



GENERAL INFORMATION ON THE A.V.V.

The corporate law of Aruba has introduced as per January 1, 2006 a revised tax regime for the so-called Aruba Exempt Corporation (better known as “A.V.V.”) ., which even though it has been converted from a fully tax – exempt Company into a fully taxed company at the local tax–rate of 35 % on its profit, the exemption can still be obtained if the following situations can be applied and which still makes it a very flexible vehicle for international operations/business

a) The A.V.V. can remain exempted from profit tax and dividend withholding tax but are restricted to the following activities:

1) **Financing**

This activity is described as: *the financing of enterprises and corporations including related parties, not being a credit institution.*

Condition

The A.V.V. may not qualify as a credit institution.

2) **Holding**

This activity is described as: *“holding of shares, equities or other rights of participation”.*

A strict condition for exemption is: that the profits of the company distributing the dividends to the A.V.V. are subject to a profit tax in its country of residence at a rate of at least 17.5%. Its not required that at least 17.5 % profit tax is actually levied.

An Exception apply when total dividends received from non-qualifying foreign source(s) does not exceed 5 % of the total amount of dividends received by the A.V.V. from holding activities.

3) **Investments**

This Activity is described as: *Investment of Capital excluding Real Estate.*

Note:

Investments in Real Estate is explicitly excluded. However holding shares in a Real Estate Company should still be possible but should qualify as holding activity as mentioned under 2.



4) **IP Licensing**

This activity is described as: *Licensing intellectual and Industrial property right and similar capital rights or usage rights according to the law of Aruba and according to of third country.*

The overall conditions are:

- The A.V.V. is to maintain a proper administration and must commit itself to submit any and all information to the local tax authorities when/if so required.
- The A.V.V. is to be restricted to exclusively the above four exempted activities: If the company performs any other minor non qualifying activity, it will forfeit the exemption and becomes subject to profit tax at 35%.

b) The A.V.V. may opt to be treated as a transparent entity and consequently is not subject to the profit tax in Aruba.

If the A.V.V. applies for the transparency status, it has to comply with the following annual requirements:

- The shares in the A.V.V. must be registered and the A.V.V. has to disclose the identity of its shareholder(s) to the local tax authorities (not intended for public records).
- The A.V.V. must file financial statements consisting of a balance sheet and a profit loss account with the tax authorities in Aruba within six months following the financial year-end. (no audit is required).
- The name of the fiscally transparent company will be included in a public register.

The “Aruba Vrijgestelde Vennootschap”, abbreviated as A.V.V. (in English: Aruba Exempt Corporation, A.E.C.) is a corporation with its capital divided into shares and may be compared with the International Business Company of the British Virgin Islands.

MAJOR ASPECTS OF THE A.V.V.:

- A.** The A.V.V. must be incorporated by at least one incorporator.
- B.** The capital of an A.V.V. must be at least \$6.000,= of which at least US\$ 1,-- must be issued and remain outstanding at all times.
- C.** The A.V.V. can issue shares that have a par value or without value. Non voting shares can also be issued.
- D.** The shares must be registered and the direct shareholder must be disclosed
- E.** The A.V.V. must have its registered office in Aruba and must have a Registered Agent in Aruba (“Legal Representative”; this can only be a non-exempt Aruban Company with the specific corporate purpose of being a licensed, local Registered Agent).



AMTR N.V.

Belgiëstraat 36
P.O. Box 1256
Oranjestad, Aruba

-
- F.** The board of managing directors of an A.V.V. can consist of one of the following:
The local registered agents, offshore legal entities or non resident individuals.
- G.** The preparation of the yearly financial statements can be done anywhere in the world and must not be audited
- H.** General meetings of shareholders can be held in Aruba or anywhere else in the world.
- I.** The A.V.V. must obtain a declaration of no objection from the Minister of Justice.
- J.** The A.V.V. is allowed to do any kind of business in Aruba, but will be taxable at the rate of 35 % on its profit other than holding an office.
- K.** The time frame of incorporating the A.V.V. is approximately five working days.

PURPOSE OF THE CORPORATION

The standard purpose clause of the A.V.V. provides for:

- L.** Acting as a Holding Corporation
- M.** Portfolio Investments
- N.** Investments in real estate in general
- O.** Trading in general
- P.** Acquisition of royalties
- Q.** Mortgaging and other surety-ships in general
- R.** Registering and de-registering of aircrafts and ships

The A.V.V is not allowed to conduct offshore banking as well as other activities which would make it a credit or financial institution.

TAXES

The AVV is completely exempted from profit tax in Aruba as long as it has complied with the following requisites

- disclosing the direct shareholders in the company
- Keeping an administration and preparing of financial statements within 6 months after finalizing the fiscal year of the company
- Not having a permanent establishment in Aruba

FEES



AMTR N.V.

Belgiëstraat 36
P.O. Box 1256
Oranjestad, Aruba

Incorporation of an A.V.V. <u>approximately</u> : (standard incorporation and standard articles of incorporation)	US\$	3,800.00	*
Includes: notary expenses, first year's Managing Director's, Legal Representative's, Government license, Chamber's of Commerce and Foreign License fees.			
Annual fees:			
G. Annual Managing Director's fee	US\$	450.00	
H. Annual Legal Representative fee	-	550.00	
I. Annual Government license fee	-	285.00	
J. Annual Chamber of Commerce fee	-	50.00	*
K. Banking Services	-	500.00	
L. Filing of Annual Report	-	150.00	
M. Any other services, documentation and/or disbursements will also be charged.			

* is subject to change based on the authorized capital of the company.

For any further information do not hesitate to call us at (297) 5838166 / 5836466 or send us a fax on (297) 5836546 or e-mail us: amtr@setarnet.aw.

This document is construed for general information only. The information presented should not be construed to be formal legal advice.