

Tax Changes 2023 Part II

BBO at import, import duties rate reduction and investment allowance on foreign investments

Introduction

On July 5, 2023 the Government of Aruba approved the BBO on import legislation. The BBO on import will take effect as of August 1, 2023. Also as of August 1, 2023 a simplification and rate change for the import duties will be introduced. Finally, an investment allowance of 10% for local and foreign investments will remain applicable as of the year 2023.

BBO on import

As of August 1, 2023 BBO will be levied on the import of goods by entrepreneurs and non-entrepreneurs. The BBO on import is due at the moment of import. The BBO will be levied on the value of the imported good. This value is equal to the customs value.

An exemption for the BBO on import applies if the imported good is exempted from import duties. This exemption for import duties will automatically also apply for the BBO on import. Please note that a 0% rate for import duties is not considered as an exemption. If a 0% rate applies for the import duties, BBO on import will be due.

No transitional regulation applies for the BBO on import. This means that all imports after August 1, 2023 will be subject to the BBO on import. If the goods are declared before August 1, 2023 and the import duties are paid before August 1, 2023, BBO on import is not applicable on those goods.

Deduction on BBO on import

BBO paid on the import of goods can be deducted from the BBO due by the entrepreneur if the import BBO relates to imported trade goods. Trade goods are defined as goods meant for resale. Most of the discussions with stakeholders revolved around the offset of the import BBO. According to the Explanatory Notes, resale is defined as the resale of imported goods without any processing, as is done by retail shops or importers. According to the Explanatory Notes, sales by restaurants and hotels cannot be considered as the resale of trade goods.

However, after the discussions with the stakeholders before the introduction of the law, a more broad definition of trade goods and resale seems to be used by the Tax Authorities. The Tax Authorities gave the following examples based on frequently asked questions:

- If a company imports tortilla, meat and cheese and sells this (with other ingredients) as a taco, the import BBO is deductible.
- If a bike shop imports parts and assembles these parts to a bike, the import BBO on the parts is deductible.
- If a kitchen shop imports parts and assembles these parts to a kitchen, the import BBO on the parts is deductible.
- If a supermarket imports a cheese roll, cuts the cheese and sells slices or blocks of cheese, the import BBO on the cheese roll is deductible.
- If a supermarket imports chicken, cuts the chicken and sells the chicken as chicken cut small, shoarma chicken or chicken salad, the import BBO on the chicken is deductible.
- If a supermarket imports tuna and makes tuna salad, the import BBO on the imported tuna is deductible.
- If a supermarket imports oranges and makes orange juice, the import BBO on the imported oranges is deductible.

