

Annual Report

Curaçao International Financial Services Association (CIFA)

Willemstad, Curaçao

Report on the
annual accounts 2019

July 27, 2020



<http://www.cifa-curaçao.com>

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Annual accounts 2019

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CIFA Management Statement on Financials 2019

The year 2019 was mainly dedicated in avoiding being blacklisted as a jurisdiction by meeting the The Organisation for Economic Co-operation and Development (“OECD”) Peer Review requirements and by amending tax legislation in order to comply with international OECD and European Union (“EU”) standards.

In January 2019 the Forum on Harmful Tax Practices (“FHTP”) of the OECD approved the special regimes of Curacao which were being reviewed by the FHTP as from October 2017. The special regimes which were being reviewed by FHTP were the Exempt Company, the Export Regime and the Ezone regime which later was regarded by FHTP as out of scope. Also the newly introduced Innovation Box and the Curacao Investment Company (“CIC”), which is the replacement of the Exempt Company, were reviewed by FHTP. The Export Regime has been abolished, the Exempt Company replaced by the CIC which together with the Innovation Box have been qualified by FHTP as not harmful. This meant that these regimes of Curacao complied with the guidelines and the recommendations of the OECD which was a great achievement at the beginning of 2019.

Unfortunately, at the end of January 2019, the EU noted the new introduced preferential measure “exemption of foreign income” as harmful. In order to avoid to be on EU’s blacklist, Curacao committed, as requested by the EU, to amend or abolish this measure and to amend the Ezone regime before the end of the year 2019.

In May 2019 CIFA participated in preparation meetings of the OECD Largely Compliant Peer Review and provided during their on-site visit a presentation to the delegates of the OECD whom were mostly focused on the CDD and KYC requirements. This presentation was done together with IFG, VAB, the Curacao Banking Association (“CBA”) and the Association of Notaries and Lawyers (“Vereniging van Notarissen en de Orde van Advocaten”). The OECD Peer Review went well and in September 2019 Curacao was upgraded by the OECD as Largely Compliant.

In June 2019 CIFA took the initiative to form an informal group of specialists of CIFA, of the International Financial Group (“IFG”) and the Curacao Tax Association (“VAB”) that worked closely with representatives of Sector Fiscale Zaken (SFZ) (Sector Tax Affairs) of the Ministry of Finance to support SFZ in adjusting the Curacao profit tax legislation, in order to meet the EU and OECD minimum standards.

CIFA through the funds of Stichting Financiering Task Force Tax Treaties (“SFTFTT”) hired Mr. Alex Postma (Former Global International Tax Services Leader EY) as advisor to the informal group regarding the amendment of the Profit Tax Legislation and to support with the negotiations of the Tax Treaty with the Netherlands; Belasting Regeling Nederland – Curacao (“BRNC”).

The informal group of tax specialist met regularly to discuss all tax issues in the legislative area (SFZ) and in the area of implementation (Tax Authorities) that are relevant for the international financial sector. The Committee also provided input and is a sparring partner to tax authorities and supported with the negotiations of the BRNC.

In November 2019 the suggested adjustments to the Curacao profit tax legislation, which CIFA believe will preserve the existing international financial sector on Curacao, was approved by the EU. In December 2019 the government passed the amended profit tax legislation just in time to meet the by EU imposed deadline avoiding being blacklisted by EU.

In 2019 CIFA continued to organize activities for its members and keep the members informed through information sessions, newsflashes, articles and press releases in the local press. In January 2019, CIFA co-sponsored with UTS, the Darren Wardy Workshop on Achieving Extreme Productivity. The day ended with the well visited New Year's Cocktail Party of CIFA.

In March 2019 CIFA welcomed new board members with a new Chairman. Mrs. Nacha de Jesus was elected as CIFA's new Chairman together with new board members, Mr. Julian Lopez Ramirez, Mr. Rudsel Lucas and Mr. Dave Liqui-Lung.

The 2019 board of CIFA consisted of Mrs. Nacha de Jesus (Chairman), Giovanni Pieternelle (Vice Chairman), Mrs. Sueena Francisco (Secretary), Mrs. Janine Lacle (Treasurer), Mr. Bryan Irausquin, Mr. Julien Lopez Ramirez, Mr. Ronald Beunis, Mr. Rudsel Lucas and Mr. Dave Liqui-Lung (resigned September 2019).

The Board members also represented CIFA in other committees or Boards:

- CIFC – Nacha de Jesus
- NRA – Alma Heide
- Blockchain – Roland Beunis
- VBC – Eric de Vries & Julian Lopez Ramirez
- Red Tape to Red Carpet – Sueena Francisco & Dave Liqui-Lung
- Marketing CIFC – Rudsel Lucas & Nacha de Jesus
- IBA – Giovanni Pieternelle
- CBA – Janine Lacle
- Informal Tax Group – Nacha de Jesus, Bryan Irausquin & Julian Lopez Ramirez

CIFA has also formed part of CIFC's The Coalition of the Willing, this is to help CIFC with its marketing and to get Curacao exposure as a jurisdiction internationally.

CIFA has had various meetings in 2019 with our stakeholders and the government. Meetings were held with The Central Bank of Curacao & Sint Maarten, Mr. Jose Jardim (Competent Authority), Prime Minister Rhuggenaath, Minister of Finance Mr. Gijsbertha, Sector Fiscale Zaken, Tax Authority, the US, China and Netherlands representatives just to name a few.

Through 2019 CIFA has organized multiple information sessions to its members especially regarding the Tax Developments. In October 2019 CIFA in cooperation with STEP Curaçao organized a Lunch briefing on the important topic of Tax changes for the international financial services sector .

Financial Accounts

The income of CIFA in 2019 is ANG 44,579 higher compared to 2018. The members and contributors fees were ANG 15,217 lower compared to 2018, due to some cancellation of members and contributors (please refer to page 21 for complete breakdown).

The positive result of 2019 in the amount of ANG 95,132 was significantly higher (ANG 85,452) than projected (ANG 9,680), despite the decrease in fees income and ANG 41,400 in write offs and provisions for bad debts. This is the result of the donation to CIFA in connection with the liquidation of Stichting Financiering Task Force Tax Treaties of ANG 86,435 accounted under Extraordinary income in the P&L. Apart from this windfall, the 2019 budget was well managed.

Curaçao, July 27, 2020

Financial statements

- Balance Sheet
- Profit and loss account
- Notes to the financial statements

Balance sheet as of December 31, 2019

(before appropriation of result)

	Note	12.31.2019	12.31.2018
		ANG	ANG
Assets			
Fixed assets			
Tangible fixed assets	1	755	1,177
		755	1,177
Current assets			
Membership fees receivable	2	44,600	123,417
Rent and expenses receivable	3	10,494	11,022
Other receivables and prepaid expenses	4	11,127	35,459
Cash and banks	5	553,507	452,160
		619,728	622,058
		620,483	623,235

Balance sheet as of December 31, 2019

(before appropriation of result)

	Note	<u>12.31.2019</u>		<u>12.31.2018</u>	
		ANG		ANG	
Equity and liabilities					
Equity					
Accumulated surplus	6	394,537		203,582	
Earmarked Reserves	7	0		140,402	
Unappropriated net result for the year		<u>95,132</u>		<u>50,553</u>	
			489,669		394,537
 Current liabilities					
Other liabilities and accrued expenses	8	<u>130,814</u>		<u>228,698</u>	
			130,814		228,698
			<u>620,483</u>		<u>623,235</u>

Profit and loss account 2019

	Note	2019 ANG	2018 ANG
Income			
Membership fees		282,200	294,750
Membership donations		9,333	12,000
Other income	9	<u>86,435</u>	<u>0</u>
Total income		377,768	306,750
Expenses			
BB/Luch/Seminar/Workshop		(102)	1,100
Secretarial costs and management fees	10	91,717	92,700
Housing expenses	11	22,934	17,646
Office expenses		16,140	16,956
General expenses	12	59,380	59,975
Promotion expenses		29,501	3,965
Public Relation/Advertising		18,910	22,547
Legal fees		1,573	0
Sponsorships		0	29,673
Depreciation		422	485
Financial expenses		641	645
Other expenses		0	40
Extraordinary expenses		120	0
Write-off Debtors		12,750	1,165
Provision Doubtful Debtors		28,650	0
Write-off exp./other income		<u>0</u>	<u>9,300</u>
Total expenses		<u>282,636</u>	<u>256,197</u>
Net result		<u>95,132</u>	<u>50,553</u>

Notes to the financial statements

General

Activities

The activities of the Curaçao International Financial Services Association (CIFA), established on February 7th 1980 under the laws of the former Netherlands Antilles, having its legal seat in Willemstad, Curaçao, primarily consist of promoting the interests of its members in the financial services industry on Curaçao.

General accounting principles for the preparation of the financial statements

The financial statements are prepared according to the stipulations in Book 2 of the Curaçao Civil Code, using accounting principles generally accepted in the Netherlands.

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are valued according to the cost model.

Income and expenses are accounted for on accrual basis. Profit is only included when realized on the balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

Translation of foreign currency

The financial statements are prepared in ANG, the measurement and presentation currency of the association. Receivables, liabilities and obligations denominated in foreign currency are translated at the exchange rates prevailing at balance sheet date.

Transactions in foreign currency during the financial year are recognised in the financial statements at the exchange rates prevailing at transaction date. The exchange differences resulting from the translation as of balance sheet date are recorded in the profit and loss account.

Principles of valuation of assets and liabilities

Tangible fixed assets

Tangible fixed assets are presented at cost less accumulated depreciation and, if applicable, less impairments in value. Depreciation is based on the estimated useful life and calculated as a fixed percentage of cost, taking into account any residual value. Depreciation is provided from the date an asset comes into use.

Receivables

Upon initial recognition the receivables are included at fair value and then valued at amortised cost, which equals the face value, less any provision for doubtful accounts. These provisions are determined by individual assessment of the receivables. Provisions will be presented as costs.

Earmarked Reserves

The earmarked reserves relate to additional memberships of larger members of the association after a request of the board of the association in 2013. The additional funds are set aside for specific projects subject to approval from the General Members' Meeting. The additional funds can not be used for fixed or operational costs.

Short-term liabilities

Short-term liabilities are due within one year

Principles for the determination of the result

Net result is determined as the difference between the fee income and all expenses relating to the reporting period. Costs are determined in accordance with the accounting policies applied to the balance sheet. Profit is realized in the year which the income is recognized, losses are taken upon recognition.

Net turnover (fee and other income)

Net turnover represents amounts invoiced for member fees and/or sponsorship fees and contributions invoiced during the financial year reported on. The other income consists of rental income and income from activities organized by the association.

Notes to the specific items of the balance sheet

1) Tangible fixed assets

The movements in the tangible fixed assets are as follows:

	<u>Other operating assets</u>
	ANG
Balance as at 1 January 2019	
<u>Computers and furnitures</u>	
Acquisition cost	16,727
Cumulative impairments and depreciation	<u>15,550</u>
Book values	<u>1,177</u>
Movements	
Investments	0
Depreciation	422
Balance	<u>422</u>
Balance as at 31 December 2019	
Acquisition costs	16,727
Cumulative impairments and depreciation	15,972
Book value	<u>755</u>

Depreciation percentages:

Computers 33.3% residual value nil - Furniture 20% residual value 10%

2) Member and contributors fees Receivable

	12.31.2019	12.31.2018
	Total	Total
	ANG	ANG
Members and contributors fees receivable	73,250	123,417
Provision	(28,650)	0
Net fees receivable	<u>44,600</u>	<u>123,417</u>

3) Rent and expenses Receivable

	12.31.2019	12.31.2018
	Total	Total
	ANG	ANG
CIFC	10,494	6,996
DCSX	0	5,221
The Financial Institute	0	(1,195)
	<u>10,494</u>	<u>11,022</u>

4) Other Receivables, prepayments and accrued income

	12.31.2019	12.31.2018
	Total	Total
	ANG	ANG
STEP Curaçao	13,800	13,800
Provision STEP Curaçao	(6,900)	(6,900)
SFTFTT	1,965	655
CIFC	975	26,304
STEP	259	0
Fundashon Tur Mucha Mester Kome	278	0
Others ref Information session	750	1,600
	<u>11,127</u>	<u>35,459</u>

5) Cash

	<u>12.31.2019</u>	<u>12.31.2018</u>
	ANG	ANG
Maduro & Curiel's Bank - Current account	552,823	451,279
Maduro & Curiel's Bank - Money card	248	152
Petty Cash	436	729
	<u>553,507</u>	<u>452,160</u>

Cash and bank balances are freely disposable.

6) Equity

Accumulated surplus

The movements of the accumulated surplus during the financial year are as follows:

	ANG
Balance as of 1 January 2019	203,582
Mutation from Earmarked Reserves as per Members' Decision	140,402
Net result prior year	<u>50,553</u>
Balance as of 31 December 2019	<u>394,537</u>

7) Earmarked Reserves

The movements of the accumulated earmarked reserves during the financial year are as follows:

	ANG
Balance as of 1 January 2019	140,402
Mutation to Accumulated surplus as per Members' Decision	<u>(140,402)</u>
Balance as of 31 December 2019	<u>0</u>

8) Current liabilities and accrued expenses

	12.31.2019	12.31.2018
	ANG	ANG
DTA Ecuador	82,449	207,884
Accounts payable	44,719	14,130
Sales tax payable	1,628	278
Other liabilities	2,018	6,406
	<u>130,814</u>	<u>228,698</u>

DTA Ecuador

In 2014 a private donor and Stichting Financiering Task Force Task Treaties (SFTFTT) have made funds available to enter into tax treaty negotiations with Ecuador with the assistance of PwC Dutch Caribbean and a third party in Ecuador. CIFA has collected the funds from the private donor (ANG 133,500) and SFTFTT (ANG 116,435) for a total of ANG 249,935 to make payments and supervise the activities.

In October of 2014 from the funds of the private donor, a payment of ANG 42,051 was made to a Law Office in Ecuador. This brought the balance of the project as per the end of 2014 to ANG 207,884 (ANG 249,935 less ANG 42,051). Other than this single payment no further payment was made during the years 2015, 2016, 2017 and 2018.

During these past years, no advancement was made and it was decided to formally cancel the project during the year 2019 and allocate the balance of the project in the amount of ANG 207,884 to the private donor (ANG 91,449) and SFTFTT (ANG 116,435).

In 2019, an amount of ANG 9,000 was used by the private donor bringing the balance at the disposal of the private donor to ANG 82,449 (ANG 91,449 less ANG 9,000) at the end of 2019.

In 2019, SFTFTT agreed upon request from CIFA to allocate from the funds of SFTFTT an account of ANG 30,000 to cover the professional services of a Tax Advisor regarding Tax Reforms. The reservation of this amount can be found under Accounts Payable.

Furthermore, in 2019 it was decided by the board of SFTFTT to liquidate SFTFTT and to donate the balance left under the DTA Ecuador project of ANG 86,435 (ANG 116,435 less ANG 30,000) to CIFA. The amount of ANG 86,435 can be found under Extraordinary income. Additional funds from SFTFTT will become available to CIFA in 2020.

	ANG
Balance as of 1 January 2019	207,884
Payments during the year 2019	(125,435)
- ANG 9,000 (private donor)	
- ANG 30,000 (SFTFTT)	
- ANG 86,435 (SFTFTT)	
Balance as of December 31, 2019 at the disposal of private donor	<u>82,449</u>

Notes to the specific items of the profit and loss statement

9) Other income

	<u>12.31.2019</u>	<u>12.31.2018</u>
	Total	Total
	ANG	ANG
Extraordinary income (expenses)	86,435	0
See also note under 8.	<u>86,435</u>	<u>0</u>

10) Secretarial costs and management fees

	<u>12.31.2019</u>	<u>12.31.2018</u>
	Total	Total
	ANG	ANG
Electus B.V.	85,277	92,700
Rocio Consulting B.V.	6,440	0
	<u>91,717</u>	<u>92,700</u>

11) Housing expenses

	<u>12.31.2019</u>	<u>12.31.2018</u>
	Total	Total
	ANG	ANG
Rent expenses	15,660	11,016
Utilities	6,343	6,545
Other housing expenses	931	85
	<u>22,934</u>	<u>17,646</u>

	<u>12.31.2019</u>	<u>12.31.2018</u>
	Total	Total
	ANG	ANG
Rent expenses	38,160	38,160
Less Rent income		
CBA	(3,600)	(3,600)
CIFC	(3,600)	(3,600)
DCSX	0	(4,644)
IBA	(5,400)	(5,400)
The Financial Institute	(9,900)	(9,900)
	<u>15,660</u>	<u>11,016</u>

Utilities	12.31.2019	12.31.2018
	<u>Total</u>	<u>Total</u>
	ANG	ANG
Electricity and water	4,721	7,817
Cleaning and Maintenance	5,477	5,439
Less Reimbursements		
DCSX	0	(2,856)
The Financial Institute	(3,855)	(3,855)
	<u>6,343</u>	<u>6,545</u>

Other housing expenses	12.31.2019	12.31.2018
	<u>Total</u>	<u>Total</u>
	ANG	ANG
Housing and Equipment Repairs	455	85
Other Housing expenses	476	0
	<u>931</u>	<u>85</u>

12) General expenses

	12.31.2019	12.31.2018
	<u>Total</u>	<u>Total</u>
	ANG	ANG
Contribution and Membership	21,500	34,000
Members meetings	35,582	24,616
Board meetings	2,298	1,359
	<u>59,380</u>	<u>59,975</u>

Employees

The association has no employees.

Other information

Appropriation of result

The following has been presented concerning the appropriation of result:

Proposed appropriation of result for the financial year 2019

The board proposes, that the net result for the financial year 2019 of ANG 95,132 to be added to the Accumulated surplus.

The financial statements do not yet reflect this proposal.

Subsequent events

COVID-19:

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. The outbreak of the COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. As of today, it is still not possible to estimate how long it will take to halt the spread of the virus or the long term effects that the COVID-19 pandemic could have on the economy and our business.

Appendix

	Member	Contributor	ANG	2019 ANG
Members/contributors and fee reconciliation				
(annual member/contributor fee is ANG 3.000/1.000)				
Total number of members as per January 1, 2019	98		291,750	
Total number of contributors as per January 1, 2019		12		12,000
New members in the course of 2019	3		9,000	
- CBA				
- De Winter & Liqui-Lung				
- Sadekya Fiduciary Partners				
Full memberships in 2019 compared to 2018	1		1,500	
-Solutions for you B.V.				
New contributor in the course of 2019				
- Tax Boutique/Quality Tax Assurance		1		333
Members resigned in the course of 2019	-7		(20,250)	
- Building Depot				
- Curaçao Air Terminal Services				
- DC Tax & Legal (formerly Meijburg)				
- Heren2				
- Independium Trust				
- KPMG Accountants				
- New Haven E-Zone				
Contributors resigned in the course of 2019				
- Balance Recruitment				
- Sadekya Fiduciary Partners				
- T&T International Advisors N.V.		-3		(3,000)
Total number of members as per December 31, 2019	<u>94</u>		282,000	
Total number of contributors as per December 31, 2019		<u>10</u>		9,333
Total fees for 2019				<u>291,333</u>

Comparison P&L 2019 with Budget 2019

		Actual 2019	Budget 2019	Difference
		Total	Total	Total
		ANG	ANG	ANG
Net turnover (fee and other income)	A	377,768	275,000	102,768
Secretarial costs and management fees		91,717	96,000	(4,283)
Provision doubtful debtors		28,650	0	28,650
Debt written off		12,750	0	12,750
Other operating expenses		149,519	169,320	(19,801)
Total expenses	B	282,636	265,320	(17,316)
Net result		95,132	9,680	85,452

A) Net turnover (fee and other income)

	Actual 2019	Budget 2019	Difference
	Total	Total	Total
	ANG	ANG	ANG
Membership fees	282,000	265,000	17,000
Membership contributions	9,333	10,000	(667)
Other income	86,435	0	86,435
	377,768	275,000	102,768

B) Operational expenses

	Actual 2019	Budget 2019	Difference
	Total	Total	Total
	ANG	ANG	ANG
BB/Lunch/Seminar/Workshop	(102)	0	(102)
Secretarial costs/Management fee	91,717	96,000	(4,283)
Housing expenses	22,934	23,105	(171)
Office expenses	16,140	20,359	(4,219)
General expenses	59,380	64,250	(4,870)
Promotion expenses	29,501	27,701	1,800
Public Relation/Advertising	18,910	16,100	2,810
Legal fees	1,573	1,600	(27)
Sponsorships	0	15,000	(15,000)
Depreciation	421	505	(84)
Financial expenses	641	700	(59)
Extraordinary expenses	121	0	121
Write-off Debtors	12,750	0	12,750
Provision Doubtful Debtors	28,650	0	28,650
Total	282,636	265,320	(17,316)