

Curacao Regulation for Pensioners

There exists on the former Netherlands Antilles an attractive fiscal arrangement for those people who wish to settle there after their retirement. There are two different taxation systems which enjoy a relatively low rate.

To explain the two systems as follows:

Unless the income from foreign source is higher than Antillean Guilder or ANG 2,227,570 (around USD 1,238,896 / CAD 1,178,584 based on the rate of 2011) usually the first method of taxation is more advantageous

10% rate for Foreign Sources of Income

As the pensioner (or any resident) is subject to regular Curacao taxation on his worldwide income to the extent the income qualifies as foreign source it is taxed at a rate of 10%.

Foreign source income includes:

- Cash benefit from a life insurance that is paid by a company not residing in Curacao
- Proceeds or gains from the alienation of shares in an old 'offshore' company
- Proceeds or gains from the alienation of shares in a company which is active as a shipping or aviation company, irrespective where located
- Dividend from a company not resident in Curacao
- Periodical payments that are not being paid by somebody residing in Curacao
- Capital gains realised in connection with shares that form a so called substantial interest in a company that is not resident in Curacao
- Proceeds, such as interest, from bank accounts and claims, unless received on mortgages on Curacao real estate or received from residents of Curacao
- Proceeds from profit sharing rights, other than as a shareholder, of a business not operated in Curacao
- Proceeds from an enterprise, operating outside Curacao
- Proceeds from an existing or former employment, or from other activities outside Curacao (e.g. a pension)
- Proceeds from real estate situated outside Curacao

Income that does not qualify as foreign source (which would qualify as being progressively taxed):

- Proceeds from claims to the account of a natural or legal person who is residing or established in Curacao or has their registered offices in Curacao
- Proceeds from an existing employment, (either as Employee, managing director or supervisory director) of an entity that is established or has its registered offices in Curacao
- Proceeds from claims, insured by means of mortgage, established on real estate in Curacao

Progressive Rate up to a maximum

The pensioner can opt for a fictitious regulation for the income from foreign sources. This can be an advantage if the foreign source income is more than ANG 2,227,570 (rate 2011). If the foreign source income is set at ANG 500,000. This amount is subject to the progressive tax rate, which will amount to approximately ANG 222,757 (rate 2011). The remaining domestic income is taxed by means of the progressive rate, just as in the previous system. Adding up the foreign income and the domestic income will not take place.

AP Group Limited, trading as AP Executive

Registered in Jersey No 71486

Registered office: Charles House, Charles Street, St Helier, Jersey, JE2 4SF
Tel: (+44) 1534 729314 / Fax: (+44) 1534 633099 / Web: www.ap-executive.com

If the pensioner does not take up this option of levying a fictitious income of ANG 500,000 the fictitious regulation will not take place for that year and the two subsequent years. Not until the third subsequent year will the fictitious regulation be possible.

Social Security Contributions

As such the pensioner is obliged to pay social security contributions for the Curacao General Old-Age Insurance and General Widow's and Orphan's Insurance until the age of 60. The contributions amount to 14% but are limited to a maximum amount. In 2011 the contributions are at most ANG 11,506 annually. In addition, the General Insurance for Special Medical Expenses can also apply, this contribution amounts to 2%, but 1.5% on pension. The GISME (AVBZ) contribution is due to an income of ANG 426,956 (2011)

Conditions that are required to meet Curacao Pension Regulation:

- The pensioner must be a resident of Curacao
- At registration the pensioner will have to be at least 50
- The pensioner has not have resided in Netherlands Antilles five years prior to when they become resident
- Within two months of registration with the Population Register the pensioner must report himself to the Tax Authorities
- The pensioner must have a residence permit for an indefinite period of time, however this is not always necessary depending on the pensioner's circumstances
- A house in Curacao must be bought and occupied within 18 months after registration and it must have a minimum value of ANG 450,000 including the value of the land
- Any relationship the pensioner may have with a company in which he holds directly or indirectly 40% of the shares is permitted
- It is not allowed for the pensioner and/or his spouse to be employed or practice an independent profession in Curacao, or carry out other activities or services
- It is permitted to be a supervisory board member of a company in Curacao (and this income will be taxed by means of the progressive tax)

The pensioner's spouse

As a spouse of the pensioner they will have to apply separately for a residence permit as well

The regulation will automatically apply if the spouse receives an independent income and provided that the marriage was conducted in community of property i.e. there is not a pre-nuptial agreement. If this does exist a separate pension status must be applied for.

Documents required in order to gain pension status:

- Copy of the applicant's passport and that of his/her spouse
- Three recent passport photos
- Birth Certificate
- Certificate of Good Conduct
- Copy of Marriage Certificate or Cohabitation contract
- Notice of deregistration from the municipality where previously resided
- Extract from personal records of Curacao (Population Registry)
- Copy of residence permit for an indefinite period of time, except in the event that the person has automatically been admitted by operation of law

Original source:

Spigthoff Attorneys at Law & Tax Advisers