



Bermuda Benefits from Reduction in Mexican Withholding Tax

The Bermuda government has announced that confirmation has been received from the Ministry of Finance and Public Credit officials in Mexico City that new regulations relating to Mexican Income Tax Laws have been introduced to bring about the full benefits of the tax information exchange agreement and related memorandum of understanding negotiated and signed between Bermuda and the United Mexican States on 15 October 2009.

These new regulations affect the application of Articles 204, 205 and 214 of the Mexican Income Tax Laws on certain cash flows between Mexico and Bermuda and the related requirements to file an annual informative declaration on revenue and income derived from sources in jurisdictions classified as “preferential tax regimes”.

It is further understood that, with effect from 1 January 2011:

1. Bermuda will no longer be considered a “preferential tax regime” for the purposes of applicable withholding tax under the Mexican Income Tax Laws;
2. Certain revenue from transactions and other payments made from persons or entities deemed resident in Mexico to related entities based in or carrying on business from Bermuda shall no longer be subject to a withholding tax rate of 40% and shall instead be subject to standard rates set out in the applicable sections of the Mexican Income Tax Laws; and
3. Mexican taxpayers who generate income of any kind derived from interests in Bermuda will no longer be required to file an annual informative declaration in relation to such income generated or to be generated during applicable tax periods.

These changes are understood to provide immediate and retrospective, to 1 January 2011, financial benefit to Mexican businesses already invested or doing business in or through Bermuda and an attractive opportunity for those seeking to do business in or through Bermuda. Industry specialists in each of the Insurance/Reinsurance, Banking and Asset Finance, Funds and Trust sectors have welcomed the introduction of the Miscellaneous Tax Regulations and the new business opportunities that the resultant changes will now afford Mexican business interests in Bermuda.

These changes will not only open up a huge market for Bermuda businesses but also will place Mexico on a level playing field with other jurisdictions in terms of its global business capabilities through the use of a sophisticated international financial centre like Bermuda.

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