

## IPC-Regime

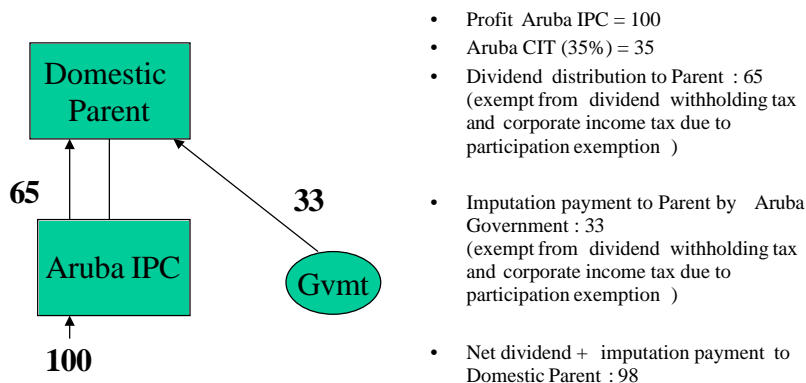
The imputation regime ("IPC-regime") was introduced to stimulate domestic enterprises (hotel business, oil & gas sector), as well as to attract foreign investment. Preferably foreign investment that combines well with Aruba's fully developed tourist industry, such as fashion related R&D and investment in intellectual property, for instance related to the music industry, would be much welcome to benefit from the IPC-regime. Nevertheless, also the more general financial services sector is accommodated by this IPC-regime. A company that qualifies for this IPC-regime pays the standard corporate income tax rate of 35%, but its direct shareholders are entitled to an imputation payment if and when the company distributes its earnings. The imputation payment is made by the government and is equal to 33/65 of the dividend distribution. The IPC-regime is open for companies (NVs) engaged in qualifying activities. These are: hotel business (upper segment), airline and shipping operations, holding activities, research and development, exploitation of intellectual property, passive investment (with the exception of investment in real estate), captive insurance, and finance or group finance activities.

### *IPC-regime approved by Primarolo*

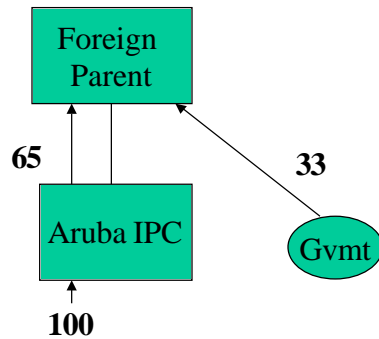
The IPC regime that was introduced in 2003 in Aruba has been reviewed thoroughly by the European Code of Conduct Group (the Primarolo Group). After Aruba has agreed with amendments to the list of qualifying activities of the IPC regime, the Primarolo Group has approved this regime in February 2005, which decision has been formalized by the Ecofin Council of 6-7 June 2005.

### *Two Examples:*

## Domestic Parent and Aruba IPC



## Foreign Parent and Aruba IPC



- Profit Aruba IPC = 100
- Aruba CIT (35%) = 35
- Dividend distribution to Foreign Parent : 65
- Aruba dividend withholding tax (5% or 10%): 3.25 or 6.5
- Imputation payment to Parent by Aruba Government : 33
- Aruba dividend withholding tax (5%): 1.65 or 3.3
- Net dividend + imputation payment to Foreign Parent : 93.1 or 88.2

It should be noted that an NV can only opt for IPC-status if it meets various formal requirements. Among other things: at least one of the Board Members should be a resident individual, the accounts of the NV should be audited by an external auditor, the issue of bearer shares is not allowed and the NV should have an accurate shareholders' register.