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 Venootschap”, 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).
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

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**FEES**
Incorporation of an A.V.V. approximately: US$ 3,800.00 *
(standard incorporation and standard articles of incorporation)
Includes: notary expenses, first year’s Managing Director’s, Legal Representative’s, Government license, Chamber’s of Commerce and Foreign License fees.

Annual fees:

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<tbody>
<tr>
<td>G. Annual Managing Director’s fee</td>
<td>US$</td>
<td>450.00</td>
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<tr>
<td>H. Annual Legal Representative fee</td>
<td>-</td>
<td>550.00</td>
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<tr>
<td>I. Annual Government license fee</td>
<td>-</td>
<td>285.00</td>
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<tr>
<td>J. Annual Chamber of Commerce fee</td>
<td>-</td>
<td>50.00 *</td>
</tr>
<tr>
<td>K. Banking Services</td>
<td>-</td>
<td>500.00</td>
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<tr>
<td>L. Filing of Annual Report</td>
<td>-</td>
<td>150.00</td>
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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.