

**OFFSHORE eALERT**

Bermuda Announces Tax Information Exchange Agreement with Mexico

Bermuda is the first offshore financial centre to sign a tax information exchange agreement (“TIEA”) with a Latin American nation. The Bermuda Ministry of Finance announced the signing of the TIEA on 15 October 2009.

Bermuda Government sources indicate that, following the signing of the TIEA, the Mexican Constitution would be amended to effect a change in Bermuda’s status as a “preferential tax regime jurisdiction” and, therefore, allow the full benefits of the TIEA to come into effect. The TIEA will be brought into full force when it is ratified by the Mexican Senate.

The TIEA provides for the exchange of information relating to criminal and civil tax matters. Further, the signing of the TIEA and the change of Bermuda’s status will allow Mexican corporations to be exempt from Mexico’s 40% withholding tax which is levied on income remitted from a Bermuda subsidiary to its Mexican parent corporation. This favourable tax treatment is available to only one offshore financial centre, namely Bermuda.

Entering into TIEAs is not a new development for Bermuda – the TIEA between USA and Bermuda has been in force for over 20 years. Bermuda currently has 18 signed TIEAs and negotiations for additional TIEAs are underway or have been completed with Argentina, Canada, Japan, and Spain.

This development comes on the heels of Bermuda’s recent appointment as Co-Vice Chair of the OECD Global Forum’s Steering Committee.

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