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Ons kenmerk
2025-0000169297

Uw brief (kenmerk)

Bijlagen
1. IMF rapport fiscale stelsel
BES-eilanden

Datum 27 juni 2025
Betreft Aanbieden IMF rapport fiscale stelsel BES-eilanden

Geachte voorzitter,

Op 7 maart jl. heeft de Fiscal Affairs Department van het Internationaal Monetair Fonds (hierna: IMF) een eindrapport opgeleverd over het fiscale stelsel van de BES-eilanden: *Technical Assistance Report - Kingdom of the Netherlands: Assessment of the Tax System of the BES-islands* (hierna: het rapport). Dit rapport is op verzoek van het ministerie van Financiën opgesteld en betreft een diepgaande fiscaaltechnische evaluatie van het bijzondere fiscale stelsel aldaar, alsmede een aantal aanbevelingen voor de toekomst.

Hierbij stuur ik u (alsmede de voorzitter van de Tweede Kamer) een afschrift van dit rapport, waarbij ik het IMF uitdrukkelijk dank voor de werkzaamheden. Deze brief gaat kort in op de uitkomsten van het rapport, de keuzes die het IMF heeft gemaakt en werpt een blik op de toekomst, rekening houdend met afspraken die bij de staatkundige ontmanteling van het voormalige Nederlands-Antilliaanse staatsverband over het fiscale stelsel zijn gemaakt (de zogenaamde Slotakkoorden), en rekening houdend met de conclusies van de Commissie Sociale Zekerheid Caribisch Nederland onder voorzitterschap van de heer mr. dr. Glenn (G.A.E.) Thodé die de armoedeproblematiek op de BES-eilanden heeft onderzocht en voor de bestrijding ervan een aantal aanbevelingen heeft voorgesteld.¹

Achtergrond fiscaal stelsel BES-eilanden

Reeds in januari 2007 (ruimschoots voor de ontmanteling van het voormalige Nederlands-Antilliaanse staatsverband per 10 oktober 2010) is in samenspraak met vertegenwoordigers van de eilandgebieden Bonaire, Saba en Sint Eustatius gestart met een onderzoek naar het toekomstige fiscale stelsel voor de BES-eilanden. Naar aanleiding daarvan is vastgesteld dat het bestaande Nederlandse fiscale stelsel vanwege haar complexiteit niet onverkort op de BES-eilanden kan worden ingevoerd.

Een zwaarwegende factor is daarbij vooral de geografische ligging van Bonaire, Saba en Sint Eustatius geweest en de afstand tot Nederland. Zij zijn economisch zeer nauw verweven met dichtbij gelegen grotere eilanden die behoren tot het Koninkrijk der Nederlanden (Curaçao en Sint Maarten). Immers, voor de aanvoer

¹ Een waardig bestaan, Advies van de Commissie sociaal minimum Caribisch Nederland over de hoogte en de systematiek voor een sociaal minimum voor Caribisch Nederland, rapport van de Commissie Sociaal Minimum Caribisch Nederland, 6 oktober 2023.

van goederen en de afname van diensten zijn Bonaire, respectievelijk Sint Eustatius en Saba vrijwel geheel afhankelijk van Curaçao respectievelijk Sint Maarten. De integrale invoering van het Nederlandse fiscale stelsel zou geen recht doen aan deze onderlinge economische verwevenheid met, en afhankelijkheid van, de BES-eilanden ten opzichte van Curaçao en Sint Maarten en zou zonder aanpassingen een nadelig effect hebben op de lokale economieën. Daar komt bij dat het Nederlandse fiscale stelsel qua opbouw, grondslag en tarief sterk afwijkt van de fiscale stelsels in de regio.

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In verband daarmee is indertijd besloten het bestaande Nederlands-Antilliaanse fiscale stelsel als startpunt te nemen en vanuit dit bestaande stelsel een forse moderniserings- en vereenvoudigingslag te maken. In dat kader zijn effectief per 2011 de Nederlands-Antilliaanse inkomsten- en loonbelasting, en de overdrachtsbelasting behouden en zijn de winstbelasting voor lichamen en de successiebelasting komen te vervallen. Daarentegen zijn per 2011 ook een aantal nieuwe belastingen ingevoerd: de opbrengstbelasting (een eenvoudige dividendbelasting), de vastgoedbelasting, een kansspelbelasting en een lokale omzetbelasting (de algemene bestedingsbelasting die ook als een invoerheffing fungeert; hierna: ABB).

Inhoud IMF-rapport

Onderzoeksvragen

Het ministerie van Financien heeft samen met het IMF een aantal onderzoeksvragen vastgesteld:

1. Is het fiscale stelsel op de BES-eilanden nog in overstemming met het draagkrachtbeginsel?
2. Is het fiscaal stelsel vijftien jaar na de invoering ervan in 2011 toe aan modernisering?
3. Is een van Nederland afwijkend fiscaal stelsel op de BES-eilanden nog te rechtvaardigen?

Voor dit onderzoek zijn gegevens over belastingopbrengsten en andere informatie van de Belastingdienst Caribisch Nederland en de Douane Caribisch Nederland, alsmede gegevens over belastingopbrengsten die de openbare lichamen zelf innen afgezet tegen o.a. data van het Centraal Bureau voor de Statistiek (CBS) en andere openbare informatie. Hierdoor heeft dit onderzoek resultaten opgeleverd die in de aanbevelingen zijn verwerkt. Daarnaast zijn diverse experts gevraagd om een aantal praktijkervaringen te delen. Het formele belastingrecht, alsmede het fiscale invorderingsrecht op de BES-eilanden is niet geëvalueerd in dit rapport.

Conclusies rapport

In het rapport stelt het IMF dat veel (kleine) eilandoeconomieën fundamenteel andere wensen hebben hoe een fiscaal stelsel er zou moeten uitzien in vergelijking met andere (grotere) (ei)landen. Kleine eilanden kenmerken zich doordat de bewonersaantallen gering zijn, de kostprijs van collectieve voorzieningen hoog, er relatief veel goederen moeten worden geïmporteerd en dat de schakels tussen ondernemingen en de eindgebruiker (consument) veelal erg kort zijn. Voor de BES-eilanden is dit niet anders. Deze kenmerken zijn derhalve als uitgangspunt genomen bij de aanbevelingen die het IMF heeft voorgesteld. Het rapport steunt op een viertal brede aanbevelingen die nader zijn uitgewerkt in een aantal aanbevelingen:

1. Het wijzigen van de ABB in een vereenvoudigd btw-stelsel (met het beperken van vrijstellingen, invoeren van een kleine ondernemingsregeling, geen margeregeling etc.);

2. Het aanpassen van de invoerheffingen aldaar (meer differentiatie in tarieven op diverse goederen, jaarlijkse indexatie, invoeren accijnzen voor alcohol en tabak op de Bovenwindse eilanden etc.);
3. Het invoeren van de Nederlandse Wet inkomstenbelasting 2001 op de BES-eilanden, met een aantal specifieke uitzonderingen; en
4. Het integraal herzien van de vastgoedbelasting als forfaitaire heffing.

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Kabinetsappreciatie

Het kabinet heeft veel waardering over de voortvarendheid waarmee het IMF aan de slag is gegaan met de opdracht van het ministerie van Financiën. Het acht de resultaten van dit onderzoek een waardevolle aanvulling op de bestaande rapporten en onderzoeken over (de gevolgen) van het fiscale stelsel op de BES-eilanden. Het kabinet heeft dan ook een positieve grondhouding om te verkennen welke specifieke aanbevelingen van het IMF verder zullen worden onderzocht. Dit zal het kabinet wel in nauw overleg met vertegenwoordigers van de BES-eilanden doen. Zoals bekend, is het kabinet eind 2024 ook verzocht om in wezenlijke samenspraak met vertegenwoordigers van de eilanden koopkrachteffecten (aan de hand van de minimumvoorbeeldbegrotingen opgesteld door de commissie Thodé en het Nibud) in kaart te brengen, en eventuele lastenverzwaringen als gevolg van belastingwijzigingen te ondervangen.² Met dit overleg is reeds een begin gemaakt en ambtenaren van het ministerie van Financiën hebben periodiek overleg met vertegenwoordigers van de BES-eilanden over aanpassingen in het fiscale stelsel aldaar. Tegen die achtergrond zal het rapport ook worden aangeboden aan vertegenwoordigers van Bonaire, Saba en Sint Eustatius.

Daarom wil ik, in gezamenlijk overleg met vertegenwoordigers van de BES-eilanden, nader onderzoek doen naar aanpassingen van het fiscale stelsel op onder andere de volgende onderdelen:

1. Het bijstellen en invoeren van accijnzen op een aantal goederen;
2. Het afschaffen van de vastgoedbelasting voor lichamen onder gelijktijdige invoering van een vereenvoudigde vennootschapsbelasting; en
3. Het onder voorwaarden aanpassen van de ABB om de kostprijs van goederen bij invoer te (kunnen) bijstellen); en
4. Invoeren van een extra schijf in de inkomstenbelasting.

Bij het aanpassen van het BES-stelsel blijven de fiscale uitgangspunten gelden die ook bij de invoering van het fiscale stelsel als uitgangspunt golden, zoals het genereren van voldoende opbrengsten, het bevorderen van de uitvoerbaarheid van de wetgeving, en het behouden van eenvoud in de wetgeving zodat het draagvlak op de BES-eilanden voor het fiscale stelsel voldoende blijft.

Het is mijn streven om dit jaar over bovengenoemde thema's met de vertegenwoordigers van de BES-eilanden in gesprek te gaan en uw Kamer over de resultaten van deze samenspraak te informeren.

² Motie van het lid Ceder c.s. van 24 november 2024, Kamerstukken II, 2024/2025, 36600 XV, nr. 79.

Hoogachtend,

de staatssecretaris van Financiën -
Fiscaliteit, Belastingdienst en Douane,

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T. van Oostenbruggen



TECHNICAL ASSISTANCE REPORT

KINGDOM OF THE NETHERLANDS

Assessment of the Tax System of the BES
Islands

MARCH 2025

Prepared By

Persoonsgegevens

Fiscal Affairs Department

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Contents

Abbreviations and Acronyms	5
Preface	6
Executive Summary	7
I. Introduction and Background	10
II. Taxes on Consumption	15
A. General Consumption Tax	15
B. Excise Taxes	21
III. Taxes on Income and Real Property	26
A. Personal Income Tax	26
B. Real Estate Tax	28
C. Business Profit Tax	30
Boxes	
1. Low effective tax rate in hospitality sector – an example	32
2. Incorporating a small business – an example ^{1/}	34
Figures	
1. BES Islands: Age Pyramid (2023)	11
2. Added Value per Economic Sector in Bonaire, 2021	12
3. BES Islands: Income Distribution 2021-2022	27
Tables	
1. BES Islands: Selected Indicators (2023)	10
2. BES Islands: Place of Birth of Residents (2023)	11
3. Visitors to Bonaire, 2016-2023	11
4. Central Budget Transfers and Tax Revenue, 2014 and 2019	13
5. Central Tax Revenue, 2014-2023)	13
6. Local Tax Revenue and Fees per Island, 2021-2023	14
7. ABB Revenue (in percent of GDP)	15
8. Thresholds in Other Caribbean Jurisdictions	17
9. ABB Exemptions	18
10. BES Islands: Actual Excise Taxes	21
11. Retail Energy Prices in Selected Caribbean Countries, 2024	22
12. Tobacco Taxation in BES and other Caribbean Countries, 2022	23
13. Netherlands-BES Islands: Tax Rate Structure Differences	26

14. Net Income Effects in 2025 (compared to 2023 and 2024) _____	27
15. Comparative tax burden between sole proprietors and incorporated business _____	33
16. Wages reported under the Customary Wage Rule. _____	33

Abbreviations and Acronyms

ABB	Algemene Bestedingsbelasting (general consumption tax)
ACS	Aruba, Curaçao, and Sint Maarten
AETR	Average Effective Tax Rate
BCN	Belastingdienst Caribisch Nederland (tax administration)
BES	Bonaire, Sint Eustatius, and Saba
BIE	Basic Income Exemption
CBS	Centraal Bureau voor de Statistiek (statistical office)
CIT	Corporate Income Tax
EUR	Euro
FAD	Fiscal Affairs Department
GDP	Gross Domestic Product
IBFD	International Bureau of Fiscal Documentation
IMF	International Monetary Fund
MoF	Ministry of Finance
OCT	Overseas Country and Territory
PIT	Personal Income Tax
RET	Real Estate Tax
SSB	Sugar-Sweetened Beverages
SSC	Social Security Contribution
USD	United States Dollar
VAT	Value-Added Tax
WHO	World Health Organization

Preface

In response to a request from the Ministry of Finance of the Kingdom of the Netherlands, a virtual technical assistance activity from the Fiscal Affairs Department (FAD) of the IMF assessed the tax system of the BES islands (Bonaire, Sint Eustatius, and Saba) and provided reform options. The activity was led by Mario Mansour and included Messrs. Geerten Michielse and Jean François Wen (all FAD staff).

This report is based on the tax laws governing the tax systems of the BES islands and related written material, information from the Netherlands' Ministry of Finance, and several virtual meetings the FAD team had with Ms. Kim Boon and Mr. Jeroen Adeler (Ministry of Finance). The FAD team would like to thank the Netherlands' authorities for the opportunity to contribute to their evaluation of the tax system of the BES islands, and Ms. Boon and Mr. Adeler for their efficient and pleasant collaboration.

Executive Summary

Taxation in small island economies exhibits special features related to factors such as concentration of the tax base, large import shares in GDP, and short domestic supply chains. In the Netherlands Antilles—Bonaire, Sint Eustatius, and Saba, hereafter referred to as BES islands—few additional characteristics set them apart from other small island economies: (1) they are quasi-municipalities of the Netherlands, and hence have little own-sources of revenues—as the general tax system applicable on the mainland also applies in the BES islands, but with important differences as described in this report; (2) their population is very small—about 25 thousand in Bonaire—and micro in Sint Eustatius and Saba—well below 5 thousand; (3) about half of the combined population of the islands was born outside of the islands and other neighboring Dutch Caribbean islands, and reside in BES for retirement or for running a small business; and (4) individuals born outside the BES tend to have on average higher incomes than the indigenous population.

These characteristics are fundamental in shaping changes to the tax system applicable to the BES islands and have guided the analytical approach and recommendations in this technical report.

First, the report assumes the principle that the tax system in the Netherlands should largely apply to the BES, given their political status, with minimal differences—driven primarily by tax administration constraints. This is important to ensure equal tax treatment of citizens irrespective of where they choose to live—on the mainland, or in BES. Second, given the peculiar politics of small island economies, any tax reform should be viewed as a win for the native inhabitants of the islands. This can be done directly through the tax system by, for instance, leaving unchanged the tax situation of most low-income individuals, who are largely natives to the BES, and/or by using the revenue yield from the tax reform (if any), to increase transfers to the islands.

This report proposes four broad directions for reforming the tax system as it applies to the BES—detailed reform options are in the table below—with the key objective of striking a balance between simplicity, and reducing unnecessary differences with the tax system applicable in the mainland:

- 1) General consumption tax (ABB): The ABB can be reformed toward a standard value-added tax (VAT) by giving it an adequate registration threshold, expanding the deduction of input tax, streamlining the rate structure to a single or two rates, and reducing exemptions somewhat.
- 2) Excise taxes: There is an untapped potential in this area, both in existing excises as well as possible new ones. This is especially the case of environmental taxes, which are clearly justified given the risks that tourism pose to the natural beauty of the BES.
- 3) Income taxes: The PIT in the mainland should, in principle, apply equally to Dutch individuals living in the BES, and non-Dutch residents of BES—it is hard to argue for any other reform. The aspects of the PIT that address the taxation of low-income individuals on the mainland should be sufficient for the natives of the BES—since average low-income in the BES is lower than that on the mainland. A similar reform is appropriate for the taxation of profits, perhaps with a small business regime for unincorporated entities, coordinated with the registration threshold under the ABB.

- 4) Property tax: The current property tax acts as a presumptive profit tax for businesses resident in the BES. A natural direction of reform in this area—also given recommendation 3 above—is to transform it into a simple property tax on residential and commercial properties, with adequate features to ensure that low-income households are not affected.

This report did not study the revenue and distributional implications of these reform directions. It is in principle feasible to undertake such reforms on a revenue-neutral basis—although unlikely in practice given the significant tax advantages that individuals and businesses in the BES currently enjoy. These reforms will, however, have distributional implications. It is important that such implications are analyzed, and policy responses to address them are designed, together with effective public communication.

Finally, a gradual approach to the reforms—say over 5 years—could be appropriate, given that the changes, taken together, are significant. In a first phase (years 1 to 3), the PIT can be brought further closer to the PIT applicable on the mainland—the implications for low-income individuals on the islands are most likely negligible. Also, the ABB can be brought closer to a VAT. In a second phase (years 3-5), reforms to the taxation of profits and the real property tax can be introduced. This is probably the most difficult phase, given that it involves repealing the current property tax and introducing a new one, introducing a small business regime for unincorporated businesses, and applying the CIT on the other incorporated businesses.

Summary of Recommendations

Value Added Tax
<ul style="list-style-type: none"> • Move the ABB closer to a VAT by extending the offset of paid ABB on input to any purchase by registered businesses. • Consider increasing the threshold, to ensure that a large part of the small retail sector is exempt – for instance to USD 100,000. • Abolish the reduced rates for services and insurance activities. • Consider eliminating exemptions for postal services, public utilities, childcare and hotel accommodation.
Excise Taxes
<ul style="list-style-type: none"> • Differentiate the excise tax on fuel products between unleaded and sulfur-free gasoline, leaded and sulfur-rich gasoline, and introduce equivalent excises on diesel and kerosene. • Levy a higher import duty on expensive vehicles. • Impose the new ABB on the dealer's margin of the sale of second-hand cars. • Extend the excise taxes on tobacco products and alcoholic beverages to Sint Eustatius and Saba. • Index all specific tax rates annually for inflation. • Increase the (specific) excise tax on other tobacco products based on tobacco content and better differentiate between those products. • Excise e-cigarettes at similar rates to standard cigarettes. • Consider introduction of an excise tax on sugar-sweetened beverages. • Introduce excises on plastic shopping bags, plastic bottles, aluminum cans, and incandescent light bulbs to discourage their use.
Real Estate Tax
<ul style="list-style-type: none"> • Eliminate the USD 70,000 exclusion in the calculation of valuation of benefits from the use of real estate. • Include property enhancements in the real estate tax base for periods in which they occur. • Assess the market values of properties subject to real estate tax and update these values every five years, while applying an inflation index for the years in between. • Eliminate the preferential real estate tax for hotels. • Consider applying real estate tax to all residential and commercial properties at a harmonized rate, possibly with an exemption threshold for residential property to exclude most cash-constrained individuals. • Reduce or eliminate the property transfer tax if an income tax is applied to real estate capital gains.
Business Taxation
<ul style="list-style-type: none"> • Remove the real estate tax for incorporated business resident in BES. • Introduce a simplified tax regime for small and medium-sized business in BES based on cash accounting. • Bring the customary wage rules in line with those of the mainland.

I. Introduction and Background

1. Since the dissolution of the Netherlands Antilles in October 2010, Bonaire, Sint Eustatius, and Saba (BES) became part of the Netherlands (European mainland). The other parts of the Netherlands Antilles became independent countries within the Kingdom of The Netherlands. The BES islands became administratively organized as a public body¹ and considered as Dutch Overseas Country and Territory (OCT) by the European Union (EU). They adopted the USD as their common currency. Table 1 provides a summary of selected indicators for the BES islands.

Table 1. BES Islands: Selected Indicators (2023)

	Area (Square KM)	Population (Number)	Population (Per square km)	Nominal GDP (USD million)
Aruba	180	108,166	600	3,827
Curacao	444	148,925	335	3,500
Sint Maarten	34	42,938	1,262	1,185
Bonaire	294	24,090	82	583
Sint Eustatius	21	3,293	157	107
Saba	13	2,035	156	46
BES Islands	328	29,418	90	735

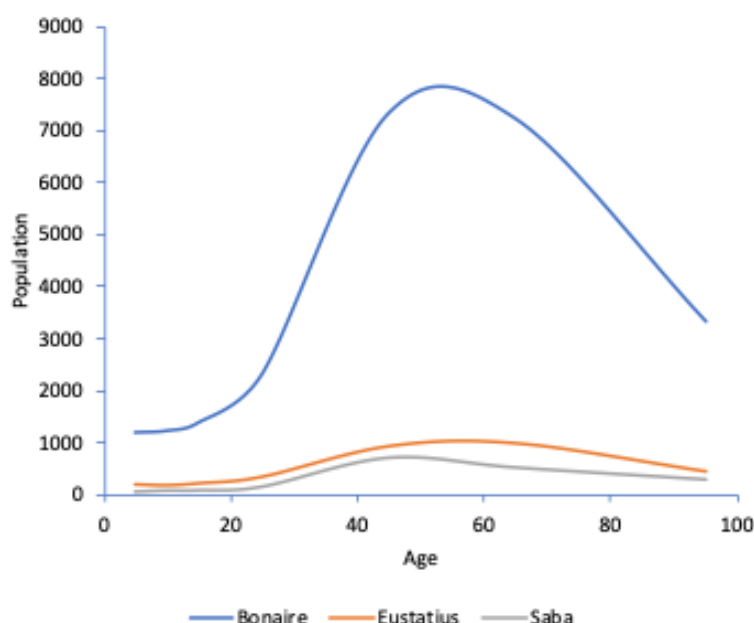
Source: Centraal Bureau voor de Statistiek (CBS), Netherlands.

Note: Population and nominal GDP for Aruba, Curacao and Sint Maarten are estimates.

2. **The BES Islands are less populated than Aruba, Curacao and Sint Maarten.** Their demographics are skewed towards the elderly (Figure 1). About half of the population is over 45 years, and 14 percent over 65. On Bonaire, about half of the residents originate from the Netherlands and other areas outside the Dutch Caribbean Islands—mainly from Canada and the United States. They typically choose the island for its geographic position just outside the hurricane belt, its climate, and its high living standards relative to other Caribbean islands. The number of Dutch retirees on St. Eustatius and Saba is substantially lower. Saba is home to a medical university serving mainly US and Canadian students (about 250 resident students each year). Table 2 provides the origin of the BES Island's residents in 2023.

¹ In the Netherlands, the term public body (*openbaar lichaam*) is the general denomination for administrative divisions within the Dutch state, such as the central government, a province, a municipality or a water board. These types of political entities are defined by the Constitution of the Netherlands.

Figure 1. BES Islands: Age Pyramid (2023)



Source: Ministry of Finance, Netherlands.

Table 2. BES Islands: Place of Birth of Residents (2023)

	Bonaire		Sint Eustatius		Saba	
Caribbean Netherlands	7,977	33.1%	1,117	33.9%	498	24.5%
Aruba, Curacao, and Sint Maarten	4,853	20.1%	778	23.6%	415	20.4%
Netherlands	4,025	16.7%	185	5.6%	96	4.7%
Other	7,235	30.0%	1,213	36.8%	1,026	50.4%
Total	24,090		3,293		2,035	

Source: CBS Netherlands.

3. The main economic activity on the BES islands is tourism. On Bonaire the tourist industry focuses on activities on and in the precinct waters around the island which are a protected national park. Bonaire is well-known as divers paradise and hosts an international center for surfing in Lac Bac (a lagoon). The industry is estimated at USD 125 million. Table 3 shows the number of visitors on Bonaire during 2016-2023. Tourism is also the most important industry on Saba, which in 2022 received about 15,000 visitors. There are no connections to Saba other than from Sint Maarten—20 minutes by air or 1.5 hours by ferry.

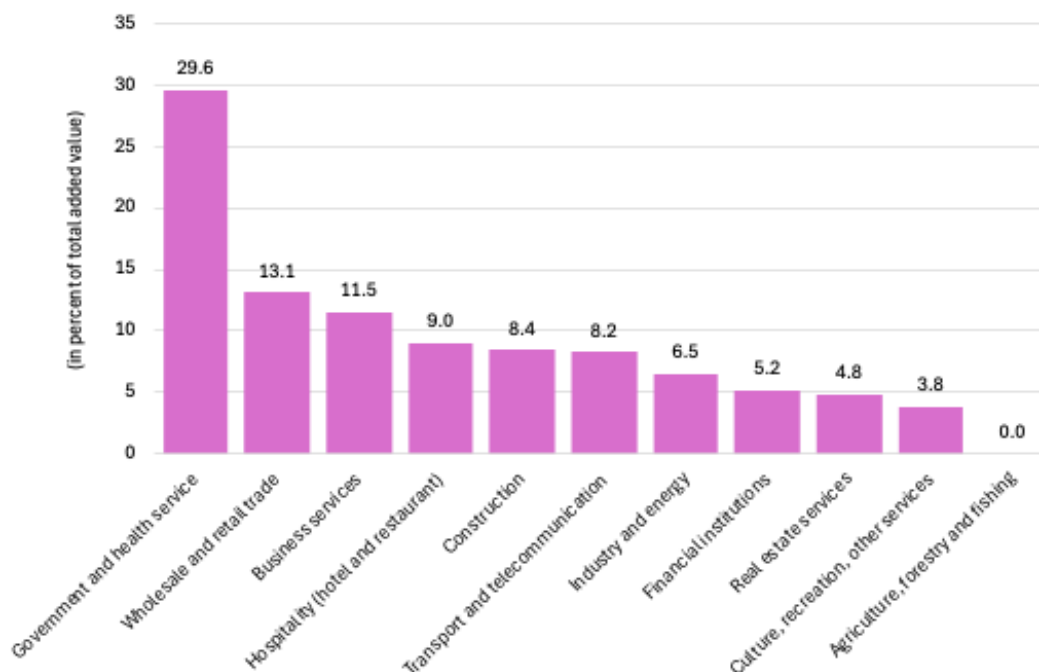
Table 3. Visitors to Bonaire, 2016-2023

	2016	2017	2018	2019	2020	2021	2022	2023
Air arrivals	135,800	128,500	143,000	158,200	66,600	111,300	170,194	169,706
Cruise tourists	216,500	407,300	397,100	457,700	176,100	56,600	304,298	447,433

Sources: CBS and Tourism Corporation Bonaire (TCB).

4. Another important economic activity on Bonaire is salt production. Approximately 400,000 tons industrial grade salt per year is harvested in the south of the island. Bonaire also houses a fuel oil storage facility and transshipment terminal owned by a Venezuelan company. Due to political sanctions this facility and terminal has been closed for many years and requires substantial repairs if reopened. The economy on Sint Eustatius relies mainly on trade and oil storage and bunkering. The largest employer on Sint Eustatius is the government. Figure 2 shows the value-added contribution by economic sector in 2021.²

Figure 2. Added Value per Economic Sector in Bonaire, 2021



Source: CBS Netherlands

5. The BES islands are financially funded by three sources. The main source is a direct budget transfer from the Netherlands (BES fund). The island population contributes directly into the Dutch budget by paying central taxes (with important differences in design from similar taxes applied on the mainland), like for instance a personal income tax and a general consumption tax. A survey of the Dutch Ministry of Finance³ in 2019 revealed that about 36.4 percent of all expenses is covered by these taxes (see table 4). In addition, the island authorities have a limited capacity to levy local fees and taxes, such as a tourist tax. A more detailed overview of the tax system is given below. Finally, direct subsidies can be provided by Dutch line ministries for special projects. For example, the Ministry of Education has provided Bonaire with a long-term interest free loan to ensure a certain level of basic education on the island.

² Data for Sint Eustatius and Saba were not available.

³ Kamerbrief over verdeling van inkomsten en uitgaven aan Caribisch Nederland 2019 | Kamerstuk | Rijksoverheid.nl

Table 4. Central Budget Transfers and Tax Revenue, 2014 and 2019 (in EUR million)

	2014			2019		
	Expenses	Tax Revenue	Coverage	Expenses	Tax Revenue	Coverage
Bonaire	191.31	90.30	47.2%	268.80	133.35	49.6%
Sint Eustatius	54.28	13.06	24.1%	99.34	19.81	19.9%
Saba	41.45	7.02	16.9%	76.10	8.80	11.6%
BES	287.04	110.38	38.5%	444.24	161.96	36.4%

Source: Ministry of Finance, Netherlands.

Note: Coverage is the ration of tax revenue to expenses.

6. The BES tax system contains central taxes and local taxes. The central taxes are in principle the main taxes levied in the Netherlands: personal income tax, general consumption tax, excise taxes, and custom duty. However, these taxes are largely simplified to accommodate the special needs and capacities of the BES economies. For example, a real estate tax (*vastgoedbelasting*) replaces the taxation of rental income (as part of the personal income tax) and the corporate tax. The general consumption tax is simplified as a two-tier tax system, with one on imported goods, and another on certain local services—taxpayers (local producers) can apply for an input tax credit for the former, but not for the latter. Table 5 provides a breakdown of the central tax revenue collected in the BES.

Table 5. Central Tax Revenue, 2014-2023⁴ (in EUR million)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Indirect Taxes	31.2	30.3	43.1	47.7	51.4	52.2	58.1	52.5	28.1	51.3
General Consumption Tax	24.5	23.3	30.5	37.4	41.1	39.3	43.8	39.8	18.3	35.7
Excise Tax	4.9	4.7	8.6	6.0	6.5	7.1	8.6	5.9	1.5	4.7
Property Transfer Tax	1.8	2.3	4.0	4.3	3.8	5.8	5.7	6.8	8.3	10.9
Direct Taxes	55.6	71.1	88.4	96.9	105.4	88.3	98.0	89.6	96.7	138.0
Personal Income Tax	54.7	61.2	78.9	86.6	95.1	78.6	88.5	79.3	86.3	122.7
<i>o.w. Wage and Social Security Tax</i>	55.6	59.2	79.9	87.8	95.0	79.1	89.1	79.9	86.4	122.8
Real Estate Tax	0.0	8.8	8.0	8.0	7.0	6.9	6.9	7.4	8.0	10.7
Distribution Tax	0.4	0.6	0.8	1.6	2.5	2.0	1.5	2.5	1.6	3.2
Game and Lottery Tax	0.5	0.5	0.7	0.7	0.8	0.8	1.1	0.4	0.8	1.4
Other^{1/}	3.6	1.4	1.7	0.2	0.3	0.1	1.4	0.3	26.8	35.8
Total	90.4	102.8	133.2	144.8	157.1	140.6	157.5	142.4	151.6	225.1
<i>(in percent of GDP)^{2/}</i>	<i>14.4</i>	<i>15.9</i>	<i>20.6</i>	<i>21.7</i>	<i>23.4</i>	<i>19.5</i>	<i>24.7</i>	<i>19.4</i>	<i>...</i>	<i>...</i>

Source: Ministry of Finance

1/ Since 2022 the item 'other' contains the consumption tax levied at the border.

2/ GDP is measured in USD; data for 2022 and 2023 are not available.

7. The main local taxes on the BES islands are related to motor vehicles, tourism and a surcharge on the real estate tax (only levied in Bonaire). Other major local revenue sources—kept by the BES and not remitted to the Dutch authorities—are the land lease fees on Bonaire and Saba, and the

⁴ The revenue numbers for 2022 and 2023 are estimates.

airport/harbor fees on Sint Eustatius and Saba (Table 6). Compared to central taxes, these own sources are relatively small—about 15 percent in 2023—and negligible in St. Eustatius and Saba.

Table 6. Local Tax Revenue and Fees per Island, 2021-2023 (in USD million)

Levies and Fees	Bonaire			Eustatius			Saba		
	2021	2022	2023 ^{1/}	2021	2022	2023 ^{1/}	2021	2022	2023 ^{1/}
Motor Vehicle Tax	5.21	5.21	5.40	0.27	0.43	0.59	0.19	0.18	0.19
Tourist levy, etc.	2.96	12.13	12.40				0.00	0.04	0.08
Leasehold and rent	2.15	3.16	3.25	0.42	0.12	0.25	0.08	0.09	0.08
Land Tax	1.76	2.31	1.88	-	-	-	-	-	-
Airport and harbor fees	0.48	0.87	0.65	2.11	2.20	2.82	0.13	0.23	0.29
Surcharges on Real Estate Tax	2.00	3.46	2.20	-	-	-	-	-	-
Other charges/fees	3.96	4.10	2.87	0.82	0.46	0.52	0.47	0.65	0.48
Total	18.52	31.24	28.65	3.62	3.21	4.18	0.87	0.99	1.12
<i>(in percent of GDP)^{2/}</i>	3.2	...	...	3.4	...	...	1.8	...	...

Source: Belastingdienst Caribisch Nederland (BCN)

1/ budget projections

2/ GDP data for 2022 and 2023 are not available.

Purpose of the report

8. The Dutch government reviews periodically the existing tax legislation applicable to BES islands and adjust it to domestic and international developments. According to the Netherlands' authorities, the current review does not aim to change the distribution of taxes between the BES islands own-sources of revenue and those derived from central taxes, or to increase total revenue collected from BES sources. Rather, the review focuses on whether the simplifications of central taxes applicable to BES sources, introduced in 2010, remains appropriate, both in terms of its justification and administrative feasibility.

9. Given these objectives, this report will analyze the areas in which simplification was offered and to what extent this should be maintained, adjusted, or abolished. It should be noted that any changes to BES taxation is likely to be more successful if both the BES islands and the mainland benefit from these changes. Even though a change in the balance of own vs. central tax revenue sources of BES islands is not an explicit goal of the review exercise, changes in taxation could have revenue and/or distributional implications. Options to address such implications are not part of this report, but it is highly recommended that the Netherlands' authorities devise a plan or lay down some principles to address them. For instance, one principle could be that any net revenue impact estimated to derive from changing taxes applicable to BES sources and residents, will be at least partially used to increase the budget of the BES islands—relative to some benchmark—and/or compensate low-income individuals if they are found to be negatively affected by the reform. This will give the islands a stake in the reform.

10. The outline of this report is as follows. Chapter II discusses taxes on consumption—the general consumption tax (*algemene bestedingsbelasting*) and excise taxes. Chapter III discusses taxes on income—employment, rental, and business income. Hereby we focus on the areas of simplification such as the real estate tax (*vastgoedbelasting*) as a surrogate tax on rental and business income.

II. Taxes on Consumption

This chapter discusses the general consumption tax and special consumption (or excise) taxes, both of which are central taxes, with special rules applicable to BES islands.

A. General Consumption Tax

11. The general consumption tax (*algemene bestedingsbelasting*; ABB) is levied on imported goods, on-island services, and delivery of goods by producers. Tax on goods acquired by producers and used as raw or auxiliary material or semi-finished product can be offset against tax on sales. Numerous exemptions are granted, and a registration threshold applies only for individual entrepreneurs—turnover above USD 30,000, with optional registration for those below. Companies are always subject to ABB unless at least 90 percent of their activities have a social or cultural character.

Revenue Performance

12. The ABB has served the BES well over the last decade (see Table 7). Its revenue increased steadily from about 3.9 percent of GDP (2015) to 5.8 percent of GDP just before COVID-19 hit and recovered almost fully in 2021. The low revenue collected on Sint Eustatius is due to an ABB exemption of the oil sector. The main argument for this exemption is that the imported oil is too heavy to be refined, is lightly transformed in island facilities and exported to outside refineries.

Table 7. ABB Revenue (in percent of GDP)⁵

	2015	2016	2017	2018	2019	2020	2021
Caribbean Netherlands	3.85	4.90	5.97	6.47	5.84	7.36	5.79
<i>o.w. Bonaire</i>	3.74	4.20	4.75	...	...	...	...
<i>o.w. Sint Eustatius</i>	0.64	0.65	1.13	...	...	...	...
<i>o.w. Saba</i>	2.96	2.90	2.90	...	...	...	...

Sources: Belastingdienst Caribisch Nederland (BCN), CBS Netherlands, Begroting Koninkrijksrelaties 2015-2021, and IMF staff.

13. Most of the ABB revenue is collected at the border. Based on the data received from the Belastingdienst Caribisch Nederland (BCN)—the local tax administration—, in 2017 about 75 percent of the total ABB revenue were collected at the entry point (airport or harbor). Over time this percentage has declined, suggesting that the domestic service sector may be gaining more importance in revenue yield from the ABB.

Structural Issues

14. The ABB combines an import duty, a manufacturer's sales tax, and a tax on services. As an import duty, the ABB protects domestic industry and trade, potentially giving rise to producer or consumer rents—this is likely small given that the BES have little domestic substitutes. Export industries

⁵ The revenue was reported in EUR whereas the GDP was measured in US\$, an average exchange rate of 1.07 was used in the calculations.

that rely heavily on imported goods (e.g., tourist services) may face higher costs that reduce their competitiveness in international markets—again, given the unique attraction of the BES, especially Bonaire, highlighted earlier, it is likely that this is not a significant issue. By taxing goods at the import stage only, the incentive to under-declare the value of goods greatly increases in contrast to the situation under a general (multi-stage) consumption tax, which extends through to the retail stage.⁶ Under-declarations are difficult to handle by the customs authorities.

15. Levying a manufacturer’s sales tax causes distortions and complications familiar from erstwhile manufacturers sales taxes. The following issues are worth noting:

- Definitional issues: Are assembling, packing, repacking, and bottling, production activities? Is the reconditioning of used good (e.g., tires or garments) or the framing of pictures production?⁷ Should holding patents, copyrights, sales rights, etc. (which may constitute a substantial part of the value of products) be considered production?
- Transfer pricing: Manufacturers are induced to shift their taxable value forward to untaxed wholesale or retail stages, thereby avoiding the tax and artificially encouraging vertical integration. Contentious valuation problems will arise if manufacturers sell directly to retailers, requiring the application of notional sales values or discounts if sale prices to wholesalers are not available for benchmarking.
- Distortions to consumption: Confining the tax to the production stage implies that wholesale and retail margins (real value added) are not included in taxable prices, which means that luxury goods with high distribution margins are favored over, say, foodstuffs, with low margins.

16. The existing indirect tax system favors goods (only taxed at import) over services (taxed in full domestically). By taxing goods at import only, domestic value added by wholesalers and retailers is not taxed, which introduces an unwarranted form of discrimination against services, which are taxed in full at the consumer level. Within the goods category, differences in taxable values increase with the degree to which goods are in final form when imported. Making matters worse, the ABB introduces an untenable distinction between goods and services. Some goods can be turned into services and vice versa: renting a car instead of buying it or the other way around. All modern general consumption taxes treat goods and services alike by defining services as all performances against consideration, which are not goods.⁸ The taxation of goods and services, therefore, can be fully integrated in the design of the ABB.

17. The most effective solution to these issues is adopting a full-fledged ABB (a ‘genuine’ general consumption tax). This means taxing all goods and services comprehensively at every stage of production and distribution/retail and allowing an offset for the tax paid on purchases, whether acquired from domestic suppliers or abroad (and paid at the import stage). The ABB aims to keep retailers out of the tax’s ambit, but the proper way to do this is to introduce a high registration threshold—and not by excluding the retail sector as such, or any other sector. Presumably, there is no reason why supermarkets and, say, professionals should not be liable to ABB. The introduction of a threshold creates its own

⁶ This is only possible for (small) producers on the islands which can claim ABB on their imports.

⁷ For the difficulties in defining the concept of producer, see also De Ruiter (2019).

⁸ In fact, in a well-designed and broad base consumption tax, this distinction is not even needed, as the tax applies to the price (or consideration), irrespective of the underlying nature of the transaction.

distortions, but these are likely to be less important than those created by the current situation. A threshold is also easier to administer than the plethora of definitions under the ABB. For an overview of applicable thresholds used in other Caribbean jurisdictions, see Table 8. A threshold properly set for the BES, would also deal with the size asymmetry of enterprises across the three islands—in other words, there will be no need to enact different rules to account for the fact that Sint Eustatius and Caba are significantly smaller than Bonaire.

Table 8. Thresholds in Other Caribbean Jurisdictions

Country	Standard rate (in percent)	Threshold (in local currency)	Threshold (in USD) ^{1/}
Antigua & Barbuda	17	XCD 300,000	111,035
Bahamas	10	BSD 100,000	100,000
Barbados	17.5	BBD 200,000	100,000
Belize	12.5	BZD 75,000	37,050
Dominica	15	XCD 250,000	92,529
Grenada	15	XCD 300,000	111,035
Guyana	14	GYD 15,000,000	71,820
Jamaica	15	JMD 3,000,000	19,122
St. Kitts & Nevis	17	XCD 150,000 ^{2/}	55,517
St. Lucia	12.5	XCD 400,000	148,096
St. Vincent and the Grenadines	16	XCD 300,000	111,035
Trinidad & Tobago	12.5	TDD 600,000	88,294

1/ XE app conversion used on August 14, 2024.

2/ for professionals the threshold is XCD 96,000 (or USD 35,549).

Source: IBFD, IMF staff

Rate Structure

18. The ABB prescribes multiple rates. The two points differentiation between supply of goods (8 percent) and delivery of services (6 percent) is most likely created to offset the potential higher tax burden on domestic services (see above).⁹ The reasoning for the intermediate rate on insurance services (7 percent) is unclear. A single standard-rate ABB should be considered. The higher tax rate on vehicles with CO₂ emission should be covered by a proper excise tax leaving the rental of motor vehicles in the standard-rate ABB (more on vehicles in the next subchapter). In addition, a rate differentiation (7 and 5 percent respectively) is made between Bonaire and the other two islands. Presumably, this differentiation is induced by the relative size of their economies and perhaps also firm size. As noted above, this can be addressed by the design of the registration threshold.

⁹ The higher tax burden may be caused by cumulation and tax cascading effects.

Exemptions¹⁰

19. The current ABB mirrors the exemptions typically seen in European value added taxes (VATs) and are extensive. Modern VATs tend to have less exemptions, and hence are more efficient in raising revenue while being less distortive to supply chains.¹¹ Table 9 provides an overview of all exemptions granted in the ABB.

Table 9. ABB Exemptions

Common exemptions		Less common exemptions	
c-e	Medical services (broadly defined), prescription medicines, medical aids, non-commercial nursing services (including the provision of food and drink)	a	Basic foodstuff
f	Non-commercial education	b	Public passenger transportation, including school busing
l	Life insurance, health and funeral insurance, re-insurance, including agent services	g	Postal services
n	Betting and gaming (casinos)	h-j	Water, electricity, and gas by public utilities; delivery and installation of sun panels and wind turbines
		k	Transfer of real estate if the transfer tax applies
		m	Rental of hotel rooms and apartment if subject to a local tourist levy
		o	Financial services, including agent services
		t-v	Processed, re-worked or assembled goods used for trading purposes
		x	Long-term rental of residential property
		y	Goods and services supplied by for development projects by international organizations or mutual assistance from Aruba, Curacao and/or Sint Maarten
		z	Childcare

Source: Belastingwet BES 2024, Article 6.11, not including supplies to international transportation and diplomats.

20. **Presumably, basic foodstuffs are the most politically and socially sensitive items in the list of exemptions.** In developed countries, higher income groups tend to benefit twice as much in monetary terms from an exemption or lower rate for foodstuffs than lower income groups.¹² Many upper middle-income countries (such as the BES islands) can use their well-developed social security system to compensate the poor for the tax burden on food, which would be much less costly in revenue terms than

¹⁰ This section is largely based on IMF, *Kingdom of the Netherlands – Curaçao: Towards a Growth Enhancing Tax System*, Washington, November 2019.

¹¹ See more recently introduced value added taxes in New Zealand, South Africa and Uzbekistan.

¹² See Bettendorf and Cnossen (2015) for the Netherlands, and the literature on other countries cited therein. Note the quote from the South African Katz Commission in Cnossen (2019, p. 86), which opined that “providing relief to the poor through exemptions and VAT zero-rating is likely to be both unsound tax policy and ineffective social policy.”

exempting basic foodstuffs.¹³ In all cases, the administrative burden of separating exempt foodstuffs from other goods sold at the standard rate in the same store is an onerous and costly obligation on small businesses, whose cost is regressive with respect to income.

21. Another sensitive item is the exemption of water, electricity and gas. The standard argument that everyone should have access to these goods and that the poor should not be unduly burdened by their taxation is weak. Modern consumption of these items includes swimming pools and electricity for air conditioning, both consumed primarily by middle- and (in even larger quantity) by high-income individuals. To the extent that these goods, if taxed, are used as inputs while carrying on a business, it would be possible to offset the tax against the tax on sales. At a minimum, the consumption quantity exempt from tax should be capped, so that the benefits are limited to quantities typically consumed by low-income households.

22. It is also often argued that since public utilities are owned by the government, which is entitled to the profits of the utilities, the application of a tax on consumption is redundant.¹⁴ This argument confuses the role of a general consumption tax, which applies equally to all goods and services, with the government's role as owner of the utilities, and as a supplier, should be subject to tax like any other supplier of goods and services. Moreover, the ABB is paid monthly, while dividends are not paid until after the annual accounts are closed, and only to the extent that there is a profit to be distributed.

23. The treatment of real estate is another issue with the ABB. It is not possible, for administrative and political reasons, to tax the rental value or sale of owner-occupied dwellings. For this reason, EU countries—like the BES—exempt immovable property, but tax the sale of new buildings as a proxy for the VAT on the services that the buildings will render over their lifetime. Under a modern approach, all real estate transactions (newly constructed and old) between taxable businesses are taxable (with an offset for the tax paid on purchases) and only used residential real estate is exempt (since it would have borne the tax at the time of the first sale).

24. Currently, transfers of real estate are exempt from ABB if the real estate transfer tax applies—even though these two levies have very different policy objectives. It would be better to confine the transfer tax to transfers of immovable property between persons and entities not registered for VAT, while the VAT would apply to sales of all non-residential property by registered persons. Taxing immovable property more fully would most likely mitigate the regressive impact of the VAT, since housing is an income-elastic consumption item.

25. Postal services, childcare, and public transportation. These services compete with other similar services that are not exempt from ABB. For instance, postal services compete with DHL and FEDEX services, as well as with internet communications, all of which are taxable. Childcare could be provided by private parties, on a short or longer-term basis—for instance, a full-time nanny earning a salary would be taxed on her salary. The case for exempting public transportation is slightly different, as

¹³ For instance, low-income households can be compensated through a refundable income tax credit proxied as follows: share of basic food consumption in total consumption * VAT rate.

¹⁴ For instance, the price of the utility can be set at a level to include a tax.

the revenue loss and distortions from it are not large if input (mostly gasoline and maintenance services) is taxed. Moreover, given the size of the islands, domestic transportation is inherently not important.

26. Modern general consumption taxes, include fee-based financial services, currently exempted in the ABB. Only margin-based financial services, embedded in rates of return and hence not feasible of being taxed on a transaction-by-transaction basis, are exempted.¹⁵ The ABB does appear to tax property and casualty insurance premiums, but does not permit an offset of the tax that can be imputed to indemnity payments (and for the tax on purchases). The ABB-liable business receiving the indemnity payment inclusive of the offset would then include it in its ABB return.¹⁶ Financial service and insurance agents and brokers should always be taxed.

27. Like property and casualty insurance, lotteries should be taxed on ticket sales (output), while a reverse charge can be imputed to payout (inputs). The value added of the lottery industry would thus be taxed after providing an offset for the ABB on inputs, in addition to the ABB on payouts, against the gross tax liability. Gambling (casinos) can be included in the ABB-base under the margin method, where the margin is the difference between the sales of tokens and chips, on the one hand, and payouts, on the other. Again, an offset for the ABB on other inputs, such as the provision of restaurant and hotel services, in-kind prizes, should be allowed against the tax liability. Applying ABB implies that food and other services provided by gaming establishments do not have to be separated out from exempt payouts.

Recommendations:

- Move the ABB closer to a VAT by extending the offset of paid ABB on input to purchases by businesses that are above the threshold—i.e., registered for ABB.
- Consider increasing the threshold—for instance to USD 100,000—to exempt a large part of the small retail sector.
- Abolish the reduced rates for services and insurance activities.
- Consider eliminating exemptions for postal services, public utilities, childcare and hotel accommodation.

¹⁵ There are, however, other forms of taxing financial intermediation, on the basis of their accounts.

¹⁶ While an individual receiving the offsetting amount along with the indemnity payment would keep the amount to keep his capital intact. For a full treatment, see Crossen (2019).

B. Excise Taxes

28. All BES levy an excise tax on fuel,¹⁷ whereas only Bonaire levies taxes on alcohol and tobacco. Table 10 provides a summary of existing taxes and rates.

Table 10. BES Islands: Actual Excise Taxes

Excisable goods	Tax base	Tax rates	
		Domestic	At import
Petroleum products and motor vehicles			
Fuel	volume	USD31.65/hl (Bonaire) USD24.27/hl (St. Eustatius/Saba)	
Motor vehicles (private cars and pickups/vans)			
Bonaire:	value	n/a	With CO ₂ emission: 25% Without CO ₂ emission: 0%
St. Eustatius/Saba:	value	n/a	Up to USD 20,000: 10%-18% Between USD 20,000 and USD 30,000: 22% Above USD 30,000: 30%
Tobacco products			
Cigarettes	Fixed amount	USD 5.34/100 cigarettes (local brands) USD 7.01/100 cigarettes (other)	USD 8.69/100 cigarettes
Cigars	Fixed amount	USD 9.78/ 100 cigars	
Cigarillo's	Fixed amount	USD 4.89/100 cigarillo's	
Other	Fixed amount	USD 30/kg	
Alcoholic beverages			
Beer	Volume	USD 67.04/hl	
Wine	Volume	USD 128.50/hl	
Other	Volume and strength	USD 12.85/hl per % alcohol volume	

Source: Douane- en Accijnswet, BES 2024.

Petroleum Products

29. The excise tax on gasoline is generally used to encourage the take-up of ultra-low sulfur and sulfur-free versions of gasoline and diesel. In combination with appropriate regulations, in many countries this policy has resulted in the full replacement of leaded and sulfur-rich types of fuel by cleaner fuels with less environmental harm. The BES islands should adopt the same policy by taxing sulfur-free fuels at lower rates—reflecting their lesser damage to health and the environment (and even consider banning over time fuels containing sulfur).

30. The BES islands do not levy an excise on diesel fuel or kerosine. Presumably, this reflects policymakers' concern about the impact of high diesel excises on the use of diesel fuel in commercial

¹⁷ This tax exempts diesel and kerosine.

vehicles and on the cost of hotels and industrial processes. Although there is no justification for imposing *revenue-raising* excises on intermediate uses (which are inputs to production) of diesel, diesel-powered commercial vehicles (as well as diesel used in industrial and agricultural machinery) should bear appropriate *externality-correcting* taxes. In addition to their contribution to global warming diesel-powered vehicles (and machinery) emit particulates, for example, soot, which causes health problems (respiratory ailments and cancer). This is a strong argument for imposing an excise on fuel oil, which is not taxed now, as well.

31. At current rates, the fuel excise tax does not cover external costs. It would seem appropriate to differentiate the taxation of sulfur-free gasoline and per liter of leaded and sulfur rich gasoline. In addition, a diesel excise should be introduced at the same rates per liter as the gasoline excise. The same duty should apply to kerosene, considering that a lower duty would encourage diversion to diesel use. Given current retail prices in BES, relative to prices elsewhere in the region, slight increases in the rates should be feasible (Table 11).

Table 11. Retail Energy Prices in Selected Caribbean Countries, 2024

Country	Gasoline	Diesel (in USD/liter)	Kerosene	Electricity (in USD/kWh)
Bonaire	1.46	1.04	0.95	0.36
Aruba	1.43	1.23	1.12	0.21
Bahamas	1.48	1.33	...	0.42
Barbados	2.09	1.72	0.99	0.32
Belize	1.81	1.67	1.33	0.22
Curaçao	1.20	1.00	0.91	...
Dominica	1.33	1.21	0.98	...
Grenada	1.29	1.26	0.95	...
Guyana	1.03	1.20	1.13	...
Jamaica	1.37	1.28	1.21	0.27
St. Lucia	1.34	1.34	0.95	...
Trinidad & Tobago	1.14	0.65	0.66	0.05
Netherlands	2.17	1.86	...	0.32

Source: GlobalPetrolPrices.com (September 2024)

Motor Vehicles Import Duty and ABB

32. All new and second-hand vehicles are imported and taxed on their value. On Bonaire private cars, pickups and vans are subject to 25 percent ABB. If the vehicle is CO₂-emission free an exemption is provided. On Sint Eustatius and Saba, a progressive rate of 18, 22 or 30 percent applies depending on the value of the vehicle. For new cars the 18 percent rate is reduced to 10 percent. The authorities may consider introducing an excise (or luxury) tax on imported expensive cars. ABB should be separately imposed, in addition to the import duty and excises, and inclusive of these taxes.¹⁸

33. Dealers should levy ABB on the domestic sale of motor vehicles. It would be useful to consider the application of the ABB to the dealer's margin on second-hand cars—which can be done by taxing the trading margins only, instead of operating the ABB as a standard VAT.

¹⁸ If a single rate ABB is considered, the current excess can be incorporated in an excise.

Tobacco Products

34. The World Health Organization (WHO) considers smoking a deadly disease and has drawn up a Tobacco Convention (ratified and/or signed by most countries around the world), which prescribes a total tax burden (excises and VAT) equal to 75 percent of the retail price per pack of 20 cigarettes. The objective is to approximate the external and internal cost of smoking and to provide a high monetary stimulus to stop or not to start smoking.¹⁹ These costs relate primarily to the expense of treating smoking-related illnesses, as well as the well-being and market earnings that are lost because of these illnesses and death.

35. As shown in Table 11, most Caribbean countries come nowhere near WHO's benchmark. Bonaire, however, scores somewhat better than other countries. Its tobacco excise duty of 52.67 percent of the (post-tax) retail price is higher than other Caribbean countries, which (excluding Antigua & Barbuda) range from 4.07 percent in St Vincent & Grenadines to 42.37 percent in The Bahamas. The absolute amount of the duty in Bonaire, i.e. USD 1.74 per pack of 20, is higher than many other duties in the region. Since Bonaire has a moderate sales tax compared to other Caribbean islands, the consumer price of cigarettes is slightly above the average retail price in the region.

Table 12. Tobacco Taxation in BES and other Caribbean Countries, 2022

Country	Pack of 20 cigarettes of the most common brand (in USD)				Total tax
	Retail price	Excise tax	Excise tax (as % of retail price)	VAT	
Bonaire	3.30	1.74	52.67	7.41	60.08
Antigua & Barbuda	3.87	0.07	1.88	13.04	14.92
Bahamas	11.80	5.00	42.37	9.09	51.46
Barbados	8.40	2.36	28.10	14.89	42.99
Belize	2.90	0.65	22.45	11.11	33.56
Dominica	2.69	0.18	6.68	13.04	19.72
Grenada	2.96	0.87	29.39	13.04	42.43
Guyana	2.21	0.24	10.87	12.28	23.15
Jamaica	9.14	2.22	24.29	13.04	37.33
St. Kitts & Nevis	3.52	0.14	4.07	14.53	18.60
St. Lucia	4.17	1.30	31.29	11.11	42.40
St. Vincent & Grenadines	2.96	0.20	6.88	13.79	20.67
Trinidad & Tobago	4.74	0.78	16.44	11.11	27.55

Source: WHO Report on the Global Tobacco Epidemic, 2022 (available on internet)

36. The rate for other tobacco products—USD 30 per kilogram—may need to be increased. The tobacco tax schedule should be extended with specific amounts for roll-your-own, pipe, chewing and snuff tobacco. These amounts should reflect the equivalent tobacco content of cigarettes, keeping in mind that a thousand cigarettes contain three-fourths of a kilogram of tobacco (0.75 gram per cigarette) and assuming that cigarettes cost one-third more to produce than smoking tobacco. The equivalent rate would be between USD 70 (local brand) and USD 115 (imported) per kilogram. For classification purposes, reference may be made to the EU's definition of tobacco products. Specific rates, moreover, should periodically be adjusted for inflation.

37. The health risks of smoking can also be reduced by providing smokers with the nicotine without the smoke that harms their health (Royal College of Physicians, 2016). This can be done by

¹⁹ For a review and evaluation of tobacco excise duties see Petit and Nagy (2016) and Cnossen (2007).

administering medical nicotine but also by e-cigarettes, which appear to be a potentially effective substitute for cigarettes. Traces of carcinogens, oxidants and other poisons have also been found in e-cigarettes, but the health risks of these substances appear to be less than 5 percent of similar risks from smoking ordinary cigarettes. E-cigarettes appear to be a successful bridge to the cessation of smoking, particularly if used as an alternative rather than a complement to smoking. Lately, however, several cases of lung disease caused by vaping have been reported, which suggests that e-cigarettes should also be taxed, similarly to regular cigarettes.

Alcoholic Beverages

38. Excise taxes on alcoholic beverages should be designed to account for the external and internal costs that abusive drinkers impose on other people. Chronic heavy drinking has harmful health effects (e.g., organ damage, birth defects) and causes (road) accidents and domestic violence. Crime can also be alcohol related. The WHO has provided evidence that in most countries excessive consumption of alcoholic beverages is responsible for up to 10 percent of the total disease burden. Since it is the alcohol that causes the external costs, it is recommended that all duties on alcoholic beverages be based as closely as possible on alcohol content.

39. Beer, wine and other alcoholic beverages are only subject to excise in Bonaire. Beer is taxed at USD 67 per hectoliter, which equals about USD 0.22) per bottle of beer (330ml), say, of 5 percent abv (alcohol by volume). Comparative duties in the Caribbean are hard to come by, but the Netherlands imposes slightly more than USD 0.13 on a bottle of beer.²⁰ Other countries in Europe levy even lower rates.²¹ By this standard, the beer excise in Bonaire is higher than most duties in Europe, and there is little reason to increase it.

40. Bonaire levy an excise tax of USD 128.50/hl on all wines regardless of strength. This translates into USD 0.96 per bottle of 75cl. The duty in the UK is about USD 2.86 per bottle and the Dutch duty is USD 0.76, which suggests that Bonaire's excise tax on wine is not on the low side. Again, however, the duty schedule can be improved by differentiating the rates by alcoholic strength—although this becomes a little more difficult to administer. Fortified wines (sherry's and ports) should be taxed at a higher rate, because they contain more alcohol by volume.

41. The excise tax on other alcoholic beverages (spirits) is USD 12.85/hl of one percent pure alcohol. Accordingly, a 70cl bottle of spirits with a strength of 40 percent is excised at about USD 3.60. By comparison, in the UK the same bottle is taxed at more than USD 10, and at over USD 5.25 in the Netherlands. The spirits excise in Bonaire is slightly below duties elsewhere. For the design of an alcohol duty scheme covering beer, wine and spirits, reference may be made to the European Union's classification of alcoholic beverages found in European Commission (2019).

42. The taxation of alcohol can be simplified by adopting strength categories, rather than by aiming for an exact alcohol content. Under such system, the categories can include ranges of alcohol

²⁰ See Heritage Foundation (2023). An exchange rate of US\$ 0.95 (July 2022) to the Euro has been used for conversion purposes.

²¹ Typical beer drinking countries, like Germany and the Czech Republic are levying US\$ 0.03 per bottle, whereas Denmark, Austria and Belgium are at about US\$ 0.10 per bottle. The Nordic countries and the UK are between US\$ 0.35 and US\$ 0.66 per bottle.

content—for instance, low, medium, and high. This would imply a regime of 3 tax rates, again to be adjusted annually to reflect changes in the general level of consumer prices.

Other ‘sin’ taxes

43. The authorities may consider introducing additional ‘sin’ taxes. The introduction of a tax on sugar-sweetened beverage (SSB) has been trendy. The rationale of an excise on sugar, soft drinks and other products containing sugar or sugar substitutes is to counter overconsumption, which is associated with obesity—a major risk factor for heart disease, type 2 diabetes, dental disease, and other health problems. The WHO recommends that free sugar intake by humans be limited to less than 10 percent of total energy intake, i.e., 12.5 teaspoons a day for a 2,000-caloric diet.

44. Several countries impose environmental levies at the manufacturer’s or importer’s level on plastic bags that degrade the environment when they are randomly disposed of. Some countries even ban the sale of lightweight plastic bags and tax the sale of thicker plastic bags, which can be reused. In Europe, many countries have introduced taxes and regulations that prohibit or tax the use of single-use plastic bags. The BES islands should consider doing the same. To be effective, the plastic bag charge needs to be sufficiently high to influence consumer behavior.

45. Similar levies can be imposed on plastic bottles, incandescent light bulbs, and aluminum cans. On returning plastic bottles and cans, a nominal recycling fee should be payable by the bottling or distribution companies. The introduction of an environmental levy on incandescent light bulbs promotes energy efficiency as energy-saving light bulbs last longer, require five times less electricity, and result in lower greenhouse gas emissions.

Recommendations

- Differentiate the excise tax on fuel products between unleaded and sulfur-free gasoline, leaded and sulfur-rich gasoline, and introduce equivalent excises on diesel and kerosine.
- Levy a higher import duty on expensive vehicles.
- Impose the new ABB on the dealer’s margin of the sale of second-hand cars.
- Extend the excise taxes on tobacco products and alcoholic beverages to Sint Eustatius and Saba.
- Index all specific tax rates annually for inflation.
- Increase the (specific) excise tax on other tobacco products based on tobacco content and better differentiate between those products.
- Tax e-cigarettes at rates similar to standard cigarettes.
- Consider introducing an excise tax on sugar-sweetened beverages.
- Introduce specific charges on the use of plastic bags, plastic bottles, aluminum cans, and incandescent light bulbs to discourage their use.

III. Taxes on Income and Real Property

This chapter describes the taxation on income. In addition to a personal income tax, a real estate tax was introduced in 2010 to simplify the taxation of rental income and local business profit.

A. Personal Income Tax

46. The structure of the personal income tax (PIT) on the BES islands features lower rates and less statutory progressivity (Table 13). The basic income exemption (BIE) is set at the legal minimum wage (USD 20,424 in 2024). The social security contribution is integrated in the rates (as it is in the Netherlands). A key difference is that actual investment income (rather than deemed income) is taxed in the BES.

Table 13. Netherlands-BES Islands: Tax Rate Structure Differences

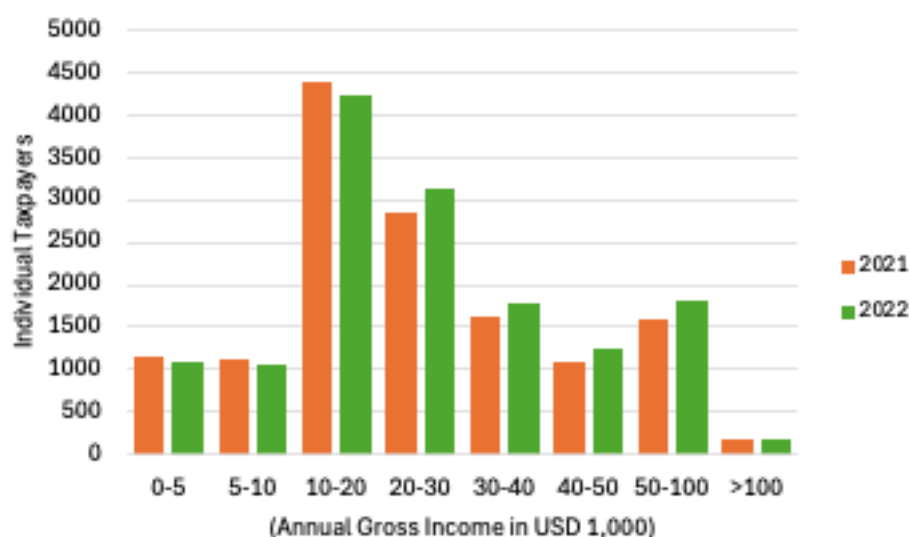
Netherlands ^{1/}		BES islands	
Rate Structure			
USD 0 – USD 84,000	36.97%	USD 0 – USD 322,769	30.4%
> USD 84,000	49.50%	> USD 322,769	35.4%
Basic Personal Allowance			
<i>Algemene heffingskorting (credit)</i>		<i>Algemene belastingvrije som (BIE)</i>	
< USD 27,600: USD 3,740		USD 20,424	
(BIE equivalent: USD 10,116)		(credit equivalent: USD 6,209)	
Phased out at USD 84,000			
Legal Minimum Wage (annual)			
USD 30,926		USD 21,008	

Source: Ministry of Finance.

1/ Exchange rate EUR/USD 0.90 (September 2024).

47. The Dutch authorities have proposed changing the PIT rate structure for BES in 2025. The first bracket will be shortened to USD 50,000 from its current USD 322,769. In 2022, only 180 individuals (or 1 percent of all individual taxpayers) reported income of more than USD 100,000, and 52 reported income of more than USD 343,193—subject to the marginal tax rate of 35.4 percent.

Figure 3. BES Islands: Income Distribution 2021-2022



Source: CBS Caribbean Netherlands.

48. The newly proposed income brackets will result in about 1800 taxpayers (or 12 percent of all individual taxpayers) falling into the top marginal tax rate of 35.4 percent. The additional tax revenue is estimated at about USD 4 million (or 0.5 percent of GDP).²² Table 14 shows the net income effects of this change.

Table 14. Net Income Effects in 2025 (compared to 2023 and 2024)

Annual Gross Income (in USD)	2023 ^{1/}	2024
20,000	3.73	0.00
50,000	2.54	0.21
72,700 ^{2/}	1.67	0.00
100,000	-0.57	-1.80
250,000	-4.42	-4.92

Source: Ministry of Finance.

1/ on January 1, 2024, the basic income exemption was raised from USD 17,352 to USD 20,424.

2/ Gross income corresponding to the USD 50,000 tax bracket.

49. The proposed changes bring the BES PIT system closer to the system applicable on the mainland. Even though the marginal rate (35.4 percent) kicks in at a lower income level, the personal allowance (BIE) is twice as high as on the mainland and is not phased out, while the rate is still below the lowest rate of 36.97 percent. The higher income earners (often foreign retirees) are still better off on the BES islands than in the Netherlands, while the low-income earners (mostly locals) are compensated by a BIE twice as high as in the Netherlands.

²² According to the Miljoenennota 2024.

B. Real Estate Tax

50. The Real Estate Tax (*vastgoedbelasting*; RET) (Chapter IV, article 4.1) is a recurrent property tax levied on the owners or possessors of land and buildings in BES. The tax base is the benefits derived from a property, defined presumptively as 4 percent of the value of the property (article 4.10-1). The value of the property is determined by its fair market assessment or the cost of constructing its replacement, whichever amount is higher (article 4.5).²³

51. A proviso is made in the case of an independent dwelling that is other than an owner-occupied principal residence. In that case, the benefits are set at 4 percent of the value that exceeds USD 70,000 (article 4.10-1).

52. There are two notable exemptions from the RET: (1) an owner-occupied home used as a principal residence of the taxpayer; and (2) part of the assets of a company that pays income tax. The remaining exemptions—e.g., for places of worship, waterworks, properties owned by public entities and vested in charities—are in line with common practices, even though not always justified on economic grounds, since they all benefit from public services funded by property tax revenues, and in some cases significantly more than others.

53. The general tax rate is 17.5 percent. Hotels benefit from a lower rate of 10 percent, where a hotel is defined in the law as “an immovable property or a complex of immovable property that is operated commercially by a non-natural person, is wholly or almost entirely aimed at short-term stays for tourists and has fully-fledged communal hotel facilities.”

54. There is a real estate transfer tax of 5 percent on the value of the transfer or sale of immoveable property. Capital gains realized from the sales of immoveable properties are in principle not subject to personal income tax unless part of a substantial shareholding in a corporate entity (greater than 5 percent). Nor are capital gains from the sales of commercial properties taxed, as there is no corporate income tax (CIT).

Discussion

55. The exemption of owner-occupied principal residences implies that the RET is not a conventional property tax. In most jurisdictions, residential properties, including owner-occupied dwellings, are an essential component of the tax base. The underlying rationale for a conventional property tax is to generate tax revenues from local property owners because they benefit from local public services. By carving out owner-occupied principal residences from the tax base, the RET targets hotels, properties used to generate business income, and second homes. One possible reason for taxing second homes is the presumption that they may be rented out on a casual basis. Hence, in general sense the RET is a tax only on business properties.

56. The exemption for immoveable assets used to generate income that is subject to income tax implies that unincorporated business owners are dispensed from the RET. Instead, they pay

²³ The legislation refers to the property's value “if full and unencumbered ownership of the property could be transferred and the transferee could immediately and fully occupy the property in the state in which it is located.” In the case of assessing a property's replacement cost, the depreciation and obsolescence of the structure is taken into account.

PIT on their profits. However, local corporations are subject to the RET on their immovable properties due to the absence of a CIT. In this roundabout way, the RET operates, de facto, as a presumptive CIT and a tax on hotels owned by non-natural persons. Only corporations that are not local and are subject to the Dutch CIT (almost no one on the islands) would be exempted from the RET.

57. The correlation between immovable commercial property values and profits of the owners is likely to be weak. Companies with large properties can make losses and small commercial properties can be highly profitable. Moreover, some industries require more real estate than others, making the RET a poor proxy for taxing profits. Replacing the RET on the immovable properties of local corporations and hotels with a tax on profits would promote fairness across businesses and sectors. Moreover, the preferential RET tax rate for hotels, which is difficult to justify economically, would become irrelevant.

58. Conceptually, the notion of property “benefits” converts the value of an asset (a stock) into a rental value (a flow). However, since the conversion factor is fixed in legislation, the tax base is not directly reflective of the rental values observed in the market for rental properties. Hence, the tax rate applied to the “benefits” is mechanically identical to taxing the value of the property at the statutory rate times 4 percent. For example, a tax rate on property benefits of 17.5 percent is the same as a tax rate of 0.7 percent applied to the value of the property. This rate is slightly on the low side internationally, where tax rates on property values are typically in the range of 0.5 to 2 percent, though often somewhat higher for commercial properties (1.5 to 3.5 percent).

59. Even if the benefits of immovable property (based on 4 percent of the property value) accurately reflected annual rental values, the statutory tax rate of 17.5 percent (and 10 percent for hotels) is significantly below the top marginal rate of the progressive PIT. Consequently, there is a tax planning opportunity for individuals to reduce their tax burdens by assuming a corporate form for their businesses. This, however, may impose unnecessary compliance costs on individuals and presents an inequity between unincorporated business owners and local incorporated businesses.

60. There is no evident justification for excluding \$70,000 from the calculation of the benefits from immovable property. The non-commercial properties subject to the RET in practice would be second homes since the primary residence is already tax-exempt. Moreover, to the extent that property purchases are by foreigners or non-residents of BES, the benefit of the tax expenditure associated with the exclusion is exported.

61. It is unclear how up to date are the property value appraisals for purposes of the RET. The law states that the appraised value shall be valid for a period of five consecutive years. To the extent that the assessment values of immovable properties are dated and out of touch with current market values, the effective property tax rate may be materially lower than the statutory rates, especially if there has been inflation in the real estate market.

62. Moreover, the law states that increases in value resulting from the construction, conversion, improvement, extension, or renovation of the immovable property, shall not be taken into account until the beginning of the eleventh calendar year following the calendar year in which this increase in value occurred (with some exceptions). This policy implies that there will be a lag of more than one decade between value enhancements and the assessed values of the properties. This

departure from the normal practice of property tax assessments not only forgoes revenues, but also creates inequitable treatments of properties with similar current market values—and encourages construction in stages. The policy, which in effect subsidizes renovations, may exist to encourage renovations, but this is not justifiable on the grounds of any apparent positive externality.

63. An option for BES to consider is to transform the RET into a recurrent property tax on all residential and commercial/industrial immovable properties, regardless of their usage, at a uniform rate applied to assessed market values. To keep administrative costs down, reassessments can be undertaken every five years, as per current practice. This property tax would be in addition to instituting a proper CIT or at least a simplified tax on profits for local corporations. The case for a broad-based property tax (with exemptions for public works, places of worship, etc.) would rest on taxing property owners for the benefits they receive from local services. In addition, the property tax acts as an approximate wealth tax. A minimum value threshold could be set to exempt properties of less well-off islanders.

64. The rate of 5 percent for the real estate transfer tax is a useful complement to the RET. While elevated transfer tax rates create incentives for understating the prices of property sales, transfer taxes set at moderate rates, as in BES, can generate revenues, notably from foreign buyers, and provide information on market transactions that can inform tax assessments. However, in the absence of a tax on capital gains, the risk of undervaluation is perhaps high. That is, the incentive of buyers to report higher purchase prices to diminish the size of future capital gains is absent. It would be preferable for BES to tax capital gains under the income tax and to reduce the transfer tax rate.

Recommendations

- Eliminate the USD 70,000 exclusion in the calculation of benefits used as the RET base.
- Include property enhancements in the RET value appraisal period in which they occur.
- Assess the market values of properties subject to RET and update these values every five years, while applying an inflation index for the years in between.
- Eliminate the preferential RET tax rate for hotels.
- Consider applying RET to all residential and commercial properties at a harmonized rate, possibly with an exemption threshold.
- Reduce or eliminate the property transfer tax if an income tax is applied to real estate capital gains.

C. Business Profit Tax

Current System

65. Business income generated on the BES islands is in principle taxed. Individual entrepreneurs are subject to a PIT (*Wet inkomstenbelasting BES*) at a progressive rate schedule (see above). Incorporated business are assumed residents of the Netherlands and thus subject to the Dutch CIT (*Wet vennootschapsbelasting 1969*). However, incorporated businesses who apply to be resident on

the BES islands, are exempt from the Dutch CIT. Instead, they are subject to the RET (*vastgoedbelasting*), as described above. In addition, any transfer to its shareholder/participant is subject to the 5 percent distribution tax (*opbrengstbelasting*).

Individuals

66. Professionals and sole proprietors are subject to the PIT. Income not categorized as (passive) investment income and wages is considered profit. After deduction of business expenses and the BIE, taxable profit is subject to the progressive rate scheme.

67. Profit determination follows the usual Dutch rule of sound business practice ('goedkoopmansgebruik'). This approach allows taxpayers to use acceptable accounting principles unless the law prescribes different rules. Common deviation is the non-deductibility or limitation on certain business expenses, and provisions. Any business loss can be compensated by future profit over a period of five years.

68. The PIT contains two investment incentives. The first incentive is an accelerated depreciation of one-third of the acquisition price or cost of assets used to conduct a business. The second incentive is available to investments with an acquisition price or cost exceeding USD 2,794. An initial allowance of 8 percent on the investment amount (or 12 percent in case of buildings) is granted during the first two years the asset is in service. A claw back rule applies if the investment is alienated within 6 years (or 15 years for buildings) after investment.

Corporations

69. Corporations are by default resident in the Netherlands and thus subject to the Dutch CIT at 25.8 percent (19 percent is available for smaller profit). However, local BES companies can opt to be BES residents if they meet one of the following requirements:

- (1) Annual turnover of less than USD 80,000, business assets of less than USD 200,000, not a financial institution or earning royalty;
- (2) Not more than 50 percent of the (passive) business assets are used by persons resident outside BES; or
- (3) The entity (a) creates 3 full-time employment positions for BES residents and (b) uses a local property with a value exceeding USD 50,000 to conduct its business over a period of at least 24 months.

70. BES resident entities are subject to the RET in lieu of the Dutch CIT—as described in the previous section. In addition, a distribution tax (*opbrengstbelasting*) of 5 percent is levied by withholding. Finally, a BES resident entity is subject to the customary wage rule that requires the entity to pay at least a minimum salary (*'gebruikelijk loon'-regeling*) to its shareholder/entrepreneur—the purpose is to counter avoidance structures, whereby sole entrepreneurs and professionals incorporate their activities and avoid paying PIT. Originally, the customary wage was set at USD 14,000 (increased to USD 25,000 for tax year 2023). Since 2024, the wage is set at the highest of the following amounts:

- (1) 90 percent of the wage earned on the most comparable employment contract;
- (2) the highest wage of persons employed by the (associated) entity or – if no other persons are employed – at 90 percent of the net turnover; or
- (3) twice the tax-exempt amount (in 2024: USD 40,848).

RET in lieu of CIT

71. The RET is a poor proxy for a profit tax. Entities doing business through rental property are not covered by the RET, whereas only capital-intensive business are taxed at effective rates that are considered minimal.²⁴ On BES only the oil storage facilities and the salt mining company seem to have an effective tax rate exceeding 15 percent. The hotel sector is most likely subject to a much lower tax rate (see Box 1 for an example),²⁵ especially considering the 10-year exemption.

Box 1. Low effective tax rate in hospitality sector – an example

In 2022 a new upscale resort opened its gates on Bonaire. Its total investment cost is about US\$ 40 million. The resort has 200 rooms and direct access to the beach and a diving site. The average RevPar\$^{1/} in Bonaire is about US\$ 150 per night.^{2/} This will equal an estimated annual turnover of US\$ 11 million. Although the actual profit margin is not known, several industry studies suggest that an upscale accommodation has a margin range between 20 and 30 percent. This would result in a (taxable)^{3/} profit of USD 2.2-3.3 million (estimation)

If subject to the regular Dutch corporate income tax (25.8 percent), this profit would have led to a tax due of between USD 567,600 and USD 851,400. However, if the resort is treated as a local resident company instead, the RET would be USD 160,000 (i.e., a 10 percent tax on deemed rental income, i.e., 4 percent of USD 40 million) would be due. A tax saving of between USD 407,600 and USD 691,400. The effective tax rate of the resort would therefore be between 4.8 and 7.2 percent.

1/ RevPar\$ represents the revenue generated per available room and is calculated by multiplying an accommodation's average daily room rate by its occupancy rate.

2/ Bonaire Hotel and Tourism Association, 2024.

3/ In absence of substantial special tax rules, the commercial profit equals taxable profit.

72. Creating a fair tax on profit requires a profit-based tax. Removing this simplified regime for entities that are considered BES-resident would automatically make them subject to the Dutch CIT (*vennootschapsbelasting*). The tax on taxable profit would thus be 19 percent for taxable profit up to EUR 200,000 (USD 222,000) and 25.8 on profits above. The profit determination – which already applies for individual taxpayers – would follow ‘sound business practice’ (*goedkoopmansgebruik*). A simplified regime for small and medium-sized enterprises (both individuals and companies) resident on BES could be considered.

Simplified Regime

73. Simplified regimes are usually designed on the presumption that SMEs are not able to keep complicated books and records—and that they have limited access to financial markets for growth. The business environment in the BES, however, is reasonably developed and entrepreneurs can maintain at least a registration of incomings and outgoings—i.e., cash bookkeeping. SMEs could be taxed on their turnover minus actual expenses at the standard CIT rate—a cashflow tax. The threshold should be set at the same level as the threshold suggested for the amended ABB which means that a substantial

²⁴ Since BEPS 2.0 most countries have indicated that a tax of 15 percent would be considered a minimum. Although pillar 2 only applies to multinational enterprises with annual turnover above EUR 750 million, it is generally understood that smaller companies with less opportunity to shift profit should be subject to the same rate.

²⁵ This example is based on publicly available information obtained from www.bonaire.nu and hotel industry websites.

part of the local business will be subject to the SME provisions. Individual entrepreneurs should be subject to the PIT and become eligible for the basic income exemption (USD 20,424). Table 15 provides a comparison of tax burden for business, which shows that at profit above USD 70,000 it becomes interesting to incorporate business activities.

Table 15. Comparative tax burden between sole proprietors and incorporated business

Profit (in USD)	Sole proprietor	Incorporated business			
	PIT (incl. SSC) ^{1/}	PIT (incl. SSC) ^{1/,2/}	CIT ^{3/}	Div. WHT ^{4/}	Total
25,000	1,391	1,391	0	0	1,391
50,000	8,991	6,255	1,710	450	8,415
70,000	15,071	6,255	5,510	1,450	13,215
100,000	25,670	6,255	11,210	2,050	19,515
200,000	61,070	6,255	30,210	7,950	44,415
400,000	131,870	6,255	77,662	17,950	101,867

Source: IMF staff.

1/ Based on the proposed new rate schedule for 2025.

2/ Assuming that the customary wage rule is the highest amount of the annual profit or USD 41,000 (approx. twice the basic income exemption).

3/ 19 percent on the first USD 222,000 and 25.8 percent on the excess profit.

4/ 5 percent on available profit for distribution.

Customary Wage Rule

74. A CIT, in addition to being a tax on profits (including super profits), also protects the integrity of the PIT. In its absence, individual taxpayers are encouraged to escape income taxation by incorporating (Box 2). Since 2010, the BES economy has witnessed this behavior. Authorities have tried closing this loophole by introducing a customary wage rule (*'gebruikelijk loon'-regeling*) that imputes a salary to the business owner, which is taxable under the PIT. However, originally the imputed salary was set too low and substantial advantage continued until the legal change in 2024. See Table 16 for the reported customary wages in 2021 and 2022.

Table 16. Wages reported under the Customary Wage Rule.

Customary wage (in USD)	2021	2022
0 – 10,000	242	221
10,001 – 20,000	641	606
20,001 – 30,000	360	387
30,001 – 40,000	112	140
40,001 – 50,000	55	81
50,001 – 60,000	29	29
60,001 – 70,000	13	13
Above 70,000	38	44
Total	1490	1521

Source: BCN, Ministry of Finance.

75. In 2024, the authorities adjusted the customary wage rule closer to realistic wage levels and aligned the rule with the applicable Dutch rule. In most cases this new rule will recognize a more realistic remuneration of labor. However, the 90-percent of turnover rule applied to sole proprietors seems a bit harsh and is stricter than the 70-percent rule applied in the Netherlands. It is not clear why this deviation was introduced, especially that it is less applied due to a supreme court decision.²⁶ An alternative to this rule would be to remunerate capital at some rate, and tax remaining profit as employment income.

76. Although the new rule approaches a more realistic allocation between capital and labor income, it suffers from some design issues. For instance, it may be reasonable to assume that sole proprietors without employees offering professional services have very little capital income (e.g., lawyers), but it is not the case for small retailers who may have more equipment. Things become even more complex when, for instance, a doctor practices in a hospital (so no capital invested), instead of a private clinic (with potentially substantial equipment invested). Scenario 2 of Box 2 shows for 2024 how this new rule increases the tax burden more than the personal income when individuals decide not to incorporate.

Box 2. Incorporating a small business – an example^{1/}

An artisan bakery shop with two employees makes a turnover of US\$ 150,000 per year and a profit of US\$ 45,000. Each employee earns a salary of US\$ 20,000 per year. The bakery operates its business in the owner's property with a market value of US\$ 400,000. Consider two scenarios: (A) the owner runs the bakery as a private business; (B) the owner incorporates and continues working in the entity with his two employees.

Scenario A: The owner will pay personal income tax on his profit in the amount of US\$ 7,471, i.e., $0.304 \times (\text{US\$ } 45,000 - \text{US\$ } 20,424)$.

Scenario B: The owner will pay personal income tax on his customary wage in the amount of US\$ 1,391, i.e., $0.304 \times (\text{US\$ } 25,000 - \text{US\$ } 20,424)$ plus a 5 percent distribution tax (*uitdelingsbelasting*) on the remaining profit ($\text{US\$ } 45,000 - \text{US\$ } 25,000$) or US\$ 1,000. In addition, a RET in lieu of the corporate tax of US\$ 1,600 (10% of 4% of US\$ 400,000) is due.

The difference in tax due between scenarios A and B is US\$ 3,480 ($\text{US\$ } 7,471 - \text{US\$ } 3,991$), a saving of 46.6 percent relative to A.

In 2024, the tax under B will change in that the customary wage is set at US\$ 40,848 which results in a personal income tax of US\$ 6,202. The distribution tax is reduced to US\$ 207 (5% of $[\text{US\$ } 45,000 - \text{US\$ } 40,848]$). The real estate tax remains the same (US\$ 1,600). The total tax advantage has now turned into a disadvantage ($\text{US\$ } 7,471 - \text{US\$ } 8,007$), 7 percent higher than scenario A.

1/ In this example we disregard all local taxes and fees.

Recommendations

- Remove the RET for incorporated businesses resident in BES.
- Introduce a simplified tax regime for small and medium-sized business in BES based on cash accounting.
- Bring the customary wage rules in line with those in the Netherlands.

²⁶ HR 9 November 2012, nr. 11/03555, BNB 2013/71*.



TW: Gelezen 22/6/2025

TER BESLISSING

Aan

de staatssecretaris van Financiën – Fiscaliteit, Belastingdienst en Douane

Directoraat-Generaal
voor Fiscale Zaken
Directie Directe
Belastingen & Toeslagen

nota

Aanbieden IMF rapport fiscale stelsel BES-eilanden

Persoonsgegevens

Aanleiding

In de periode mei 2024 tot en met januari 2025 heeft het Internationaal Monetair Fonds (IMF) in opdracht van het ministerie van Financiën een technische analyse van het fiscale stelsel op de BES-eilanden uitgevoerd. Bijgaand treft u ter ondertekening de begeleidende brieven naar de voorzitters van de Eerste en Tweede Kamer aan, waarin het rapport aan hen wordt aangeboden.

Datum

16 juni 2025

Notanummer

2025-0000169620

Bijlagen

1. Brief Voorzitter Eerste
2. Brief Voorzitter Tweede
3. IMF rapport fiscale Stelsel

Kernpunten

- Stemt u in met ondertekening van deze begeleidende brieven? Zo ja, dan kunt u deze twee brieven (bijlagen 1 en 2) ondertekenen.
- Gaat u akkoord met het openbaar maken van de nu voorliggende nota, conform de beleidslijn Actieve openbaarmaking nota's?

Akkoord
Akkoord.

Toelichting

Op heeft de Fiscal Affairs Department van het IMF een eindrapport opgeleverd over het fiscale stelsel van de BES-eilanden: *Technical Assistance Report - Kingdom of the Netherlands: Assessment of the Tax System of the BES-islands* (hierna: het rapport).

Het rapport betreft een diepgaande fiscaaltechnische evaluatie van het bijzondere fiscale stelsel aldaar, alsmede een aantal aanbevelingen voor de toekomst. Het kabinet zal (in nauw overleg met vertegenwoordigers van de BES-eilanden) verder verkennen welke specifieke aanbevelingen van het IMF verder zullen worden onderzocht. Zoals bekend, is het kabinet verzocht om in wezenlijke samenspraak met vertegenwoordigers van de eilanden lastenverzwaringen als gevolg van belastingwijzigingen te ondervangen.

Communicatie

Uw woordvoerder is aangehaakt. Na het aanbieden van het IMF rapport aan de voorzitters van de Tweede en Eerste Kamer zal het rapport ook aan de gezaghebbers van de openbare lichamen van Bonaire, Sint Eustatius en Saba worden aangeboden.

Politiek-bestuurlijke context

N.v.t.

Informatie die niet openbaar gemaakt kan worden

Niet van toepassing.