


TAX FLASH

The 10 most frequently asked questions about the small income allowance

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The small income allowance has come into effect on January 1st 2011. This provides an extra allowance to employees residing in Aruba with earnings not exceeding Afl. 2.500 per month, as well as persons residing in Aruba and receiving an AOV or AWW social security benefit. In the last couple of days, we have received numerous questions about the new allowance from employees and employers alike. We have decided, therefore, to list the 10 most frequently asked questions in this 'Tax Flash'.

1 Where can I find the necessary form that must be completed in order to be entitled to the small income allowance?

This form can be picked up at the Servicio di Impuesto (hereafter: "SIAD"). It can also be downloaded from the website: www.siad.aw

2 I collect an AOV or AWW benefit. Am I required to fill out a form in order to be entitled to the small income allowance?

No, this is not necessary. The small income allowance is paid out automatically through the SVB.

3 What is the deadline for completing the form?

The text of the law states that persons employed from the beginning of the year, are required to complete and hand in the form to their employers by January 31st 2011. If the deadline is not met, the allowance is not applicable for the entire year of 2011. Persons employed in February 2011 or later, have to complete the form and hand it in to their employer by the end of the month which follows the month in which their employment has started.

However, the Minister of Finance has recently approved a new deadline. The form can also be completed and handed in to the employer after January 31st 2011. In such a case, the employee is entitled to the allowance as of the month in which the form has been received by the employer.

4 As employer, am I required to present the completed forms to the SIAD?

No, that is not necessary. You are to keep the completed forms on file in your administration. The SIAD may request you to present the completed forms at a later stage.

5 My employees receive a fixed salary along with commission, depending on their sales performance. How do I determine if they are entitled to the small income allowance?

The small income allowance legislation refers to the (broad) wage concept described in the wage tax legislation. This implies that all benefits resulting from employment are considered, such as the fixed wage, (taxed) fringe benefits, company car, and also commission. Say in the month of February, an employee receives Afl. 1.000 from commissions in addition to a fixed monthly wage of Afl. 1.600, the employee in this case would not have the right to receive the small income allowance. The total wage would be Afl. 2.600, which exceeds Afl. 2.500. Every month should be considered separately in order to determine whether the employee is entitled to the allowance.

The fluctuation of wages on a monthly basis could result in an unpractical administrative situation. The small income allowance legislation states that a new form must be completed every time changes in circumstances occur. Changes in income are one of the examples used in the explanatory notes pertaining to the legislation in question. The implication hereof is, that employees who work on commission basis are to fill out a new form each month. This seems a bit unrealistic, as it would be much more practical to have the employee complete the form once at the beginning of the year, and the employer would subsequently determine each month if the employee is entitled to the small income allowance and to what amount. We will verify if the proposed method will be approved by the SIAD.

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VERKLARING WERKNEMER
reparatietoeslag

Jaar: **2011**

1 UW GEGEVENS
Achternaam
Voornamen
Adres
Persoonsnummer
Identiteitsnummer
Telefoonnummer

2 REDEN INVULLEN VERKLARING
- Ik ben op 1 januari 2011 in dienst.
- Ik ben gedurende het jaar in dienst getreden.
- Mijn gegevens zijn veranderd.

3 UW SITUATIE
- Ik ben ingeschreven in het bevolkingsregister van Aruba.
- Ik ontvang geen AOV- of AWW-uitkering van SVb Aruba.
- Mijn echtgenoot ontvangt geen AOV-uitkering van SVb Aruba.
- Ik ben niet in dienst bij een andere werkgever.

4 MEERDERE WERKGEVERS
Naam werkgever
Loon per maand
Aantal uren per week
- Ik ontvang geen reparatietoeslag van een van bovengenoemde werkgevers

6 One of my employees works part-time about 15 hours per week for a gross wage of Afl. 1.000 per month. Will this employee be entitled to the small income allowance?

No, only employees with an average workweek of 20 hours are entitled to the small income allowance. The right to receive the small income allowance would exist, if this employee has one more job with an average workweek of at least 5 hours. Though, the sum of the wages from both jobs may not exceed Afl. 2.500. A conversion of the wage to full-time (40 hrs) basis must be made, if the total workweek is less than 40 hours. If at the other job, your employee has a workweek of 10 hours and a wage of Afl. 800 per month, the right to the small income allowance would not exist. The converted wage would, in this case, amount to Afl. 2.880 per month ((Afl. 1.000 + Afl. 800) * 40/25).

7 I receive an AOV allowance and I also work. With regard to which income will I be entitled to the small income allowance?

In a situation where an employee also receives an AOV allowance, the SVB pays out the small income allowance. You are not entitled to the small income allowance in relation to your job.

8 I have several jobs, which employer is required to pay out the small income allowance?

The employer where you earn the most is required to pay out the small income allowance. Keep in mind that the total income of all your jobs will be considered when determining your right to the small income allowance. Therefore, you must list all your jobs and the wages you receive on the form.

9 My employees are paid on a weekly basis, when do I pay out the small income allowance?

In such a case, the employer has two options for the payment of the small income allowance. The small income allowance can be paid out in installments along with the wages, or it can be paid out at once with the last wage payment of the month in question.

10 What are the consequences related to non-compliance with the requirements of the small income allowance legislation by either the employee or the employer?

In the event that the employee completes the form with incorrect information, the tax inspector can issue a fine of at least Afl. 100 and up to 100% of the amount paid out in small income allowance. For non-cooperation with the tax authorities' request for information, the employee can face a fine of up to Afl. 1.000.

The employer can in turn be faced with a fine in the event that he does not comply with his obligations towards his employee to pay out the small income allowance. The fine amounts to at least Afl.2.500 and up to Afl. 10.000. Untimely payment of the small income allowance and incorrect representation of these payments on the wage tax assessments, the yearly report of the employee, or the collective wage report, can result in a fine of up to Afl. 2.500. Above mentioned is applicable mutatis mutandis for situations of non-cooperation or insufficient cooperation with regard to a request for providing information to the tax inspector.

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