

## **Aruba Exempt Company Regime**

The general tax exemption of the Aruba Exempt Company ("AEC" or "AVV") has been abolished as from 1 January 2006. Instead, a much more specific tax facility has been introduced. Under this new legislation, an AVV will not be taxed if it exclusively derives its income from the following activities: holding activities, finance activities, passive investment activities, and/or licensing activities. Any dividend income earned by the AVV should be paid by a subsidiary company that is subject to tax in its country of residence. The tax exemption of the AVV applies for corporate income tax and for dividend withholding tax purposes. AVVs that do not qualify for this new exemption regime are taxed, as any other taxable entity, with corporate income tax in Aruba (35%) and have to withhold dividend withholding tax (5% or 10% ) upon distribution of profits.