

NARRATIVE REPORT ON ARUBA



PART 1: TELLING THE STORY

A Caribbean secrecy jurisdiction

General

Aruba is a part of the Kingdom of the Netherlands. Since constitutional changes in October 2010, this Kingdom has consisted of the Netherlands in Europe, plus six islands in the Caribbean, three of which are countries: Aruba, Curaçao and St. Maarten. The other three -- Bonaire, St. Eustatius and Saba -- are special municipalities of the Netherlands. (The 2010 changes involved the dissolution of the Netherlands Antilles, which then consisted of Curaçao, Bonaire, St. Maarten, St. Eustatius and Saba.¹) Aruba lies 23 km north of the coast of Venezuela, has about 108,000 inhabitants and is fully autonomous in internal affairs. External affairs and defence are managed by the Netherlands.

History

The Spanish came to Aruba around 1500 and deported the indigenous population to work in copper mines in Santo Domingo, in what is now the Dominican Republic. The Dutch gained control in 1636, and the economic development of Aruba remained limited compared with Curaçao, with some cattle breeding and phosphate mining. Aruba remained an economic subsidiary of Curaçao. In 1924 the economy was transformed when the Standard Oil Company of New Jersey built oil storage tanks and a refinery for oil from nearby Venezuela; in the 2nd World War the Aruba refinery and Shell refinery in Curaçao produced some 85% of Allied aviation fuel. When the refinery closed in 1985, Aruba was transformed into a tourism-based economy.

The Offshore Sector

In fact the origins of Aruba's OFC come not from its history, but lie in developments in Curaçao. Until 1986 (when Aruba became a separate country in the Dutch Kingdom), Aruba's tiny offshore sector was fully connected with that of Curaçao, where the central government and most offshore professionals – lawyers, notaries and accountants -- resided. Another factor was that the Aruban tax-inspector was not authorised to issue a tax-ruling.

When Aruba obtained its autonomy in 1986 the government wanted to develop the island as a financial centre. It was boosted by favourable tax legislation and the Belastingregeling voor het Koninkrijk (BRK) ² with the Netherlands (which has the same effect as a tax treaty).

Rank: 57

Chart 1 - How Secretive?

68
Secrecy
Score

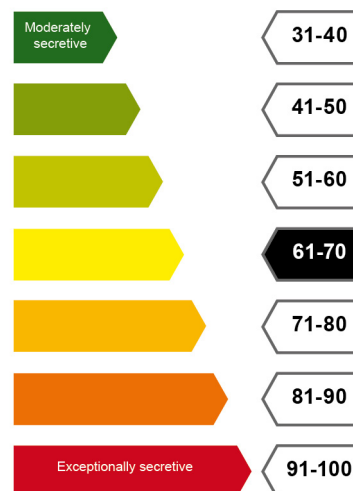
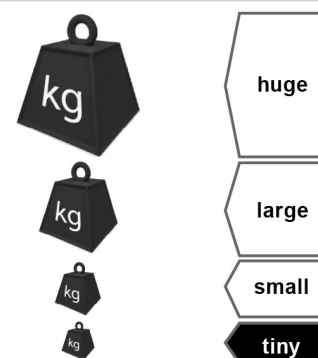


Chart 2 - How Big?



Aruba accounts for less than 0.1 per cent of the global market for offshore financial services, making it a tiny player compared with other secrecy jurisdictions.

The ranking is based on a combination of its secrecy score and scale weighting.

Read more
[→ Full data](#)
[→ Aruba on TJN Blog](#)
[→ Full Methodology](#)

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New zero-tax legislation was approved in 1988, giving rise to rapid offshore sector growth: by the end of that year there were already an estimated 600 active Aruban holding, finance and royalty companies. Even so, these companies were mostly managed from Curaçao (mailing address, bank accounts, bookkeeping) so the linkages to the Aruban economy were minimal. The direct and indirect revenues from the offshore sector on Aruba (including tax revenues) were estimated at somewhere between 0.5 and 0.7 % GDP (IMF report June 2002). According to international standards the offshore banking sector is very small: in 2010 there were only two offshore banks on Aruba, both affiliated to Citibank, with assets equivalent to around 12 percent of GDP (IMF, Oct 2010). According to the IMF in September 2008,

“The offshore banks essentially operate as shell banks . . . one is mainly engaged in intra-group financing and the financing of sovereign bonds, while the other’s activities relate to the trading and financing of Latin American sovereign risk bonds and loans, underwriting of bonds and shares for customers and other general banking services. There is no physical presence in Aruba. The management and administration is conducted by Citibank, Venezuela. They function as administrative booking offices. . . To date, the CBA [Central Bank of Aruba] has not conducted on-site examinations of the offshore banks.”

According to the CBA, these two offshore banks were still functioning in December 2012.

Read More

- [Full data for Aruba](#)
- [Aruba on TJN Blog](#)
- [Full Methodology](#)
- Hoogenkamp, D.A.J., *The development of Aruba as a Tax-haven* (Oranjestad 1988).
- IMF Aruba Offshore Financial Centre Assessment. Volume 1 June 2002.
- IMF Country report September 2008. No 08/316. Aruba Assessment.
- IMF Country report October 2010. No. 10/334.

Aruba Article IV Consultation.




- IMF Kingdom of the Netherlands—Aruba: Detailed Assessment of Compliance with the Basel Core Principles for Effective Banking Supervision, IMF Country Report No. 08/316, Sept 2008
- List of financial institutions under the supervision of the CBA as of December 31, 2012, Central Bank of Aruba, www.cbaruba.org

¹To make it even more confusing, Aruba was also part of the Netherlands Antilles until 1986 when it became a separate country in the Dutch Kingdom.




²Effectively the equivalent to a DTA, but only applied to transfers from one part of the Kingdom of the Netherlands to another; as with a DTA it can be used by third parties for treaty shopping. A new BRK came into effect in 1997.

PART 2: ARUBA'S SECRECY SCORE





TRANSPARENCY OF BENEFICIAL OWNERSHIP – Aruba

- 1  **Banking Secrecy:** Does the jurisdiction have banking secrecy?
Aruba partly curtails banking secrecy
- 2  **Trust and Foundations Register:** Is there a public register of trusts/foundations, or are trusts/foundations prevented?
Aruba partly discloses or prevents trusts and private foundations
- 3  **Recorded Company Ownership:** Does the relevant authority obtain and keep updated details of the beneficial ownership of companies?
Aruba does not maintain company ownership details in official records






KEY ASPECTS OF CORPORATE TRANSPARENCY REGULATION – Aruba

- 4  **Public Company Ownership:** Does the relevant authority make details of ownership of companies available on public record online for free, or for less than US\$10/€10?
Aruba does not require that company ownership details are publicly available online
- 5  **Public Company Accounts:** Does the relevant authority require that company accounts are made available for inspection by anyone for free, or for less than US\$10/€10?
Aruba does not require that company accounts be available on public record
- 6  **Country-by-Country Reporting:** Are all companies required to publish country-by-country financial reports?
Aruba does not require public country-by-country financial reporting by companies

EFFICIENCY OF TAX AND FINANCIAL REGULATION – Aruba

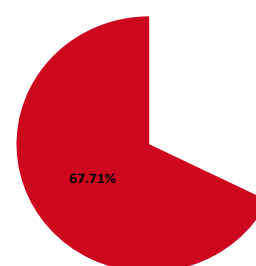
- 7  **Fit for Information Exchange:** Are resident paying agents required to report to the domestic tax administration information on payments to non-residents?
Aruba does not require resident paying agents to tell the domestic tax authorities about payments to non-residents
- 8  **Efficiency of Tax Administration:** Does the tax administration use taxpayer identifiers for analysing information efficiently, and is there a large taxpayer unit?
Aruba does not use appropriate tools for efficiently analysing tax related information
- 9  **Avoids Promoting Tax Evasion:** Does the jurisdiction grant unilateral tax credits for foreign tax payments?
Aruba does not avoid promoting tax evasion via a tax credit system
- 10  **Harmful Legal Vehicles:** Does the jurisdiction allow cell companies and trusts with flee clauses?
Aruba partly allows harmful legal vehicles

INTERNATIONAL STANDARDS AND COOPERATION – Aruba

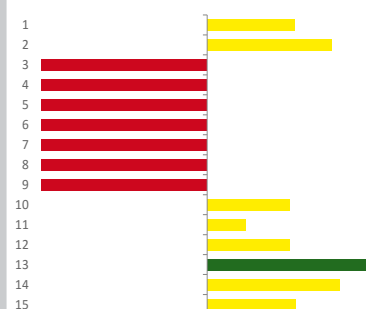
- 11  **Anti-Money Laundering:** Does the jurisdiction comply with the FATF recommendations?
Aruba partly complies with international anti-money laundering standards
- 12  **Automatic Information Exchange:** Does the jurisdiction participate fully in multilateral Automatic Information Exchange via the Common Reporting Standard?
Aruba partly participates in Automatic Information Exchange
- 13  **Bilateral Treaties:** Does the jurisdiction have at least 53 bilateral treaties providing for information exchange upon request, or is it part of the European Council/OECD convention?
As of 31 May, 2015, Aruba had at least 53 bilateral tax information sharing agreements complying with basic OECD requirements
- 14  **International Transparency Commitments:** Has the jurisdiction ratified the five most relevant international treaties relating to financial transparency?
Aruba has ratified less than five of the most relevant international treaties relating to financial transparency
- 15  **International Judicial Cooperation:** Does the jurisdiction cooperate with other states on money laundering and other criminal issues?
Aruba partly cooperates with other states on money laundering and other criminal issues

Secrecy Score

Aruba - Secrecy Score



Aruba KFSI-Assessment



Notes and Sources

The ranking is based on a combination of its secrecy score and scale weighting (click [here](#) to see our full methodology).

The secrecy score of 68 per cent for Aruba has been computed by assessing its performance on 15 Key Financial Secrecy Indicators (KFSI), listed on the left. Each KFSI is explained in more detail, [here](#).

Green indicates full compliance on the relevant indicator, meaning least secrecy; red indicates non-compliance (most secrecy); and yellow indicates partial compliance.

This paper draws on data sources including regulatory reports, legislation, regulation and news available as of 31.12.2014 (with the exception of KFSI 13 for which the cut-off date is 31.05.2015).

Full data on Aruba is available here: <http://www.financialsecrecyindex.com/database/menu.xml>

All background data for all countries can be found on the Financial Secrecy Index website: <http://www.financialsecrecyindex.com>