



“It’s complicated, that’s why we’re bringing in BDO.”

Stimulus package alleviating effects Covid-19 virus for entrepreneurs – updated version

On March 27, 2020, the Government of Aruba announced a stimulus package that should help entrepreneurs weather the economic impact of the Covid-19 virus outbreak and subsequent lockdown of Aruba and the “shelter in place” period. Below a summary of the stimulus package including the additional explanation published by the Tax Authorities. We note that the explanation published on March 28, 2020 by the Tax Authorities includes more stipulations and conditions than explained by the Minister of Finance, Economic Affairs and Culture in the press conference & accompanying slides of March 27, 2020.

Deferral of payment

- Entrepreneurs that:
 - a. perform activities relating to tourism, casino, transport- & tour operators, security, café/bar/restaurants, landscaping, spa & beauty parlors, car rental, travel agents, watersports, carwash, laundry, perfumeries, jewelers, retail of clothing and shoes, souvenirs, ground handlers, employment agencies and construction companies;
 - b. and generate a Gross Revenue of less than AWG 1 million per month, can apply for a deferral of payment for the monthly taxes (amongst others turnover taxes, tourist levy, and environmental levy) for the tax periods April, May and June, 2020. These entrepreneurs will:
 1. Need to file a request at the Tax Authorities;
 2. Demonstrate that there are cash flow issues via simple reporting requirements (not published);
 3. Keep filing the respective returns in a timely manner; and
 4. The period of deferral is of maximum 6 months after the restart of the activities.

BDO observations:

- All monthly returns for the tax period March 2020 are not included and therefore due ultimately April 15, 2020!
- The payroll taxes of April, May and June are excluded from this deferral.
- The same group of entrepreneurs mentioned above will enjoy a tax cut of the employers’ portion of AOV/AWW premiums (not for AZV), provided that upon filing of the payroll tax returns for April, May and June 2020, the employee monthly overview (payroll summary) is attached.
- All entrepreneurs are granted:
 - a. Extension for filing of the 2019 corporate income tax return including payment of the provisional corporate income tax returns for six months (for companies with a calendar year therefore until November 2020). This will not apply to financial institutions such as Banks and Insurance Companies.
 - b. A grace period without penalties for late or partial payment of the taxes due in April, May and June 2020. Furthermore, no collection interest will be due provided that a new payment arrangement is requested.
- A grace period or deferral of payment on all current payment arrangement for three months starting April 2020.

A flexible payment arrangement for all taxes and other liabilities will be provided to:

- Individuals: for 24 months with minimum of AWG 100 per month;
- Entrepreneurs: for 24 months with a minimum of AWG 500 per month;
- Pensioners: for 36 months with a minimum of AWG 75 per month.



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Outstanding taxes

In order to generate quick cash flow for the Government of Aruba, a discount for payment in full of all outstanding taxes will be provided on the outstanding balance:

- Issue date assessment before 2010: 75% discount
- Issue date assessment between January 1, 2011 - December 31, 2014 50% discount
- Issue date assessment between January 1, 2015 - December 31, 2016 30% discount
- Issue date assessment between January 1, 2017 - December 31, 2019 10% discount

BDO observation:

If the statute of limitation of an assessment has expired, this assessment cannot be collected anymore. If you agree to payment of such an assessment based on the above, no appeal on the statute of limitation can be made anymore.

Special reduced personal income tax rate of 10 % on dividends from foreign entities

As you know, the Government of Aruba has published Beneficial Policy for dividends distributed in the calendar year 2019 (extended also to 2020) and relating to retained earnings up to and including retained earnings of 2018 (and extended to 2019). The Beneficial Policy reduces the personal income tax burden to 10% on such dividends, implying that the dividend withholding tax (of 10%) is the final levy on these qualifying dividends.

This reduced rate was however only applicable for entities with factual management in Aruba. Under the stimulus package, the 10 % income tax rate is now also extended to non-resident entities with a capital divided in shares.

We note that the Tax Authorities will need to publish further guidelines since such foreign entities not residing in Aruba are not subject to the Aruba dividend withholding tax. We assume that a 2020 (preliminary) personal income tax assessment at the resident individual shareholder will be levied.

Other non-cash flow related points

- A voluntary disclosure scheme will be introduced where individuals, entities and withholding agents have not declared or paid their (full) income, revenue, dividends or wages can still do so without intent penalties (in Dutch: “vegrijpboetes”). No further details have been published.

BDO note:

Penalties for omissions / late payments can still be raised (5% up to a maximum of AWG 10,000).

- No forced collection measures will be taken (e.g. garnishments, seizure of assets or bank accounts), although notifications of seizures will remain to be issued.
- No audits of administration will take place in coming three months, except where there is fraud.
- Filing of returns can only be done online, whereby the times that filing is possible are extended.
- More transparent communication strategy via social media (facebook, website and tax app) to keep the tax payers informed of all changes.

BDO's point of view on the stimulus package

Although the fiscal stimulus package is a positive first step in the right direction, we are of the opinion that more incentives and relief are necessary to support the entrepreneurs facing this crisis. Our focus should be avoiding further economic decline, by cutting the governmental red tape for new businesses and promoting new ideas creating job opportunities as soon as possible. This is key for a swift recovery.

The other non-cash measures provide some tax relief, but are mainly geared towards promoting tax compliance and revenue for the Government of Aruba rather than aimed at keeping the economy going and maintaining cash flow at the business level in order to promote investments and maintain jobs.

We are looking forward for additional relief measures to be granted to all (other) entrepreneurs in order to stimulate those companies that are still - though probably less - in business and safeguard their existence under the current difficult market conditions. In BDO's opinion, these measures should mainly focus on retaining cash flow by rewarding entrepreneurs that are trying to keep their employees, provide tax incentives on capital investments and training of personnel to jump start the economy when this crisis is behind us.

How can BDO assist?

BDO can support your company at the time of the COVID-19 pandemic by providing insight into the liquidity development of your company and providing measures tailored to your business. From the historical financial administration we can create a model for your liquidity towards the future. The actuality and effects of the Covid-19 virus are added in, together with the above relief package introduced by the Government of Aruba. This will show you where liquidity can be saved, how you can optimally use the available liquidity, how banks could be approached, and how you can create comfort at your stakeholders about your organization's ability to adapt and bounce back.

Our team of financial, accounting and tax experts are ready to assist. You can reach our team via telephone (transferred to the mobiles of the team who will be working from home) or via e-mail:

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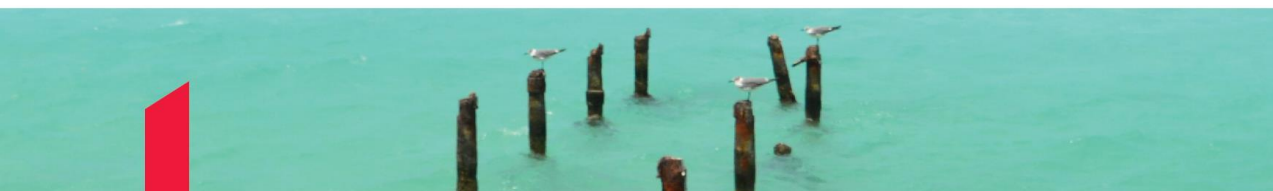
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The above is not intended to constitute, nor should it be relied upon, to replace any professional advice. No action should be taken without first consulting your tax advisor.



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