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Turnover Tax

The Fundamentals

Aruba has three turnover taxes, being the BBO (“belasting over bedrijfsomzetten”), the BAZV (“bestemmingsheffing AZV”), and the BAVP (“belasting additienele voorzieningen PPS-projecten”). Although it are different taxes, their tax bases and other characteristics are exactly the same.

Subject to turnover tax are entrepreneurs that in the course of their enterprise supply goods or render services in Aruba. The taxable base consists of all remunerations (in cash or in kind) received by the entrepreneur for the supply of goods or the rendering of services in Aruba.

Rate

The rate is set on 1.5% for BBO, 1.5% for BAVP and 3% for BAZV for a total of 6%.

Export

Export of goods to buyers residing or situated outside of Aruba will be exempted from BBO/BAVP/BAZV as long as the entrepreneur can make credible that the sold goods are send or transported by him to a destination outside of Aruba. Specific conditions apply.

Entrepreneur

An entrepreneur is defined as any person or entity that conducts an enterprise, as well as the person that leases out an asset with the goal to generate a long-term yield. The latter is for example an individual that rents out a property, warehouse or office.

Goods and services

Goods are defined as all physical objects as stipulated in the Aruba civil code, but also include water, gas and electricity. Services are defined as all activities, except the supply of a good, rendered against a payment.

Payment

All income received that relates to the supply of a good or the rendering of a service is considered a payment. If the payment received is not arm’s length or non-monetary, the taxable base is the fair market value of the good supplied or the service rendered. An exception is made for own products, for which the payment is determined on the cost of the good.

Since the cash system is the general system for BBO/BAVP/BAZV purposes, offsetting amounts is also deemed a payment.

Furthermore, the amount in Accounts Receivable that is outstanding for more than two (2) years is also considered a payment.

Due to the change in the law per January 1, 2019, the taxable base will be equal to the payment received. In the period prior to that date, the BBO/BAVP/BAZV charged was also subject to BBO/BAZV/ BAVP.



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Supply of goods

Goods are in principle supplied at the moment of transfer of ownership via an agreement. There are some exceptions however, in which cases from a legal point of view no supply has taken place yet but for BBO/BAVP/BAZV purposes it has.

In case in connection with the supply the goods are shipped or transported, the taxable event is there where the transportation of the good started, unless an installation supply is deemed present.

In all other cases the taxable event is there where the goods physically are. An example to illustrate. If X Inc., situated in the US, sells a water scooter to an Aruba hotel, X Inc. is not subject to BBO/BAVP/BAZV since the transportation of the water scooter (in connection with the supply) starts in the US.

Rendering of services

If services are rendered, the taxable event is there where the entrepreneur is established or has a permanent establishment from which the services are rendered. Exceptions are made for services related to:

- Real estate, which services are taxable there where the real estate is located;
- Movable property, which services are taxable where they are actually performed;
- Transportation of goods and persons (including loading and offloading), movable property, culture, sports, science, education, entertainment or similar events, which are taxable there where the services are physically rendered.

Reverse charge rule

A reverse charge rule (in Dutch: “verleggingsregeling”) exists where, subject to meeting the conditions, the levy of BBO/BAVP/BAZV shifts to the recipient of the services. The conditions have yet to be published.

Fiscal unity

If the parent company owns 100% of the shares in the subsidiary, which subsidiary should be incorporated under the law of Aruba and with its factual place of management in Aruba, upon request the turnover generated with transactions between the entities participating in the fiscal unity is exempt from BBO/BAVP/BAZV.

Cash or invoice (accrual) based

The BBO/BAVP/BAZV is levied on a cash basis. Upon request however, an entrepreneur may opt for an invoice (accrual) based BBO/BAVP/BAZV. The tax authorities will have to approve the request however.

Requirements invoices and cash register receipts

All invoices must (i) be numbered consecutively, (ii) be dated, (iii) mention the date on which the goods are delivered or the service is performed, (iv) mention the entrepreneurs’ name, address and personal identification number for tax purposes (“tax PIN”), (v) mention the name and address of the buyer of the goods or recipient of the services, (vi) mention a description of the goods sold and delivered and/or the services rendered, including quantities involved and (vii) mention the consideration owed. The same requirements are also applicable to cash register receipts, with the exception of the listing of the name and address of the buyer.

As of January 1, 2019, the BBO, BAVP and BAZV may no longer be mentioned on the invoice but must either be included in the price or absorbed by the entrepreneur. However, a transitional regulation exists for six (6) months during which period it will be allowed to show the BBO, BAVP and BAZV charged to the customer on the invoice.



Exemptions

Exemptions from turnover tax on goods exist in amongst others the following cases:

- Transfer of real estate, in as far as transfer tax is due.
- Fuels to for example airlines or ships belonging to (foreign) militaries, and the Coast Guard of the various Islands of the Dutch Kingdom.
- Prescription medicines.
- By Decree mentioned (artificial) medical supplements.
- Fuels to water & electricity generating or distribution companies.
- Refined oil products.
- Water, electricity and gas.
- Free zone companies in as far as turnover is generated with sales abroad.

Exemptions from turnover tax for rendering the following services exist:

- Renting out hotel rooms and apartments, in as far as tourist levy is due.
- Gaming services, in as far as gaming tax is due.
- International transport of goods and services by way of an airplane or ship.
- Public schools and specific schools, as well as the University of Aruba.
- Renting out of houses used as dwelling of the tenant.
- Life and pension insurances.
- Services provided from the airport or seaport relating to outgoing and incoming goods or persons.
- Interest, dividends and capital gains of shares and securities.
- Refining oil based on tolling agreements for foreign purchasers.
- Storage and transshipment of oil for foreign purchasers and aimed at export thereof.

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.



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