 is the first year of the new 5 year period.

As of 2019, a return needs to be filed by the tax payer in case of specific circumstances, being when the property:
• Is transferred;
• Becomes taxable or becomes exempt;
• Is extended or (partially) renovated;
• Completely or partially demolished;
• Completely or partially destroyed due to unforeseen disasters (e.g. fire);
• Is split or merged;
• Changes destination of use.

The return should be filed within one (1) month after the occurrence of one or more of the above-mentioned events. In these cases, as of the next calendar year, the value can be determined again by the tax authorities, taking into account the normal provisions. If the tax authorities suspect that one or more of the above-mentioned events occurred, they can invite the tax payer to file a return, which return then needs to be filed within two (2) months.

For residents of Aruba, the rate is as follows:
• 0.00% for properties with a value of AWG 120,000 or less;
• 0.20% for properties with a value between AWG 120,000 and AWG 250,000;
• 0.30% for properties with a value between AWG 250,000 and AWG 500,000;
• 0.40% for properties with a value between AWG 500,000 and AWG 750,000;'
• 0.60% for properties with a value of AWG 750,000.

For all others, the rate is 0.60% of the value of the properties.

If a real estate is not used or empty for more than 6 months in that year, a reduction in the ground tax due can be requested at the tax authorities within three months after the end of that calendar year.

Transfer Tax

Real estate can be transferred legally and beneficially. If only the beneficial ownership is transferred, this does not constitute a taxable event for transfer tax purposes (but does imply 6% BBO/BAZV/BAVP is due). The beneficial ownership does not have to be transferred via a notary but can be transferred via an agreement. If the legal (and beneficial) ownership of real estate is transferred, this has to be done via notarial deed.

Upon the legal transfer of the ownership of real estate, transfer tax is due which will automatically be withheld from the buyer and paid by the notary at the tax authorities. The taxable base is the highest of (i) the purchase price or (ii) the registered value at the tax authorities.

o If the real estate is transferred because of an inheritance, an exemption exists if the real estate transferred was the dwelling house of the deceased and is received by the direct heirs or surviving spouse;
o For the purchase of an own dwelling house, the rate is set on 3% over the first AWG 250,000 and 6% over the remainder;
o For the purchase/ receipt of all other real estates, the rate is set on 3% if the value is less than AWG 250,000 and 6% if the value exceeds AWG 250,000;
o The sale of shares in a real estate company is, until now, not taxable (contrary to for example the Netherlands).

The above is not intended to constitute, nor should it be relied upon, to replace any professional advice. No action should be taken without first consulting your tax advisor. The above reflects the law effective January 1, 2019.