

TAX LAWYERS
AND TAX
CONSULTANTS

THE ECONOMIC ZONE *



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1 Introduction

The National Ordinance on the establishment of economic zones (PB 2001, No 68) in the Netherlands Antilles has entered into force as of March 2001 and serves as a replacement of the free zones Act 1975 (PB 1975, No 211). Hereinafter we will discuss the economic zone (e-zone), the requirements, the tax facilities and the application process for the e-zone status.

2 General Information

What is an e-zone?

The national ordinance describes an e-zone as an area within the Netherlands Antilles where goods can be stored, processed, machined, assembled, packaged, displayed and released or handled in any other way, and where or from where services can be provided.

There are ten areas within the Netherlands Antilles that qualify as e-zones of which eight are designated for services. The remaining two e-zones, which are located at the airport and the harbor, are designated for goods.

Who may perform activities in an e-zone?

Only legal entities with a capital divided into shares may perform activities within an e-zone. The activities of these companies must in principle be focused on trading or providing services to companies located outside the Netherlands Antilles. The business activities of the legal entity must contribute to the economical growth of the Netherlands Antilles either by generating foreign currency or employment.

Conducting business with other companies located in an e-zone is also allowed. If business is also conducted with companies located in the Netherlands Antilles the company will have to request approval from the Department of Economic Affairs. If this request is granted the company will receive a list of conditions that will have to be met. The conditions can relate to price setting, quality of the goods and services and the distribution of the goods. The turnover generated through local business may not exceed 25% of the total turnover and will be taxed against the normal tax rate of 34.5%.

3 Tax facilities

Profit tax

The profit of the e-zone companies will be taxed at 2% (surtax included) until January 1, 2026. This 2% rate is not applicable on the profit of an e-zone company, which is generated through the sale of goods or services to companies located in the Netherlands Antilles or generated through rendering of services to affiliated companies located in the Netherlands Antilles.

Participation exemption

The e-zone company will in principle qualify for the Netherlands Antilles participation exemption, which exempts advantages from profits made in domestic participations. Profits gained from a foreign held interest are subject to 95% exemption. The remaining 5% is taxed according to the applicable tax rate.

No dividend withholding tax

The fiscal framework of the Netherlands Antilles does include a dividend tax clause. This amounts to a 10% charge, however the dividend tax has not been brought into effect. This is not expected to come into force in the (near) future either.

Import duties and turnover tax

No import duties and turnover tax is due on goods entering the e-zone and services rendered by a Netherlands Antilles company to an e-zone company. Furthermore, no import duties and turnover tax is due on products delivered to or services rendered to other companies located in the e-zone or outside the Netherlands Antilles.

Further, in principle, import duty and turnover tax is due on products delivered or services rendered by an e-zone company to a Netherlands Antilles company not located in the e-zone.

Wage tax

Employees who lived for more than five years outside the Netherlands Antilles before starting to work for an e-zone company, providing qualifying e-commerce services, could, if certain conditions are met, qualify for the so-called expatriate status. An E-zone company is then allowed to calculate the wage tax on the net salary of the employee without being required to gross up the salary. Furthermore, the E-zone company can grant certain tax-free benefits to the employee.



4 The e-zone application

In order to obtain the e-zone status a request must be filed with the Department of Economic Affairs. The following information should be enclosed with this request:

- the completed application forms;
- the registration number of the company with the tax authorities;
- proof that the company has a bank account with at least one bank in the Netherlands Antilles;
- a business plan which describes the activities of the company, the way in which it will be realized and an estimate of the turnover and costs realized in the first three years;
- a statement that the company will act according to the rules and regulations as set by Customs;
- information regarding the ultimate beneficial owners of the company; and
- an excerpt from the shareholders register of the company.

This memorandum has been compiled as accurate and careful as possible, based on available information at the abovementioned date, and is meant only as a general guideline. We do not accept any responsibility for actions taken, based on the contents of this memorandum, without additional professional advice.

If you would like to learn more or if you have questions or remarks with respect to the contents of this memorandum you can of course contact one of the tax advisors of PricewaterhouseCoopers Netherlands Antilles or send an e-mail to info@an.pwc.com

Curaçao office

P.O. Box 360
Julianaplein 38
Willemstad – Curaçao
Netherlands Antilles
Telnr. +599 (9) 430 0000
Faxnr. +599 (9) 461 1119

Sint Maarten office

P.O Box 195
Emmaplein Building
Philipsburg - St. Maarten
Netherlands Antilles
Telnr. +599 (5) 422379
Faxnr. +599 (5) 424788

Bonaire office

Postbus 383
Kaya Gobernador N. Debrot 36
Kralendijk - Bonaire
Netherlands Antilles
Telnr. +599 (717) 4790
Telnr. +599 (717) 5090
Faxnr. +599 (717) 6592

Web Site: www.pwc.com/an

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