PART 1: NARRATIVE REPORT

Aruba is found in 112\textsuperscript{th} place on the 2020 Financial Secrecy Index. Although the country has a relatively high secrecy score, of 73, it accounts for a tiny proportion of offshore financial services, 0.0007 per cent. The offshore sector in Aruba never got off the ground, with the offshore sector being dominated by its larger neighbour, Curacao.

A Caribbean secrecy jurisdiction

Aruba is a part of the Kingdom of the Netherlands. Since constitutional changes in October 2010, this Kingdom has consisted of the Netherlands in Europe, plus six islands in the Caribbean, three of which are countries: Aruba, Curaçao and St. Maarten. The other three - Bonaire, St. Eustatius and Saba - are special municipalities of the Netherlands. The 2010 changes involved the dissolution of the Netherlands Antilles, which then consisted of Curaçao, Bonaire, St. Maarten, St. Eustatius and Saba. Aruba lies 23 km north of the coast of Venezuela, has about 108,000 inhabitants and is fully autonomous in internal affairs. External affairs and defence are managed by the Netherlands.

History

The Spanish came to Aruba around 1500 and deported the indigenous population to work in copper mines in Santo Domingo, in what is now the Dominican Republic. The Dutch gained control in 1636, and the economic development of Aruba remained limited compared with Curaçao, with some cattle breeding and phosphate mining Aruba remained an economic subsidiary of Curaçao. In 1924 the economy was transformed when the Standard Oil Company of New Jersey built oil storage tanks and a refinery for oil from nearby Venezuela; in the 2nd World War the Aruba refinery and Shell refinery in Curaçao produced some 85\% of Allied aviation fuel. When the refinery closed in 1985, Aruba was transformed into a tourism-based economy.

The Offshore Sector

Until 1986 (when Aruba became a separate country in the Dutch Kingdom), Aruba’s tiny offshore sector was fully connected with that of Curaçao, where the central government and most offshore professionals – lawyers, notaries and accountants - resided.

When Aruba obtained its autonomy in 1986 the government wanted to develop the island as a financial centre. It was boosted by favourable tax legislation and the Belastingregeling voor het Koninkrijk (BRK)\textsuperscript{1} with the Netherlands (which has the same effect as a tax treaty).

New zero-tax legislation was approved in 1988, giving rise to rapid offshore sector growth: by the end of that year there were already an estimated 600 active Aruban holding, finance and royalty companies. Even so, these companies were mostly managed from Curaçao (mailing address, bank accounts, bookkeeping) so the linkages to the Aruban economy were minimal. The direct and indirect revenues from the offshore sector on Aruba (including tax revenues) were estimated at somewhere between 0.5 and 0.7 per cent of GDP.\textsuperscript{2} According to international standards the offshore banking sector is very small: in

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\textsuperscript{1} The ranking is based on a combination of its secrecy score and scale weighting. Full data is available here: http://www.financialsecrecyindex.com/database.

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

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Sources and further reading

- IMF Kingdom of the Netherlands—Aruba: Detailed Assessment of Compliance with the Basel Core Principles for Effective Banking Supervision, IMF Country Report No. 08/316, Sept 2008

Endnotes

1 Effectively the equivalent to a DTA, but only applied to transfers from one part of the Kingdom of the Netherlands to another; as with a DTA it can be used by third parties for treaty shopping. A new BRK came into effect in 1997.
Notes and Sources

The FSI ranking is based on a combination of a country’s secrecy score and global scale weighting (click here to see our full methodology).

The secrecy score is calculated as an arithmetic average of the 20 Key Financial Secrecy Indicators (KFSI), listed on the right. Each indicator is explained in more detail in the links accessible by clicking on the name of the KFSI.

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

This report draws on data sources that include regulatory reports, legislation, regulation and news available as of 30 September 2019 (or later in some cases).

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