

Bermuda  
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**Key Facts**  
**Main tax rates**

- Corporate tax rate: 0 percent
- VAT standard rate: 0 percent
- Personal income tax top rate: 0 percent

In Bermuda there are no taxes on profits, income or dividends, nor is there any capital gains tax, estate duty or death duty. The Government generates revenue through alternative methods of taxation including payroll tax, Customs duty, corporate registration fees, stamp duty, land tax, passenger tax and hotel occupancy tax.

**Population/GDP**

Population: 63,800 (United Nations estimate 2009)

GDP: US\$6,000,000,000 (Foreign and Commonwealth Office estimate 2008)

**Currency**

Bermuda Dollar (BMD); pegged \$1(BMD) = \$1(USD)

**Membership of economic groups**

Associate member of the Caribbean Community and Common Market (<http://www.caricom.org>)

**Major Industries**

Insurance, re-insurance, financial and professional services and tourism

**Website of tax/finance authority**

Ministry of Finance and Tax Commissioner's web pages can be accessed through the Bermuda Government's website - <http://www.gov.bm>

Bermuda Monetary Authority - <http://www.bma.bm>

**Introduction**

Bermuda is a British overseas territory comprising an archipelago of approximately 138 islands and islets with a total land mass of 27.7 square miles and located in the North Atlantic Ocean approximately 640 miles east of North Carolina and 772 miles south east of New York City.

The country is the oldest self-governing overseas territory in the Commonwealth with a local democratically elected government responsible for internal affairs and the United Kingdom retaining responsibility for external affairs, defence and security. Queen Elizabeth II is the country's head of state, who is represented by a Governor resident in Bermuda (currently Sir Richard Gozny KCMG, CVO), whilst the government is led by a Premier (currently The Honourable Dr Ewart Brown JP, MP).

Bermuda's most successful industry is the business of insurance and re-insurance. As a jurisdiction it ranks in the top three global re-insurance markets and has been a leader as a captive and non-captive insurance domicile since the 1950s. Bermuda is also renowned for providing international companies and high net worth families with the highest level of financial, administrative, trust and fiduciary services.

Bermuda is a politically stable, highly developed and well regulated off shore jurisdiction that has a reliable and capable judicial system with the benefit of the Privy Counsel in London as its highest court of appeal.

**Recent developments**

**Organisation for Economic Co-operation and Development**

Bermuda has long been recognised for its contribution and involvement in the development and settlement of the provisions of the OECD's 2002 Model Agreement on the Exchange of Information in Tax Matters. Since 2002 Bermuda has been a leader in the negotiation and signing of Tax Information Exchange Agreements ("TIEAs") with other countries. At the time of writing, Bermuda had entered 21 TIEAs with a further 9 initialed. More recently, Bermuda was appointed as a vice-chair of the OECD Steering Group which has been tasked with the review, analysis and assessment of the effectiveness of the global implementation and enforcement by participating

jurisdictions of the provisions of TIEAs to which they are signatories. Bermuda was also elected to host the 2011 OECD Global Forum on Transparency and Exchange of Information for Tax Purposes.

### **Budget 2010/2011**

In the 2010/2011 budget the Minister of Finance announced the following changes to the rates of tax in Bermuda:

1. Payroll tax (payable by employers) increased from 14 percent to 16 percent, with an increase in the cap on the taxable amount of remuneration per individual employee from \$350,000 to \$750,000 and an increase in the amount recoverable from employees from 4.75 percent to 5.75 percent;
2. Government fees increased generally by 3 percent;
3. Stamp duty on estates has been changed in two ways. The nil rate band was extended by \$50,000 to include the first \$100,000 of an estate whilst a new top rate of 20 percent was introduced for the value of any property over \$2,000,000;
4. Top tier incremental rate of land tax increased from 18.23 percent to 19.20 percent;
5. The annual rateable value of land and property in Bermuda was revised in early 2010 resulting in a general increase in land tax payable despite minimal increase to the land tax rates;
6. Vehicle licensing fees increased by 5 percent;
7. Foreign currency purchase tax increased from 0.5 percent to 1 percent;
8. No increases in company license fees, passenger and hotel occupancy taxes and bus and ferry charges.

### **Corporate Taxes**

#### **General outline**

In Bermuda there are no taxes on profits, income or dividends, nor is there any capital gains tax, estate duty or death duty. Profits can be accumulated and it is not obligatory for companies to declare and pay dividends.

Bermuda distinguishes between local undertakings and exempted undertakings for the purposes of both law and taxation. Exempted undertakings (comprising exempted companies, exempted partnerships, exempted unit trust schemes and where applicable permit companies and overseas partnerships) are formed in Bermuda primarily to conduct business outside Bermuda from a principal place of business in Bermuda. Exempted undertakings are exempt from Bermuda laws restricting the percentage of share capital and control that may be held by non-Bermudians, but they may not, without the prior express authorisation of the Bermuda legislature or under a license granted by the Minister of Finance, participate in certain business transactions, including the carrying on of any trade or business in Bermuda unless in furtherance of their business being carried on outside Bermuda.

All exempted undertakings are required to pay an annual government fee (the "AGF"). Exempted partnerships and exempted unit trust schemes pay a fixed AGF whilst exempted companies pay an AGF which is determined on a sliding scale by reference to its authorised share capital and share premium account, with the minimum and maximum fees at the time of writing for a standard exempted company of \$1,995.00 and \$31,120.00 respectively. The AGF is payable on or before the end of the month of January in the year to which it is applicable and, for exempted companies, is calculated based upon the authorised share capital and share premium account of the company as at August 31st the previous year.

The Minister of Finance has the power and authority pursuant to the Exempted Undertakings Tax Protection Act 1966 to grant exempted undertakings an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income or computed on any capital asset, gain or appreciation, then the imposition of any such tax shall not be applicable to that undertaking. In addition, there may be included an assurance that any such tax or any tax in the nature of estate duty or inheritance tax, shall not be applicable to the shares, debentures or other obligations of such entities. Such assurances are currently obtainable by exempted undertakings for the period ending March 28, 2016 provided such exemption shall not prevent the application of any tax payable in accordance with the provisions of the Land Tax Act, 1967 or otherwise payable in relation to land in Bermuda leased to the assured party.

The Minister of Finance has given no indication that the Ministry (i) would not extend the term of the assurance beyond 2016, or (ii) would allow the term of the assurance to expire, or (iii) would change the tax treatment afforded exempted undertakings either before or after March 28, 2016.

Exempted undertakings are classified as non-resident in Bermuda for exchange control purposes by the Bermuda Monetary Authority and accordingly may convert currency (except the Bermuda Dollar) held for its account to any other currency without restriction and, subject to currency exchange tax, transfer such funds in and out of Bermuda without restriction.

#### **Indirect taxes**

##### **VAT/GST: main and reduced rates, exemptions**

No value added tax or goods and services tax exist.

#### **Other indirect taxes**

##### **Customs and Excise**

Custom duty is payable on the importation of certain goods to Bermuda. Schedule 1 of the Bermuda Customs Tariff 2010 (the "Tariff") sets out the classes and applicable rates chargeable on goods imported to Bermuda. The rate of duty generally ranges from 0 percent to 33.5 percent of a goods total true value in Bermuda dollars, although rates of 75 percent and 150 percent are applicable on the importation of certain vehicles. The Tariff comprises two parts. Part I presents a consolidation of the Customs Tariff Act 1970 and the Schedules thereto, incorporating all amendments made before April 1, 2010. Part II includes three appendices that deal with (i) duty reliefs granted through outlying legislation, (ii) explanatory notes to the Bermuda Nomenclature, and (iii) guidance to importers on the use of simplified codes in declaring goods.

##### **Stamp Duty**

Since 1990 stamp duty has not been chargeable in respect of the incorporation, registration or licensing of an exempted undertaking, or, subject to certain minor exceptions, on the instruments used in transactions to which they are a party or have an interest.

Stamp duty is chargeable on all instruments and at the rates identified in the Schedule to the Stamp Duties Act 1976 (as amended from time to time). There are a variety of exemptions and nil rates that exist. As a general rule, the Stamp Duties (International Businesses Relief) Act 1990 provides for instruments executed on or after April 1, 1990 to be exempted from stamp duty if executed by an international business (being an Exempted Undertaking) or by a person in respect of an interest which he has in, or in property of, an international business whether or not the instrument has also been executed by some other person.

#### **Personal taxes**

In Bermuda there are no personal taxes on income, capital gains, purchases, inheritance or death. Individuals may be subject to stamp duty, customs duty and land tax in relation to their involvement or interest in applicable instruments, imports and land, together with a variety of other consumption based taxes and fees such as vehicle registration fees.

#### **Social security/national insurance payments**

The Contributory Pension Act 1970 (as amended) requires that in relation to each employee or self-employed person between the ages of 16 and 65, every employer, employee and self-employed person to pay a weekly contribution towards a national pension fund controlled and managed by the Minister of Finance. The current statutory weekly contribution payable at the end of each pay period is \$30.40 payable by each employee, \$30.40 payable by each employer in relation to each employee and \$60.80 payable by each self-employed person. If the employee is over 65, only the employer contribution is payable and if the self-employed person is over 65 their contribution is halved to \$30.40 per week. The government provides every person insured under the national pension scheme with a social insurance number which is valid for the life of the individual.

The National Pension Scheme (Occupational Pension Act) 1998 (as amended) (the "1998 Act") requires that all employers must establish a pension scheme (additional and separate to the statutory national pension scheme) for their Bermudian employees. The level of contributions is set out in the First Schedule to the 1998 Act. The employer and employees must each contribute the same minimum amount, although employees may also make additional voluntary contributions.

#### **Transfer pricing and anti-avoidance rules**

##### **Transfer pricing rules (documentation requirements, APAs, etc.)**

No transfer pricing legislation exists.

##### **Anti-avoidance provisions**

No anti-avoidance legislation exists.

#### **Thin capitalisation/other interest deductibility rules**

No thin capitalisation/other interest deductibility legislation exists.

#### **Controlled Foreign Company (CFC) rules**

No CFC legislation exists.

#### **Tax treaties**

Bermuda has signed 21 OECD TIEA's and 1 OECD compliant double taxation agreement. Nine other TIEA's have been initialed or are under negotiation. Bermuda is regarded as having substantially implemented the internationally agreed principles of transparency and cooperation for the exchange of tax related information. Accordingly Bermuda is referred to in the press as being "White Listed".

#### **Miscellaneous taxes**

##### **Taxes on payroll**

Pursuant to the Payroll Tax Act 1995 (as amended) and as determined and set out in the Payroll Tax Rates Act 1995 (as amended from time to time) a tax ("Payroll Tax") is charged on the remuneration or deemed remuneration paid to all employees or self-employed persons for services rendered wholly or mainly in Bermuda. Payroll Tax is payable by the employer without distinction between local and exempted undertakings.

The rate of Payroll Tax payable upon remuneration or deemed remuneration is determined by the prescribed class of employer and can range from 0 percent up to the standard rate of 16 percent. Remuneration or deemed remuneration exceeding \$750,000 per annum is not subject to Payroll Tax.

##### **Taxes on Property**

Stamp duty is payable on applicable instruments to all Bermuda real estate transactions using bands based on the value of the transaction or rent payable.

Despite exempted undertakings being generally exempt from liability to stamp duty, such exemption does not extend to stamp duty payable on instruments involving Bermuda real estate.

The Stamp Duties Act 1976, as amended sets out the rates which can vary from \$75.00, payable on a lease with monthly rent of less than \$1,200.00, to 7 percent of the consideration on a purchase for value of over \$1.5m. All parties entering into a transaction are equally liable to pay stamp duty, but agreements usually state which of the parties is to pay, or if payment is to be apportioned.

Non-Bermudian individuals may acquire a residence or fractional ownership in Bermuda under Government License to be obtained prior to acquiring an interest of greater than 5 years. An individual License costs between 10 percent to 25 percent of the value of the consideration to be paid for the property.

Exempted undertakings may acquire for business purposes, an interest of not greater than 50 years in Bermuda real estate and, with the consent of Government, acquire an interest of not greater than 25 years in accommodation or recreational facilities for officers and employees.

The above can be varied by private legislation for substantial business investments in the economic interests of Bermuda. Hotel investments in particular are encouraged.

Pursuant to the Land Tax Act 1967 and the Land Valuation and Tax Act 1967 (each as amended) an annual tax is payable on both commercial and residential property in Bermuda ("Land Tax"). Subject to concessions and exemptions, commercial property is charged with Land Tax at 6 percent of current value payable annually in two parts (3 percent payable in January and 3 percent payable in July). Residential property is subject to a sliding scale rate of Land Tax determined by which annual rental value band the property falls within. The rates vary from 1.78 percent to 27 percent of the property annual rental value and is payable annually in two parts (3 percent payable in January and 3 percent payable in July).