



Published by the Government of Bermuda (<https://www.gov.bm>)

Bermuda Considers Introducing a Corporate Income Tax

- *Proposed New Tax Regime Would Reinforce Bermuda's Continuing Commitment to Global Compliance and Transparency*
- *Proposed Tax Regime Developed to Support Bermuda's Economic Goals*
- *Begins an Initial Public Consultation Period for New Corporate Income Regime*

8 August, 2023

Today, the Government of Bermuda announced that it will issue a public consultation paper as part of its considerations on introducing a corporate income tax to apply to Bermuda businesses that are part of Multinational Enterprise Groups (MNEs) with annual revenue of €750M or more. The proposed corporate tax would be expected to be effective for 2025. To allow interested parties to offer comments on the proposed tax regime, the Government of Bermuda is opening the first of a series of consultation periods. This first consultation will end on September 8.

Bermuda is considering a corporate income tax that would be taken into account in calculating the effective tax rate of Bermuda businesses under the Organization for Economic Cooperation and Development's (OECD) global minimum tax rules. These rules require companies in scope to pay a minimum tax of 15 % in every jurisdiction in which they operate. The taxes paid under the proposed Bermuda corporate income tax regime would be those which would be payable to other jurisdictions under the global minimum tax framework. Any new corporate income tax adopted would also include certain tax credits which support Bermuda's economic goals and maintains Bermuda's global attractiveness. In addition, the Tax Reform Commission will examine the possibility of restructuring the island's existing tax regimes as a means of lowering the cost of living and doing business in Bermuda.

Bermuda is recognized for its commitment to global compliance and transparency and is considered by the EU to be a fully cooperative tax jurisdiction. Bermuda currently has 41 bilateral Tax Information Exchange Agreements (TIEAs) and more than 125 multilateral treaty partners. The Government believes this proposed tax regime is supportive of Bermuda's status as a leading international financial centre. Bermuda plans to continue to invest in key policy initiatives including reduction in the cost of living, job creation, and other programs to stimulate the economy and enhance its attractiveness to MNEs.

"Our approach is to use tax reform to bolster policy initiatives that will enhance Bermuda's

economic growth prospects,” said Premier and Finance Minister David Burt. “The Government continues to guide Bermuda to sustainable economic growth and development. We must attract and retain business in Bermuda, boost foreign investment, increase employment opportunities while expanding the workforce, and build our local economy to its fullest potential. These efforts will further our policies to make our island a better place to live and work. To assist in the appropriate policy development it is critical that organisations and individuals provide feedback on the matters addressed in the public consultation document.”

As noted, the initial consultation period begins on August 8, 2023. All comments should be submitted prior to the deadline of September 8, 2023. For more information visit: <https://www.gov.bm/>.

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Consultation Feedback

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Media Background Notes

1. Multinational Enterprise Groups (MNEs) – In Bermuda law, it is an MNE Group that— includes two or more enterprises the tax residence for which are in different jurisdictions, or includes an enterprise that is resident for tax purposes in one jurisdiction and is subject to tax with respect to the business carried out through a permanent establishment in another jurisdiction; and is not an Excluded MNE Group.

2. Organization for Economic Cooperation and Development (OECD) – The OECD is an international organization that aims to build better policies for better lives. The body works with governments, policy makers and citizens, to establish evidence-based international standards and finding solutions to a range of social, economic and environmental challenges. Part of the organization’s work involves fostering strong education, fighting international tax evasion, best-practice sharing, and advice on public policies and international standard-setting.

3. About Bermuda – Bermuda has been a self-governing British overseas territory since 1620, with a stable Westminster-style parliamentary democracy and a legal system that is more than 400 years old. It ranks among the highest in the world by GDP per capita. Bermuda is not an ‘offshore banking’ centre, nor does it have banking secrecy laws. Bermuda’s prosperity is not built nor dependent on tax avoidance strategies by multinational corporations or individuals.

For over 70 years Bermuda has had a public authority-held central register of beneficial ownership, and has at every opportunity shared the information requested by legitimate international authorities. Bermuda was an early-adopter of the OECD Convention on the Automatic Exchange of Information and signed the Multilateral Competent Authority Agreement early in the process. Bermuda has consistently remained compliant with global anti-money laundering (AML) and anti-terrorist financing (ATF) standards.

A world-leading financial jurisdiction for insurance and reinsurance, investment funds, asset managers, family offices, trusts and other private client structures, the island is now driving the development of emerging technology sectors including fintech and insurtech. It has a 90% share of global insurance-linked securities issuances and is home to 15 of the world’s 50 largest reinsurance companies.

Bermuda’s financial services-based economy is dominated by our world-class re-insurance sector. Around 14% of the aggregate global reinsurance premium is written out of Bermuda, paying out substantial claims for many global catastrophes over the years. Bermuda’s reinsurance sector thrives because of Bermuda’s geographic and political independence, and strong regulatory framework. Bermuda’s commercial insurance regime reached full equivalence with the EU Solvency II Directive and was granted qualified jurisdiction and reciprocal jurisdiction status by the US National Association of Insurance Commissioners.