

NARRATIVE REPORT ON ARUBA



PART 1: NARRATIVE REPORT

Overview

Aruba is found in 68th place on the 2018 Financial Secrecy Index. Although the country has a relatively high secrecy score, of 76, it accounts for a tiny proportion of offshore financial services. The offshore sector in Aruba never got off the ground, with the offshore sector being dominated by its larger neighbour, Curaçao.

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. 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

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.

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)¹ with the Netherlands (which has the same effect as a tax treaty).

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

Rank: 68

Chart 1 - How Secretive?

76
Secrecy Score

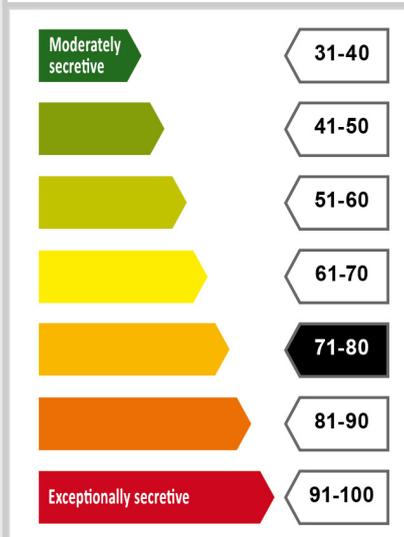
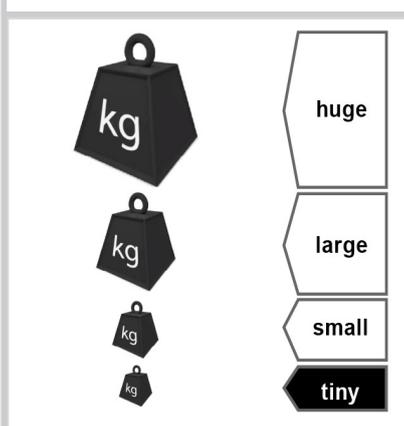


Chart 2 - How Big?



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.

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

To find out more about the Financial Secrecy Index, please visit <http://www.financialsecrecyindex.com>.

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offshore sector on Aruba (including tax revenues) were estimated at somewhere between 0.5 and 0.7% of 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.

In 2017 Aruba was included on the European Union’s grey list of tax havens. These are countries that do not meet European standards on tax transparency, but have committed to improve. The countries on the grey list have two years to implement changes, if not they will move to the blacklist. Both the blacklist and the grey list have no sanctions attached to them, so the distinction between the two lists is academic.

Read More

-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

Endnotes:

1 Effectively 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

OWNERSHIP REGISTRATION

- 57% 1. Banking Secrecy
- 25% 2. Trust and Foundations Register
- 100% 3. Recorded Company Ownership
- 50% 4. Other Wealth Ownership
- 100% 5. Limited Partnership Transparency

LEGAL ENTITY TRANSPARENCY

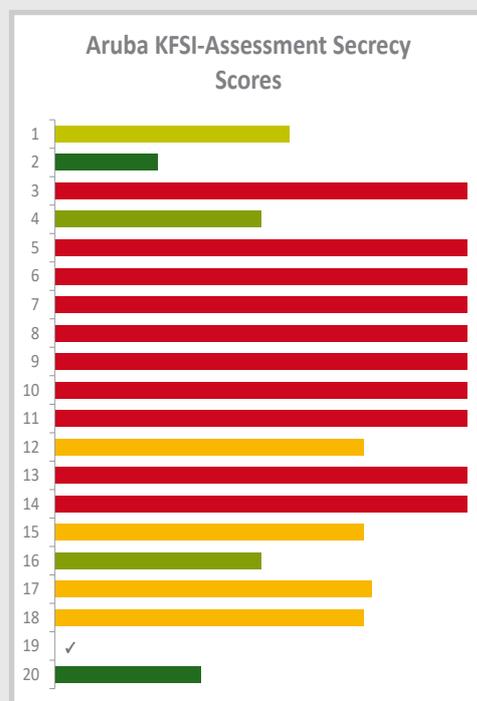
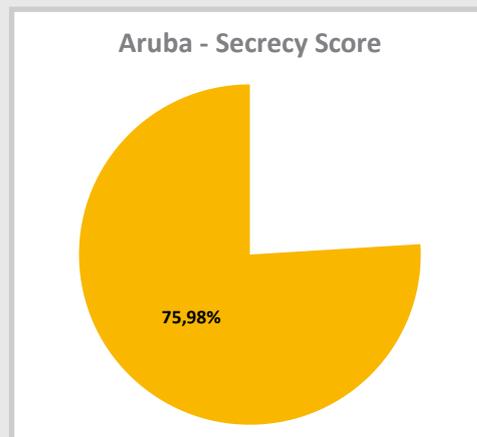
- 100% 6. Public Company Ownership
- 100% 7. Public Company Accounts
- 100% 8. Country-by-Country Reporting
- 100% 9. Corporate Tax Disclosure
- 100% 10. Legal Entity Identifier

INTEGRITY OF TAX AND FINANCIAL REGULATION

- 100% 11. Tax Administration Capacity
- 75% 12. Consistent Personal Income Tax
- 100% 13. Avoids Promoting Tax Evasion
- 100% 14. Tax Court Secrecy
- 75% 15. Harmful Structures
- 50% 16. Public Statistics

INTERNATIONAL STANDARDS AND COOPERATION

- 77% 17. Anti-Money Laundering
- 75% 18. Automatic Information Exchange
- 0% 19. Bilateral Treaties
- 36% 20. International Legal Cooperation



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 76 per cent has been computed as the average score of 20 Key Financial Secrecy Indicators (KFSI), listed on the left. Each KFSI is explained in more detail by clicking on the name of the indicator.

A grey tick indicates full compliance with the relevant indicator, meaning least secrecy; red indicates non-compliance (most secrecy); colours in between partial compliance.

This paper draws on data sources including regulatory reports, legislation, regulation and news available as of 30.09.2017.

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To find out more about the Financial Secrecy Index, please visit <http://www.financialsecrecyindex.com>.