

YOUTH BRAIN DRAIN AND TAX INCENTIVES IN THE CAS COUNTRIES, LIMITS AND OPPORTUNITIES

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“We have to start thinking of incentives to bring our professionals and our students that finalize their studies in a way that it becomes attractive to get them here on the island.”

INTRODUCTION

Curaçao, Aruba and Sint Maarten (hereinafter, the ‘CAS countries’) face a loss of young human capital. The outflow of students from Curaçao to the Netherlands has remained high, and not all graduates return. Aruba is confronted with a similar emigration trend. The government introduced a policy proposal granting returning students a partial reduction of their student loan. High levels of student debt and a small labor market continue to constitute an obstacle to remigration. Sint Maarten likewise identifies brain drain as one of the country’s most pressing challenges. Considering the specific pattern of ‘youth brain drain’, targeted tax measures can form part of the policy response. Against this background, this article examines how tax measures are used and how they can address ‘youth brain drain’. The article first sets out the distinction between tax push and pull measures. It then analyzes the tax measures currently applied in the CAS countries, examines the limitations imposed by the OECD and

UN Model Conventions, and concludes with a discussion of possible domestic tax measures that could be applied in the CAS countries to counteract ‘youth brain drain’.

TAX-BASED PUSH AND PULL MEASURES IN THE CONTEXT OF ‘YOUTH BRAIN DRAIN’

Tax policy is often presented as a possible response to brain drain. Whether, and to what extent, it can meaningfully address the specific dynamics of ‘youth brain drain’ requires a distinction between different tax-based push and pull measures. Given the limited taxable income and ties of young individuals, not all tax measures are effective. The analysis first examines push measures in more detail. Push measures aim to discourage or compensate departure. Two tax-based push approaches are examined, namely (1) compensatory and (2) restrictive tax measures.

Compensatory measures (1) accept that individuals may emigrate but seek to compensate for part of the lost tax revenue through the host state. By relying on tax credits, double taxation can be avoided.² This approach raises two questions in the light of ‘youth brain drain’. First, it is uncertain whether the new state of residence would be willing to cooperate. It would have to cede part of its own tax revenue, even though the taxpayer now resides within its jurisdiction and makes use of its public services. Second, it is questionable whether these measures have any meaning. For individuals who choose to pursue further education, it is not unlikely that they have not yet generated taxable income in their state of origin. They no longer make use of public services, and they begin their (adult) lives elsewhere.



This raises the question of whether, and to what extent, the state of origin can claim any form of tax compensation. A very broad approach which counts all public expenditure from birth onwards appears disproportionate, since individuals had no choice as children regarding their place of residence. A more targeted option is to limit the calculation to the concrete support for higher education provided by the state of origin, and to request compensation solely for that. In cases of ‘normal brain drain’,³ by contrast, compensatory measures may be more coherent as individuals chose to reside in the state of origin during their adult lives, generated taxable income there, and made conscious use of public services before emigrating.

Restrictive measures (2), on the other hand, aim to limit the outflow by attaching conditions, requirements or sanctions to emigration. Framed in terms of reciprocity and the pursuit of a return on public investment, they raise concerns in relation to the free

movement of persons. Safeguarding a balanced allocation of taxing powers between states may, in principle, justify a restriction. Such justification is subject to proportionality. Immediate taxation, for example, without the possibility of deferral or payment in installments goes beyond what is necessary to protect the taxing rights of the exit state. Where emigration occurs after graduation or entry in the labor market, restrictive measures may be more defensible within the limits of proportionality. As already noted in the context of compensatory measures, restrictive measures are likewise difficult to justify where individuals leave to pursue education abroad and have not yet generated any meaningful taxable income.

Taken together, the analysis of push measures demonstrates that, although such instruments may be more defensible in cases of ‘normal brain drain’, they are difficult to justify in the context of ‘youth brain drain’. The analysis next turns to pull

measures. Pull measures seek to attract and retain talent through favourable tax treatment. Three types of tax-based pull measures can be distinguished: (3) attraction-oriented measures, (4) return-oriented measures, and (5) diaspora-oriented measures.

Attraction-oriented measures (3) are instruments through which a state seeks to attract or retain individuals by granting favorable tax treatment. These instruments operate within the context of international tax competition.⁴ While such measures can enhance a state's appeal, they may raise concerns about unequal treatment compared with the domestic workforce.⁵ For the CAS countries, attraction-oriented measures can be geared towards addressing 'youth brain drain' by creating incentives for both local students and foreign students.

Return-oriented measures (4) aim to encourage highly educated emigrants to re-establish themselves in their country of origin by providing (temporary) tax benefits.⁶ Such measures are relevant for the CAS countries, where students complete their studies abroad and are weighing their options to return or not.

Diaspora-oriented measures (5) target individuals who reside (permanently) abroad but maintain links with their original 'home' country. They offer tax advantages without requiring physical remigration and recognize the diaspora as a potential contributor to development.⁷ In the case of 'youth brain drain', individuals leave their country of origin to pursue higher education abroad at a stage where they have not yet developed durable economic, social or institutional anchoring in the home state which offers limited points of departure for tax measures to build upon. Diaspora-oriented measures may include favorable tax treatment of remittances sent by young professionals to family members in their country of origin, tax relief for investments made by emigrants in domestic start-ups or innovation projects, or targeted incentives for domestic businesses that collaborate with or provide services to diaspora-based professionals. While such measures can also be deployed in cases of 'normal brain drain', they may be of relevance for 'youth brain drain', as they constitute one of the few remaining policy instruments capable of fostering economic engagement and preserving ties where pre-existing attachments are weak or still in formation.



Overall, pull measures are better suited to address ‘youth brain drain’, as they work with, rather than against, the mobility decisions of young individuals and can be targeted at key moments in their educational and early career paths.

MEASURES ADOPTED BY THE CAS COUNTRIES

Against this background, the question arises whether the CAS countries have already adopted tax-based push and pull measures that are effective in practice, and relevant to the specific dynamics of ‘youth brain drain’.

In Curaçao, the main ‘pull measure’ for young individuals appears in the study-financing system. Under the ‘Studiefinancieringsregeling’, public study grants create a recoverable claim for the government. It is initially granted as a loan and is converted into a grant if the graduate resides in Curaçao for at least five years within two years following graduation.⁸ It is a ‘pull measure’ insofar as it rewards remigration through debt cancellation, yet it contains a mild ‘push factor’ because failure to return results in the loss of an (expected) advantage. Moreover, a full exemption from wage tax and social security contributions for employees aged 18 to 29, should be regarded as one of the most effective instruments to counter ‘youth brain drain’. It strengthens early-career net income at the moment when mobility decisions are formed.⁹ Besides all of this, Curaçao offers a range of tax incentives that lower business costs and attract internationally mobile capital and talent.¹⁰² These company-level measures affect return and retention only indirectly,

though they do help sustain a dynamic business environment, which is important as indicated earlier given that students are seeking long-term prospects for their future.

In Aruba, the clearest link to ‘youth brain drain’ appears as well in the study-debt policy. In 2011, a 30% remission became available to those who completed their studies within the required timeframe, returned to Aruba within three years, registered locally and entered employment. The benefit was conditional and became final after five years of work in Aruba. This measure combines a ‘pull element’ (debt remission) with a ‘push element’ (the withdrawal of the remission in case of non-compliance). A second 30% remission was available for graduates who chose to repay the remaining balance in a single instalment.¹¹ Aruba also applies an expatriate regime under which employees receive tax-free allowances for benefits in kind, school fees and housing.¹²

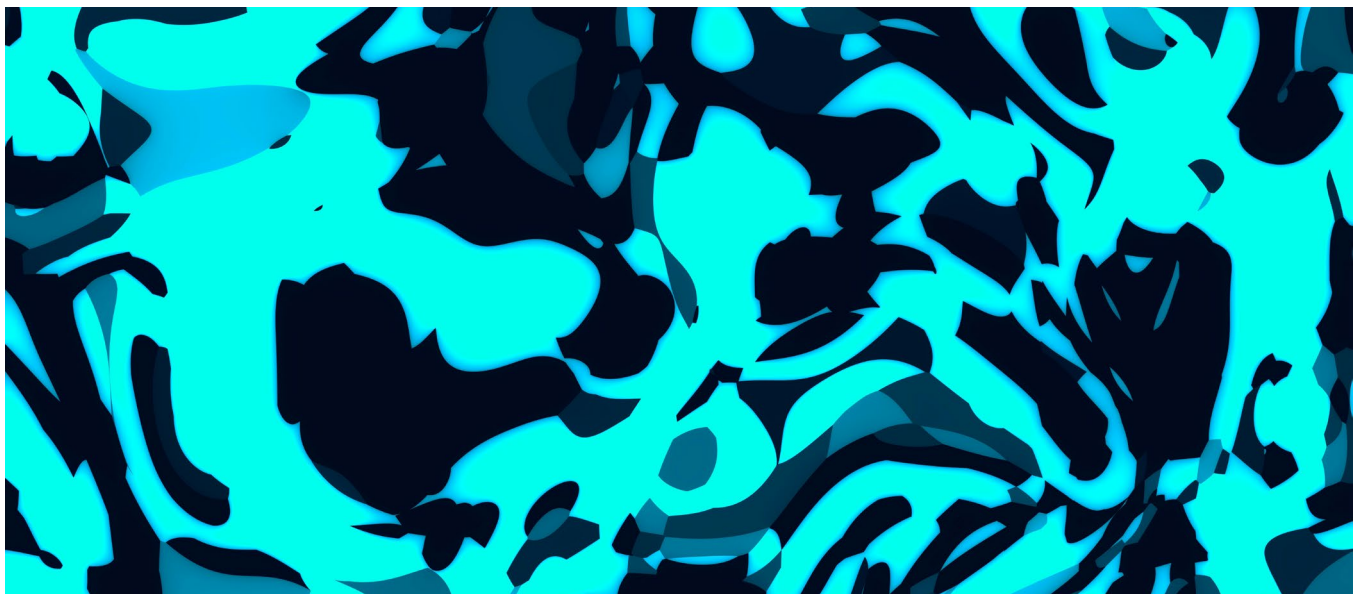
In April 2025, the Prime Minister of Sint Maarten announced a broad remigration program. It offers returning professionals and graduates relocation allowances, paid flights, temporary housing, funded shipment of belongings, a salary-adjustment allowance and government support for repaying student loans.¹³ This package is a pull measure, removing concrete financial obstacles to return and strengthening the expected net benefit of resettlement for young ‘Sint Maarteners’ abroad.

The review of incentives in the CAS countries shows that several effective measures are already in place, particularly in the areas of debt remission and return support. These instruments, however, operate primarily after outward mobility has already occurred. Another response to 'youth brain drain' requires a shift in emphasis towards earlier intervention, focusing on the period before students leave to study abroad, alongside return policies and an attractive domestic labor market. Additional incentives could thus focus on three key moments shaping 'youth brain drain': encouraging local education and early career formation (1), promoting return after foreign study by incentivising employers (2) and strengthening employment and entrepreneurial opportunities upon return (3).

ROLE OF THE UN/OECD

The limitations of domestic tax measures invite consideration of whether 'youth brain drain' could be addressed at the level of international tax law, more specifically through the OECD and UN Model Tax Conventions. Under both the OECD and UN Model Tax Conventions, taxing rights are primarily allocated to the

state of residence. When an individual emigrates and acquires residence in the host state, the state of origin generally loses the ability to tax that person's worldwide income. This is because the Model Tax Convention allocates the taxing right over the income to the individual's state of residence, which in this case is the immigration state (the host state). As a result, a so-called 'brain drain tax' understood here as a tax imposed by the state of origin on income earned after emigration solely based on former residence, levied after emigration is in principle incompatible with the treaty framework. Compatibility is limited to three situations identified in the literature: (1) where a dual-residence conflict is resolved in favour of the emigration state, (2) where the conflict remains unresolved and the emigration state retains treaty residence, or (3) where no tax treaty applies. Although the UN Model grants broader source-state taxing rights than the OECD Model, this distinction does not affect the position of brain drain taxes, as such measures are not grounded in the source principle but in the fact of emigration. By contrast, domestic measures designed to retain or attract talent are fully compatible with both



models. The conventions determine how taxing rights are allocated, but they do not oblige states to exercise those rights. States therefore remain free to introduce positive incentives that encourage individuals to stay or return.¹⁴

The OECD and UN Models are not designed with ‘normal brain drain’ in mind. The question then arises whether, even if the treaty framework were adapted, it would provide any meaningful tools to counter ‘youth brain drain’. A ‘brain drain tax’ is difficult to justify when no prior income has been generated, and even amendments to Article 4 would not overcome this limitation. Residence under that provision depends on both states maintaining a link to the individual, yet for young emigrants such links are inherently weak. Their tax link to the home state is minimal, which means that a revised tie-breaker would not meaningfully strengthen the state of origin’s position. Consequently, effective responses must therefore lie in domestic measures rather than in adjustments to the treaties.

This conclusion is further reinforced by the treaty position of the CAS countries themselves. The relevance of tax treaties for addressing brain drain in the CAS countries is limited.¹⁵ The CAS countries have only small treaty networks and rely on internal arrangements or unilateral mechanisms to mitigate double taxation. Moreover, tax treaties typically involve lengthy negotiation processes that are difficult to amend and are largely shaped by standardized model

conventions, leaving small jurisdictions with limited bargaining power. Against this background, domestic tax measures emerge as the most realistic and effective avenue for responding to ‘youth brain drain’ in the CAS countries.

ADDITIONAL YOUTH-FOCUSED TAX INCENTIVE PROPOSALS FOR THE CAS COUNTRIES

Considering the limitations identified above, further domestic tax measures may be envisaged to address ‘youth brain drain’ in the CAS countries. A first measure builds on the attraction-oriented logic discussed above but goes beyond the measures currently applied in the CAS countries. The first proposed measure focuses on keeping graduates in the CAS countries by linking tax relief to local education and a first job at home. Graduates who obtain a (higher) degree in a CAS country and start working locally within a set period after graduation could receive a time-limited tax credit. Since many young graduates have little taxable income at the start of their careers, the credit should be partly refundable. This individual measure could be supported by an employer-side incentive, such as a limited reduction in wage tax or social contributions for employers who offer paid work placements to locally enrolled students.

A second measure, directly addressing the risk of non-return after foreign study, is a credit targeted at graduate-level employment. Domestic employers who hire returning graduates within a defined timeframe after completion of foreign studies could benefit from a temporary and capped reduction in wage tax or social contributions, provided that the employment is substantive.



A third measure is for returnees who do not find attractive salaried career paths in a small labor market. A start-up and innovation track could provide time-limited relief on initial business profits for returning graduates who establish a self-employment activity or start-up after remigration, complemented by accelerated depreciation for qualifying start-up investments. In addition, domestic start-ups or innovation projects that attract funding from young diaspora members could benefit from a targeted allowance at the level of the domestic recipient, if diaspora funding is matched by local co-financing and supported by minimum substance requirements.

These measures address different stages of youth mobility: (1) they encourage young individuals to pursue their education and first employment in the CAS countries, thereby preventing initial outflow; (2) they promote return after foreign study by incentivising employers to hire returning graduates; (3) and they strengthen entrepreneurship by supporting returning and local initiative.

CONCLUSION

This article examined whether and to what extent tax incentives can contribute to addressing 'youth brain drain' in the CAS countries. First, the distinction between tax-based push and pull measures highlights an imbalance. Push measures, whether compensatory or restrictive, are largely ineffective in the context of 'youth brain drain'. Young individuals typically emigrate before entering the labor market, before generating taxable income and before establishing a durable tax link with the home state. In such circumstances, there is little tax base to protect or recoup, while restrictive mechanisms raise serious proportionality concerns. Pull measures, by contrast, offer greater potential as they work with rather than against the mobility decisions of young individuals.

Second, the review of measures currently applied in the CAS countries confirms a mismatch. Existing instruments mainly focus on debt remission, return packages and broad youth employment incentives. Although these measures reduce financial barriers to return, they tend to intervene after departure and do not sufficiently address the initial decision to study abroad or the uncertainty surrounding reintegration after foreign education. Third, international tax law provides limited additional leverage. The OECD and UN Model Tax Conventions allocate taxing rights primarily to the state of residence and leave little room for post-emigration taxation based on former residence. Even a recalibration of treaty rules would not overcome the weak tax links typical of young emigrants. Effective responses must therefore be sought primarily at the domestic level.

Against this background, the proposed youth-focused tax measures illustrate how tax policy can be better aligned with the dynamics of ‘youth brain drain’ by strengthening the link between local education and early employment, facilitating return after foreign study and supporting entrepreneurship where labor markets are small.



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¹ Prime Minister Dr. Luc Mercelina (Sint Maarten), Council of Ministers Press Briefing, 2 April 2025.

² See, for example, Matthew Lister, ‘A Tax-Credit Approach to Addressing Brain Drain’ (2017) 62 Saint Louis University Law Journal, 73

³ Understood here as the emigration of highly educated individuals who leave their country of origin after completing their education and entering the labor market, or at a later stage of their professional career.

⁴ G. Beretta, ‘Cross-Border Mobility of Individuals and the Lack of Fiscal Policy Coordination Among Jurisdictions (Even) After the BEPS Project’, *Intertax* 47/1, 2019, p. 93; E. Addarii, ‘The Race for New Residents: Preferential Regimes and Rethinking Tax Residency under the New Phase of Tax Competition’, *World Tax Journal* May 2024, p. 352, n. 12.

⁵ T. Nagato, ‘Unilateral Tax Policy for Attracting High-Skilled Individuals in a Globalized Economy’ in I. Lazarov and S. Van der Vlugt (n.5, p. 29) (eds.), *Blueprint for Individual Income Taxation Reform in a Globalized World*, IBFD 2024, p. 188-189.

⁶ B.B. Kristijaji, ‘TAX AND BRAIN DRAIN: JUSTIFICATION, POLICY OPTIONS AND PROSPECT FOR LARGE DEVELOPING ECONOMIES’, *Annals FLB – Belgrade Law Review* LXVII/4, 2019, p. 49-51.

⁷ Y. Brauner, ‘Brain Drain Taxation as Development Policy’, *St Louis ULJ* 2010, p. 235 and p.266-267.

⁸ Art. 4.2 STICHTING STUDIEFINANCIERING CURAÇÃO, *Algemene Voorwaarden Studiefinancieringsregeling Nederland, Regio en Plaatselijk*, 29 April 2025.

⁹ Landsverordening bevordering arbeidsparticipatie jongeren en jong volwassenen, 8 July 2025, no. 95.

¹⁰ CURAÇÃO CHAMBER OF COMMERCE, *Overview Tax Incentives Curaçao 2024*, <https://www.curacaochamberofcommerce.com/business-affairs/tax-incentives/> (accessed on 5 December 2025).

¹¹ Landsverordening houdende machtiging van de minister, belast met financiën, om kwijtschelding van studieschuld te verlenen, 25 October 2011, 2011, no.70; In 2017 the remission rate was increased to 35%, see LANDSVERORDENING van 14 juli 2017 tot wijziging van de Landsverordening houdende machtiging van de minister, belast met financiën, om kwijtschelding van studieschuld te verlenen, 8 augustus 2017, 2017, no.47.

¹² Ministeriële Regeling van de Minister van Financiën en Overheidsorganisatie van 25 september 2017 tot wijziging van de Regeling fiscale behandeling secundaire arbeidsvoorwaarden (AB 2003 no. 96), 3 October 2017, no. 63.

¹³ ‘2K relocation allowance, loan forgiveness among ways to attract students, professionals back home’, *The Daily Herald* 2 April 2025, <https://www.thedailyherald.sx/islands/2k-relocation-allowance-loan-forgiveness-among-ways-to-attract-students-professionals-back-home> (accessed 10 December 2025)

¹⁴ F. De Man, ‘TAX MEASURES TO COMBAT BRAIN DRAIN: (IN) COMPATIBILITY ISSUES WITH DOUBLE TAX CONVENTIONS AND A POTENTIAL WAY FORWARD’, *Annals FLB – Belgrade Law Review* 2019/4, p. 249.

¹⁵ Aruba has not concluded any double tax treaties; Curaçao has concluded double tax treaties with Cyprus, Malta, San Marino and signed a double tax treaty with Suriname on 1 July 2024. Within the Kingdom of the Netherlands, Curaçao applies the Tax Arrangements for the Kingdom. For Curaçao, see among others, G. Rekwet, ‘The DTT Suriname: A New Path in Curaçao’s Tax Treaty Network’, *Caribbean Tax Law Journal* 6/2024, p.25, G. Rekwet, ‘A TAX TREATY POLICY FOR CURAÇÃO’, *Caribbean Tax Law Journal* 2/2022, p.11 and Ministry of Finance, *Curacao 2023 Tax Treaty Policy*, <https://minfin.cw/en/curacao-tax-treaty-policy/>; Sint Maarten has concluded only one double tax treaty with Norway, and has also a ‘Belastingregeling’ (tax arrangement) with the Netherlands. See Sint Maarten 2024 (Second Round, Combined Review): Peer Review Report on the Exchange of Information on Request, OECD Publishing, Paris, p. 131, <https://doi.org/10.1787/f97c97df-en> and *Belastingregeling Nederland Sint Maarten*, 23 December 2015, 2015.