

Corporate Income Tax

Tax Rate

Aruba levies a corporate income tax at a flat rate of 35%.

Resident and Non-Resident Entities

Corporate income tax is levied from entities that are resident in Aruba, and from non-resident entities that have a branch or permanent establishment in Aruba, or that own real property or mortgages on real property in Aruba.

Entities incorporated under the laws of Aruba are deemed to be a tax resident of Aruba. Foreign entities are a tax resident of Aruba if their place of effective management is located in Aruba.

With respect to non-resident entities, the corporate income tax may apply to the general category of "companies or associations that have a capital divided into shares".

With respect to resident entities, the corporate income tax applies to the following types of entities:

- public limited companies ("*naamloze vennootschap*")
- Aruba exempt companies ("*Aruba vrijgestelde vennootschap*")
- limited partnerships ("*commanditaire vennootschap op aandelen*")
- other companies with a share capital (such as foreign companies resident in Aruba)
- cooperative associations ("*coöperatieve vereniging*") and
- mutual insurance funds ("*onderlinge verzekeringsmaatschappij*").

Foundations ("*stichting*") and associations other than those mentioned above ("*vereniging*") are only taxable if they are not exclusively engaged in a non-profit activity for the general interest.

Income

Aruba adheres to the OECD Transfer Pricing Guidelines. The profit earned by an entity is to be determined on an at arm's length basis. Incentives are available with respect to accelerated depreciation of assets.

Exemptions

The following exemptions from corporate income tax apply:

- non-resident entities with respect to income derived from shipping or air transport between Aruba and a foreign destination;
- resident legal entities such as pension funds, savings funds, health insurance funds, etcetera, that operate for the benefit of employees or former employees;
- Aruba exempt companies solely engaged in qualifying activities (holding activities, finance activities, passive investment activities, and/or licensing activities);
- the participation exemption.

Participation Exemption

Dividend income and capital gains on shareholdings are fully exempt from corporate income tax at the level of the corporate shareholder, provided that the shareholding

qualifies for the participation exemption. Shareholdings in domestic as well as foreign subsidiaries may qualify for the exemption. A minimum shareholding is not required. If the shareholding relates to a foreign subsidiary, this subsidiary should be subject to an income tax in its country of residence (no minimum tax rate required) and the shares in the subsidiary should not be owned as a passive investment. Expenses related to the shareholding are not tax-deductible. Due to the participation exemption, foreign withholding taxes on dividends earned by the Aruban parent company are not creditable against tax due on other income of the parent company. Dividends received from a domestic subsidiary are exempt from dividend withholding tax in Aruba. A company that benefits from the IPC regime is excluded from the participation exemption.

Tax Incentives

Special tax incentives apply for:

- shipping and aircraft businesses;
- entities located in the Free Zone of Aruba.

Carry Forward of Losses

In general, losses can be set-off against income in the subsequent five years (carry forward). A carry back of losses is not allowed.