

Penshonado Arrangement.



Hans & Jolanda owners of Asecom

Recently the income tax return forms for the year 2011 were handed out, on which we did receive a lot of questions from our clients about the 'penshonado' arrangement.

Below the most important issues, briefly, in a row.

- As of January 1st, 2011 the 'penshonado' arrangement is abolished. However there is still a transition period of 4 years for those who were eligible for the 'penshonado' arrangement on December 31st, 2010. This transitional arrangement is valid till the fiscal year 2015.
- The 'penshonado' arrangement at the rate of 5% no longer exists. Anyone who falls under the transitional arrangement as of January 1st, 2011, will be taxed at a rate of 10%.
- In case the 'penshonado' arrangement is applicable, the foreign incomes are taxed at a rate of 10%.

- The income of a 'penshonado' up to US\$ 26,396 is always taxed at a rate of 30.4%. This is due to the levy of premiums.
 - You may choose as well to set your taxable sum at an amount of US\$ 243,934, which will be taxed at the normal rate of 30.4%
 - Your domestic income is always taxed at the normal rate of 30.4%
 - The 'penshonado' is not entitled to deduction of the extraordinary and personal expenses.
 - You are entitled though, to the tax allowance (tax free sum), the child allowance and the old age allowance.
 - Also you are entitled to an interest exemption from US\$ 5,000 and a dividend exemption of US\$ 5,000 per year.
 - You are not allowed either to reduce to full year income
 - You may be entitled for deduction to avoid double taxation in case you received an income on which another country has also imposed tax.
 - In case you do not own a house for more than six months, you will lose your 'penshonado' status
- As from the fiscal year 2015, the 'penshonado's' will be taxed the same as any other resident taxpayers.