

Curaçao Social Security System

The social security restructuring on Curaçao, as of the beginning of 2013, has brought some uncertainty and confusion. Considering the significant legislative amendments, we would like to discuss the highlights of the changes to the social security system.

Basic illness insurance (BVZ)

As of February 1, 2013, the BVZ was introduced with the aim to harmonize the health care legislation into one coherent system and to provide basic health care for all inhabitants of Curaçao. In principle, all Curaçao residents and nonresidents earning income from employment on Curaçao fall within the scope of the BVZ. Therefore, eligibility is no longer determined by annual income. Those who were privately insured before February 1, 2013 are exempt. The BVZ mainly consists of the following three components:

Nominal premium – ANG 82

Individuals eligible for nominal premium insurance must be 18 years or older by January 1st of the initial year and must have earned an annual income of at least ANG 12,001 in the prior calendar year. The annual nominal premium is ANG 82 and should be paid at the Receiver's Office. Since the new BVZ guidelines were introduced on February 1, 2013, each insured individual has up to June 30, 2013 to pay the nominal premium. In 2014 and thereafter, payments must be made by January 31st.

Income-based premium - 12% (pensioners: 10%)

The income-based premium is due by insured individuals with an annual income of at least ANG 12,001 up to ANG 100,000. Since the BVZ was introduced on February 1, 2013, a threshold of ANG 91,667 (11/12 x ANG 100,000) applies. In the employer-employee relationship, the premium of 12% is divided. An employer contributes 9% and an employee contributes 3% of the premium. The employer is obliged to file monthly returns reporting the BVZ premiums that are due.

By way of pre-levy, the employer should withhold and remit the premiums that are due to the Tax Authorities.

For the other insured individuals (e.g. pensioners and self-employed individuals), all BVZ premiums will be due at once, by lack of pre-levied premiums, at the moment the income tax assessment is paid.

“Own risk” premium – ANG 1 per prescribed line

This option is solely for prescribed medication.

An “own risk” premium of ANG 1 per prescribed line must be paid to the pharmacy.

Illness insurance (ZV)

In addition to the BVZ, the old illness insurance still continues to exist, however, in a significantly amended form. The illness insurance now requires the employer to contribute 1.9% until January 1, 2014 for employees with an annual income not exceeding the threshold ANG 61,620, as determined by the Social Security Bank.

General old age insurance (AOV)

As of March 1, 2013, extensive changes were introduced to the AOV because the old age fund is facing large deficits.

The premium contributions for the AOV increased from 13% to 15% of the premium income (with an employer contribution of 9% and an employee contribution of 6%).

The maximum AOV premium income was increased from ANG 93,000 to ANG 100,000. However, in case the individual insured under the AOV has an income exceeding ANG 100,000 per year, an additional premium contribution of 1% is due by the individual on an income in excess of ANG 100,000. Also, this threshold should be



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applied in proportion with the amount of time an individual has been insured during the year. Consequently, if a person has been insured under the newly introduced AOV as of March 1, 2013, a threshold of ANG 83,333 (10/12 x ANG 100,000) applies. If earnings exceed ANG 83,333 in 2013, an additional contribution of 1% is triggered.

The age to start receiving benefits from the old age pension increased from 60 years to 65 years. For individuals who reached the age of 57, 58 or 59 years before March 1, 2013, transitional rules apply. Individuals who are 59 years old as of March 1, 2013 are still entitled to receive the old age pension on their 60th birthday. Individuals who are 57 or 58 years old before March 1, 2013 can choose to retire between their 60th and 65th birthday. If the individual opts for retirement before turning 65, the annual old age pension payment will be permanently reduced by 6% for each year the person retires before his/her 65th birthday.

Other social premiums

The other social premiums such as the General Widow's and Orphan's Insurance (AWW), the General Insurance Extraordinary Sickness Ordinance (AVBZ), the required disability insurance (OV) and the redundancy contribution, or cessantia, will remain with only minor changes.

The way forward

The significant changes introduced in the Curaçao social security system will, directly or indirectly, affect all inhabitants on Curaçao. However, the changes were made and put into effect without giving sufficient time for proper preparation and coordination of the parties involved, such as the pharmacies responsible for collection of the 'own risk' premiums, resulting in legislation with technical and other lacunas.

Various seminars were organized by the Tax Authorities and the Social Security Bank,

giving the attendees the chance to share their concerns. Considering the unresolved questions and problems raised, it is expected that reparatory legislation will be introduced shortly. Besides the changes enacted in the social security system in February and March 2013, significant changes are also expected for other taxes, e.g. the Curaçao turnover tax, real estate tax (amendment to the ground tax) and a change in regulations for the profit tax with the aim of providing relief for export. When this editorial went to press, it was still unclear if and when these changes will be enacted. Continued developments will be covered in future editorials. ■

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