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Tax Newsflash

Aruba introduces new beneficial policy with fiscal incentives for redevelopment of Oranjestad and San Nicolas city centers

Executive summary

The Government of Aruba has published a temporary, beneficial fiscal policy to stimulate investment in renovation, housing development and re-use of ageing commercial and residential buildings in the designated central areas of Oranjestad and San Nicolas. The fiscal policy is introduced pending official codification of the incentives into law.

Key measures take effect from 1 January 2026 and include:

- A 10-year tax holiday (1 Jan 2026 – 31 Dec 2035) from profit (corporate) tax and dividend withholding tax for qualifying entities exclusively engaged in eligible redevelopment activities.
- Two-year tax holiday (2026 and 2027) from property transfer tax and turnover taxes (BBO/BAZV and BAVP) for qualifying acquisitions/deliveries.
- Where the full entity exemption is not used, an alternative relief of up to Afl. 500,000 of immediate (arbitrary) depreciation of redevelopment/renovation costs is available for costs incurred in the period 2026–2035.

The reliefs are narrowly targeted, “all-in” application and include anti-abuse and clawback rules; multinationals subject to OECD Pillar 2 (global minimum tax) are excluded from this beneficial policy.



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What has been announced

The policy is published as an advance (policy) measure pending enactment of implementation legislation; it becomes effective 1 January 2026 and will be withdrawn automatically on entry into force of the final law.

- The aim is to spur investment and revitalize the two city centers by making redevelopment projects more financially attractive and administratively straightforward.

Scope and eligible area

- Geographic scope: the city centers of Oranjestad and San Nicolas as administratively defined in the "Ruimtelijk ontwikkelingsplan met voorschriften (ROPV)" issued by the Directorate for Infrastructure and Planning.
- Eligible assets: real estate located in the designated areas that is subject to redevelopment or has been redeveloped during the relevant periods for which the policy applies (2026 through 2035).

Who may qualify

- Corporation (naamloze vennootschap/NV) or limited liability company (vennootschap met beperkte aansprakelijkheid/VBA) will qualify and be designated as an "Exempt Company" if it meets the conditions below.
- The qualifying company must during its entire fiscal year hold exclusively assets and liabilities fully related to the redevelopment and/or operation of the redeveloped real estate in the designated area and carry out no other activities.
- The regime is binary: an entity is either fully within the incentive ("all in") or entirely excluded ("all out"). This avoids mixed tax treatment within a single taxpayer.



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Principal conditions and mechanics

- Minimum investment threshold: total redevelopment costs during the exempt period must be at least Afl. 500,000 or, if higher, 50% of the property's ground tax value at the start of the Tax Holiday period.
- Start of works: redevelopment must have commenced no later than the third financial year counting from the first year in which the entity meets the conditions.
- Ownership: the Exempt entity must hold full legal and economic ownership of the (to be) redeveloped property. Creation of security interests to non related financiers is permitted.
- Cash/treasury limitation: holding of excess cash/liquid assets related to the property is prohibited; a maintenance reserve of up to 20% of the property's ground tax value is permitted.
- Transfers and roll over options (only in 2026–2027):
    - Contribution into a newly formed qualifying Exempt entity may be effected at book value in 2026–2027 if the receiving Exempt entity adopts the same book value and related liabilities are also contributed (in Dutch: "doorschuiffaciliteit").
    - An arm's length sale to an unrelated Exempt entity that meets the conditions may be effected in 2026–2027 at 50% of market value (subject to being higher than the book value); the acquiring Exempt entity must also use that same value (the 50% off of market value) as its acquisition value (a semi rollover or in Dutch: "semi-doorschuiffaciliteit).
- Exit/sale after completion: sale of redeveloped property during the Tax Holiday is allowed if the development is finalized and if the minimum redevelopment expense threshold of Afl. 500k has been met. If disposal occurs the Exempt entity loses exempt status as of the following fiscal year.
- If the Exempt entity retains legal and beneficial ownership of the redeveloped real estate for the entire Tax Holiday period, then upon the transition from the Tax holiday period to normal taxed period on January 1, 2036, the redeveloped real estate will be valued at its fair market value for profit tax purposes. Any revaluation will therefore take place during the Tax Holiday period, at the indivisible moment immediately before the transition.
- The participation exemption applies to an ownership in the Exempt entity that meets the above requirements.
- If the above conditions are not met at any time during the Tax Holiday period from January 1, 2026, to December 31, 2035, the exemption from profit tax will expire retroactively. If the real estate was acquired using the aforementioned rollover or semi-rollover facility, the real estate will be valued at its fair market value in the oldest year in which an additional assessment can be imposed.

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Tax reliefs and interactions

- Profit tax: full exemption for qualifying Exempt entities for 10 years (2026–2035).
- Dividend withholding tax: qualifying Exempt entities are exempt from dividend withholding tax on distributions made during the 10-year exempt period. Distributions made after the exempt period are not exempt even if they relate to profits earned during the exempt period.
- Property transfer tax exemptions for acquisitions of property and for share purchases in qualifying Exempt entities apply only in 2026–2027.
- Turnover taxes (BBO/BAZV/BAVP): deliveries to qualifying Exempt entities are exempt in 2026–2027.
- Alternative for other taxpayers: where the entity route is not used, up to Afl. 500,000 of redevelopment and renovation costs incurred 2026–2035 may be immediately depreciated/written-off ("willekeurige afschrijving").

Anti abuse, limitations and clawback

- The policy explicitly disallows use of related entities to shift financing costs or other deductions to a related regularly taxed taxpayer where the costs relate to the exempt asset.
- If at any time during the 10-year tax exempt period the conditions are not met, the profit tax exemption is revoked with retroactive effect. Where assets were acquired using the rollover/semi rollover, the asset will be re valued at market value in the oldest year for which revaluation is possible under general rules.
- If the profit tax exemption is revoked retroactively, related exemptions (dividend, property transfer tax, BBO/BAZV/BAVP) also fall away with retroactive effect.

Practical implications and immediate actions for clients

The measure is an important, time limited commercial tax incentive with specific procedural and substance requirements. Early planning is beneficial because:

- Some favorable acquisition mechanics (book value rollover and semi rollover at 50% market value) are available only in 2026–2027.
- The profit tax and dividend reliefs apply for a fixed 10 year window starting 2026; compliance must be maintained throughout that period.
- Concentrate investments in the first two years (2026-2027) to maximize the BBO/BAZV/BAVP and property turnover tax exemptions on deliveries of (to be) redeveloped real property.

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Monitoring and further guidance

- This is an administrative policy decision that takes effect on 1 January 2026. Deloitte can assist companies with monitoring and formal guidance on procedural rules and any implementation regulations that may be published subsequently.
- For tailored advice on qualification, structuring, and documentation checklists you can consult with Deloitte early in the life cycle of the business.
- Deloitte can assist with preparing eligibility assessments, investment plans, loan documentation checklists.
- Deloitte can also assist with all compliance requirements for companies interested in applying the beneficial policy and help companies structure their approach to maximize the fiscal incentives during the 10-year period.



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Please contact our office at the email addresses mentioned in this newsflash if you have any questions and/or need additional information. We would be pleased to assist you.

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