



Press release

February 21st, 2025

CAft: “Take advantage of surplus to restore order in the basics”

Oranjestad – In recent years, Aruba has achieved considerable budget surpluses, and it reduced its debt ratio. Although these are positive developments, the Board of financial supervision of Aruba (CAft) emphasizes that the country must now seize the opportunity to implement structural reforms and to improve risk control. This is necessary to ensure government finance is in order and economic resilience of the country is guaranteed. The foundation for the spectacular growth is fragile, since the country is largely dependent on tourism.

Taxation

Despite the fact that Aruba shows growing tax income year after year, according to the CAft, prudent and controlled action is still essential, especially now. Aruba is steadily progressing towards sustainable government finance, even though the foundation is fragile. According to the International Monetary Fund (IMF), from 2025 onwards, the economic growth will normalize, which means that the tax income will no longer automatically increase with this magnitude. Despite the fact that steps were taken in recent years to make the system more robust, it remains fragmented and complex. The CAft reiterates its recommendation to investigate if the system can be simplified by means of the introduction of a VAT system, which would also benefit compliance. Furthermore, the CAft calls for a critical revision of deductions to broaden the tax base, which would also provide room to reduce the tariffs.

The informal sector, such as vacation rentals, which according to the IMF represents 15 percent of the GDP, undermines compliance. Reinforcement of the Tax Authorities is essential to ensure tax income, considering the outdated systems and the lack of insight into tax compliance. Better cooperation with Customs and Sociale Verzekeringsbank, including data exchange, may reinforce compliance and prevent fraud. Furthermore, the CAft emphasizes that centralized collection of premiums and taxes by the Tax Authorities may lead to considerable benefits.

Gap in legislation and regulations

The CAft urges Aruba to close a recently discovered gap in its legislation and regulations, which regards the authority of the Minister of Finance to independently implement (downward) adjustments of payroll tax and income tax. According to the CAft’s interpretation, the correct checks and balances are lacking here, since modifications on the expenses side must have prior approval of Parliament, whereas this is not sufficiently guaranteed for the income side.

Budget and justification cycle

A timely adopted budget is essential to due financial management. The lack of an adopted budget for 2025 not only hinders Parliament in its controlling tasks, but it also has immediate consequences; without an adopted budget, Aruba’s government is unable to take out new loans. This is problematic, since for 2025, Aruba has a repayment obligation of approximately AWG 400 million. The budget debate, however, has



not yet been scheduled. Therefore, the CAft urges Aruba to adopt its budget for 2025 as a matter of urgency. The Kingdom Council of Ministers has also called on Aruba to do so. Aruba is far behind on the submission of justification information. The annual accounts for 2019 still have not been submitted to Parliament.

Resilience

Even though Aruba's debt ratio decreased to approximately 70 percent of the GDP in 2024, the country remains vulnerable to economic shocks. Furthermore, it is anticipated that in 2025, the interest expenses will take up 17 percent of the budget. Further debt reduction is essential to be able to absorb future shocks. The progress of agreements with the Netherlands regarding a new supervisory framework (Kingdom Act) also offers a perspective on lower interest expenses and more financial room for investments.

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Photographer:

Cft

Photo caption:

Especially now Aruba should act in a prudent and controlled way.

Note for the editor – not for publication

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