



Overview Tax Incentives Curaçao 2024

Introduction

When considering a country to establish a company, local taxation laws and regulations are important factors. Curaçao has a strategic geographic location outside the hurricane belt and offers a wide range of tax incentives for all businesses. The latter makes Curaçao a great location for operations.

Below you will find a number of tax incentives, which could be relevant for your company. This list is not exhaustive, as a result of which other incentives and conditions may apply.

Legal entities

General

Under the local profit tax legislation, there is in principle an unlimited tax liability in respect of local limited liability companies, private limited liability companies, open limited partnerships, other companies or associations, of which the capital is wholly or partly divided into shares, cooperatives, and mutual insurance companies. The profit tax rate in Curaçao is 15% for the first NAf. 500.000 of profit and 22% for the profit that exceeds NAf. 500.000 (rate in 2024).

These profit tax percentages can be applied retroactively starting from January 1st, 2023.

Territoriality principle

Curaçao is committed to complying with international guidelines and standards regarding its tax regulations to combat harmful tax practices. For that reason, as of the year 2020, Curaçao imposes profit tax solely on profit that is deemed to be obtained with domestic activities. Benefits obtained from domestic business mainly concern the profit generated from activities performed in Curaçao and from assets associated with Curaçao.

In principle, all benefits from business are regarded as benefits obtained from domestic business. However, if a company can demonstrate which part of the benefit qualifies as foreign, this profit will not be subject to profit tax in Curaçao. Demonstrating which part of the benefit should be regarded as foreign can be done through the ratio of domestic and foreign costs that are causally related to the generation of turnover. Costs in this respect do not include the material costs included in the product. Costs that are not related to profits that can be taxed in Curaçao, can therefore not be deducted from the benefits obtained from domestic business.

Please note that in order to be eligible for the application of the territorial regime, certain substance requirements must be met. The law prescribes that entities subject to profit tax, which enjoy income from foreign business, must meet the requirements of real local

presence. The entity's activities should provide sufficient nexus to allocate the profit generated by the entity.

Passive income will always be deemed to be domestic income for Curaçao profit tax purposes.

[Reduced profit tax rate of 3% for qualifying domestic activities](#)

For certain qualifying domestic activities, the profit tax rate is reduced to 3%, provided there is a real local presence, and the income-generating activities associated with these services are performed in Curaçao.

The following domestic activities are deemed to be qualifying activities:

- Building or improving aircraft and vessels, as well as carrying out repairs and maintenance on aircraft and vessels with a length of at least ten meters, and machinery, installations and materials that are used on board these aircraft and vessels.
- Call, service or data centers insofar as they perform supporting service activities to companies with a turnover (of the group) of at least ANG 50 million.
- Warehouse companies that make land or buildings and the associated logistics available to third parties who want to store their goods and supplies temporarily or for a long period of time.
- Services provided in Curaçao to unaffiliated investment institutions and managers of investment institutions.

Services related to acting as management of companies whose registered office or actual management is located in Curaçao, as well as services of notaries, lawyers, public accountants, tax consultants and related services do not qualify for the 3% profit tax rate. Furthermore, managerial activities or activities that give control over whether or not the recipient of the services takes on risk do not qualify as support services and thus do not qualify for the reduced profit tax rate of 3%.

To qualify for the reduced profit tax rate of 3%, the qualifying services may not be provided from outside Curaçao and these services may not be outsourced outside Curaçao. To the extent that some of the services are outsourced domestically, the outsourcing entity must be able to demonstrate at all times that it has sufficient supervision of the outsourced activity and can demonstrate that all services take place in Curaçao.

[Curaçao Investment Company](#)

A Curaçao Investment Company (hereinafter referred to as: "CIC") is a company that is incorporated in Curaçao and primarily used for investment activities. The CIC is a limited liability company or a private limited liability company, subject to 0% profit tax. Furthermore, a notional return of 4% will be taken into consideration, which, considering the income tax rate of 19.5% on dividend distributions leads to an effective personal income tax rate of 0.78% on deemed dividends from a CIC. The CIC must declare its CIC

status annually in the profit tax return. If the entity no longer meets the conditions upon later inspection, the choice made will be reversed with retroactive effect. The Inspector's decision to reverse the status can be appealed by the taxpayer.

In principle, the following conditions must be met:

- the board of the company keeps a register containing the names and addresses of the ultimate beneficial owners of the company;
- the board of the company consists exclusively of one or more natural persons residing in Curaçao or certified trust companies established in Curaçao, or directors of certified trust companies and other persons employed by these trust companies;
- the board of the company annually draws up annual accounts that are audited by an independent expert appointed by the general meeting and provided with a qualified opinion within twelve months after the end of the year. This statement also contains a confirmation that the company has complied with the requirements. In addition, the independent expert draws up the statement if the company has received dividends on shares in a company in the relevant year that is not established in Curaçao, the Netherlands, Aruba, Sint Maarten, or Bonaire, Sint Eustatius and Saba, nor is subject to an accepted foreign tax regime;
- the statutory object of the company and its actual activities may consist exclusively or almost exclusively of extending credit, investing in securities and deposits or developing and exploiting intellectual and industrial property rights and similar property rights or rights of use;
- the company is not a bank or similar credit institution subject to the supervision of the Central Bank of Curaçao and Sint Maarten. The latter does not apply insofar as the aforementioned participation exclusively invests excess liquidity of the bank or similar credit institution, and
- the company has real presence in Curaçao.

If a company no longer meets the abovementioned conditions, this company becomes a taxable company for profit tax purposes (at 15% for the first NAf 500.000 and 22% for the profit above 500.000, rate 2024) and will no longer have the possibility to take a notional return of 4% into consideration. Consequently, dividends distributed will be taxed at a personal income tax rate of 19.5%. If the conditions are no longer met, the COC becomes a taxable company from the year in which the conditions are no longer met.

[Curaçao Private Foundation](#)

A Curaçao private foundation (in Dutch: “*Stichting Particulier Fonds*”, hereinafter referred to as: “SPF”) is a special form of the ‘foundation’, which must be set up by a public notary and is registered in the register of the Chamber of Commerce in Curaçao. An SPF can hold assets in its own name. For example, an SPF can own shares in a private or limited liability company, real estate, copyrights, bank deposits etc. The assets that are contributed to the SPF become the property of the SPF and therefore no longer belong to the contributor after the contribution. Keep in mind that the purpose of an SPF, and the facts and circumstances, should not imply that a business is being conducted.

The SPF is in principle subject to profit tax in Curaçao. However, if the SPF does not carry out business activities, the profit of the SPF is exempted from profit tax. The Tax Authorities assess whether or not this is the case. If the Tax Inspector argues that the profit tax exemption does not apply to the SPF, the profit of the SPF could be subject to 15% profit tax over the first NAf 500.000 and 22% over the profit that exceeds NAf 500.000 (rate in 2024). An SPF can also be considered as a special-purpose vehicle on a specific request and therefore be taxed at an effective tax rate of 10%. Although the profit of the SPF is exempted from profit tax, the SPF is still required to file its profit tax returns annually.

Distributions obtained by a beneficiary of an SPF are exempt from inheritance tax. However, when a resident makes a capital contribution to an SPF (as a gift), gift tax is levied at a rate of 25%. This is not the case if a non-resident makes a capital distribution to the SPF.

For personal income tax purposes, one-off and periodic distributions and distributions in kind received from an SPF, constitute a taxable income. Reimbursement of the own deposit should in principle not be taxed. Therefore, for periodic distributions from a SPF, the so-called surplus-method is applicable. The surplus-method entails that distributions from an SPF are taxed only to the extent that they exceed the contribution. Any gift tax paid in this context can be regarded as a contribution. Please note that distributions to non-residents do not constitute a taxable income for personal income tax purposes in Curaçao.

Tax holiday

Based on the National Ordinance tax facilities for investments (in Dutch: “*Landsverordening belastingfaciliteiten investeringen*”), investors can be granted tax facilities, under certain conditions. The latter is the so-called “Tax Holiday”. For the application hereof, a formal written request must be submitted to Sector of Fiscal Affairs of the Ministry of Finance Curaçao.

The applicable tax facilities under the Tax Holiday are, amongst others:

- a reduced profit tax rate (3%) for 6 to 11 years, depending on the investment;
- an exemption from property tax for 5 to 10 years, depending on the investment;
- an exemption from import duties for certain materials, goods and assets for 2 to 5 years, depending on the type of materials, goods and assets, and
- an exemption from personal income tax on certain dividend distributions.

The Tax Holiday can be requested for a limited type of companies, namely:

1. a company that operates a hotel or other facility for accommodation and relaxation, which is aimed at promoting visits by foreigners;
2. a company whose objective is land development and whereby the development is aimed at promoting visits by foreigners or at social housing; or
3. an industry or a company in one of the sectors mentioned below
 - a. research and development, with regard to process or product innovation;
 - b. aerospace or shipping;
 - c. education;

- d. healthcare;
- e. transport and logistics;
- f. creative industry;
- g. modern agriculture or modern fishing;
- h. generating and supplying green energy;
- i. information technology;
- j. forestry;
- k. mining and quarrying;
- l. extraction and distribution of water, sewage system, waste treatment and remediation (remediation);
- m. wholesale or retail;
- n. repair of motor vehicles or motorcycles;
- o. social services;
- p. culture or sport and recreation

The investment requirement is at least ANG 5,000,000. Furthermore, the company must provide permanent and full-time work to at least 10 persons who are registered in the local population register in cases under 1 and 3.

Additionally, it is required that the business activities of the enterprise are entirely or substantially focused on an abovementioned activity.

As mentioned, activities of companies applying for the so-called Tax Holiday should be aimed at promoting visits by foreigners. As a general policy, a company's activities would be deemed to be aimed at promoting visits by foreigners, if at least 80% of rooms are rented out to foreigners or at least 80% of real estate is sold to foreigners. After the COVID-19 pandemic, the Minister of Finance introduced a relaxation of the policy regarding the criteria for the Tax Holiday.

The requirement for the rental or sale of real estate to foreigners became as follows:

- From January 1, 2020, to December 31, 2022: at least 20% to foreigners; and
- From January 1, 2023, and December 31, 2024: at least 50% to foreigners

After December 31, 2024, the relaxation of the policy will probably expire. This implies that the requirement for the sale or rental of real estate to foreigners will in principle be at least 80%, equal to the period before 2020. However, if, after evaluation, it is found necessary to continue this policy, the duration will be extended.

E-zone

The E-zone (or Economic Zone) in Curaçao is a designated area of the country that offers tax benefits and other incentives to businesses operating within these territories. The E-zone was established to promote economic development and attract foreign investment to the island. Companies located in the E-zones are mainly internationally oriented companies that use Curaçao as a transit country for the export of goods.

Companies located in an economic zone may supply goods to the domestic market without any restrictions on quantity and without the need for a permit to be granted. The unrestricted supply of goods to the domestic market also applies to companies located in the economic zone that have already been issued such a permit.

Businesses that operate within the E-zone enjoy a range of benefits, including exemptions from import duties and taxes.

Shipping Company

Shipping companies can request the application of the tonnage tax. With the tonnage tax the company declares a fixed amount of profit based on the tonnage of the ship instead of the actual profit. In order to apply the tonnage tax, the company must register its ship in the register, as included in the applicable tax legislation.

- For each taxable ship and per net ton, the profit in each tax year from the shipping company is determined on the basis of the following amounts:
 - NAf. 2 up to 10,000 net tons;
 - NAf. 1.35 for the excess up to 25,000 net tons, and
 - NAf. 0.60 for the excess above 25,000 net tons.
- The calculated fixed profit is taxed at the profit tax rate of 22% (rate in 2023).

The user/non-owner and the managing company can, in some cases, also apply the tonnage tax.

Participation exemption

In order to eliminate double taxation of shareholders, Curaçao's profit tax legislation includes a so-called participation exemption. This implies that dividends received from subsidiaries as well as potential capital gains arising from the sale of shares in a subsidiary are not taxed with profit tax.

If the income from a participation consists for more than 50% of investment income – dividends, interest or royalties that are received outside the framework of one's own business – the parent entity would only qualify for a partial participation exemption. Furthermore, if participation is not subject to a nominal rate of at least 10%, only a partial participation exemption would apply.

Fiscal Unity

Upon formal written request to the Tax Authorities a group of companies can be regarded as a fiscal unity for profit tax purposes in Curaçao. This implies that the group of companies is treated as a single taxpayer for profit tax purposes. Furthermore, intercompany transactions between these companies are eliminated for profit tax purposes. Losses, profits and any costs incurred by the group will be attributed to the parent company, rather than to the individual subsidiaries, for profit tax purposes. The fiscal unity files one joint profit tax return.

In principle, the fiscal unity takes effect on the date stated in the request, but this date cannot be earlier than three months before the request is submitted. The Tax Inspector must decide on the request within two months by means of a decision open to objection.

To be eligible for a fiscal unity in Curaçao, the parent company must hold at least 99% of the shares in the subsidiary companies. The latter on the understanding that the missing shares together may not give more rights to the capital or profit of the subsidiary than corresponds to one percent of that capital or profit.

Investment Allowance

If more than ANG 5,000 is invested in business assets, 10% of the investment amount may be deducted from the company's proceeds in the year of investment. If more than ANG 5,000 is invested in business assets that qualify as a protected monument, the investment allowance deductible from the company's proceeds is 30%. The investment allowance cannot be applied to investments in:

- Land;
- Houses;
- passenger cars (unless these passenger cars are intended for commercial passenger transport);
- recreational craft;
- securities, receivables and goodwill;
- bottles, boxes and other packaging materials;
- objects of low value, and
- other assets to be designated by the taxpayer.

Natural person

Below two incentives, for natural persons, will be elaborated on. This is not an exhaustive list of tax incentives for natural persons.

Penshonado regulation

The “penshonado” regulation is available to individuals who earn pension income or who live from capital returns and take up residence in Curaçao.

The legislation provides for two personal income tax options, namely:

1. Foreign source income is taxed at 10%, or
2. Foreign source income is set at a fictional income of NAf. 500,000, whereby the regular progressive personal income tax rates are applied.

Please be informed that in both cases social premiums may be due. Furthermore, the penshonado tax rate applies only to foreign source income and interest on locally held bank balances. This implies that all other income is taxed at the progressive personal income tax rates. Only certain income, specifically included in the legislation, can be deemed to be foreign sourced income for the purposes of this specific regime.

In order to qualify for the penshonado regime, the person should meet the following conditions:

- they must have lived abroad for a period of at least 60 consecutive months immediately prior to applying for the penshonado regime;
- They must have reached the age of 50 at the time of registration in the local population register;
- they must report to the inspector within two months after registration in the local population register;
- They must in principle own a house for their own use with a value of at least NAf. 450,000 within 18 months of registration in the population register. The penshonado also meets the owner-occupied housing requirement if he has a protected monument at his disposal. This may be leased or unleased. The person may also rent all or part of a property. The rented property must then have a value of at least NAf. 450,000 at the start of the rent, and
- With some exceptions, they may in principle not receive dividends, business profits or income from employment from sources within Curaçao.

If in any year the penshonado (or his/her spouse) receives income from local employment or local work or services or the exercise of a business, their entitlement to the penshonado scheme lapses for that year. The progressive personal income tax rates will then apply to all income. If the penshonado (or his/her spouse) received local income for two consecutive years, or if they do not meet the requirements for their own house for a period of six months, the penshonado regulation can no longer be applied.

The aforementioned does not apply in the following cases:

1. If the penshonado has an employment relationship with a locally incorporated company in which they are an indirect or immediate shareholder representing at least 40% of the nominal paid-up capital; or
2. they are a supervisory director of a company incorporated in Curaçao.

Expatriate regime

The so-called “expatriate tax regime” in Curaçao, is a tax incentive introduced to attract highly skilled migrants from abroad. The expatriate regime includes provisions for the calculation of the payroll tax due and the tax treatment of specifically mentioned allowances to these employees.

Requirements

To be eligible for the expatriate tax regime, the following conditions must be met:

- the employee must have lived abroad immediately prior to his employment in Curaçao for a continuous period of at least five years;
- the employee must have completed a study at a higher professional or scientific level and have at least five years of relevant work experience;
- the employee must receive a gross wage of at least NAf. 150,000 per year; and
- the employee must have specific expertise that is not or only to a limited extent available on the local labor market.

Benefits of the expatriate tax regime

Under the expatriate tax regime, the following tax-exempt payments from the employer to the employee are permitted:

- a. remunerations in kind insofar up to NAf. 15,000 per year;*
- b. allowances to cover costs incurred for schools up to a maximum of NAf. 25,000 per child per calendar year;*
- c. allowances to cover travel expenses related to the deployment and repatriation of the employee and his family up to a maximum of NAf. 12,000 depending on the composition of the employee's family;
- d. allowances to cover hotel costs for a maximum of two months after the employee's arrival in Curaçao, provided that the allowances do not exceed NAf. 21,000 depending on the composition of the employee's family;
- e. allowances to cover redecoration costs after establishing in Curaçao up to a maximum of two months' wages, provided that the amount of NAf. 12,000 is not exceeded; and
- f. allowances to cover costs associated with the rental of a means of transport on the employee's arrival in Curaçao for a maximum of two months, provided that the allowances do not exceed NAf. 2,700 a month.

*Please note that these amounts are applied in proportion to the employment if the employment starts or ends in the course of a year.

The main benefit of the expatriate regime is that the employer and employee can agree, in writing, upon a net wage. The wage tax payable will then be calculated on the net wage and must not be grossed up. This results in considerably less expenses for the employer.