

International Tax Bahamas Highlights 2021

Updated January 2021



Investment basics

Currency: Bahamian Dollar (BSD)

Foreign exchange control: Other than specific, capped amounts that may be handled by authorized banks, any transaction subject to the foreign exchange rules (e.g., loans, dividends, capital repatriation, etc.) must be approved by the Central Bank. The bank generally does not withhold approval for “current account transactions” (e.g., payments for imports, educational payments, medical expenses, charitable donations, and commercial letters of credit).

Accounting principles/financial statements: International Financial Reporting Standards (IFRS) apply.

Principal business entities: These include corporations, limited liability companies, limited duration companies, exempted limited partnerships, foundations, segregated accounts, international business companies (IBCs), and partnerships.

Corporate taxation

There is no corporate income tax in The Bahamas.

Incentives: The Bahamas offers free trade zone incentives, including exemptions from import/export duties and value added tax (VAT) for qualifying transactions.

Compliance for corporations

Business license: There are no corporate income tax compliance requirements for companies as there is no corporate income tax. However, businesses operating in The Bahamas are required to obtain a business license from the Department of Inland Revenue. There are three types of business license: temporary, occasional, and annual.

Temporary business license

Foreign entities that intend to operate under a contract in The Bahamas for a specific period not exceeding three years must apply for a temporary business license prior to commencing any activity. The fee for the license is 1.5% of the contract value.

Occasional business license

An occasional business license costs BSD 25 and may be granted up to four times per year for a period not exceeding seven days. The license is required to:

- Conduct a sales business;
- Act as a travelling salesperson;
- Stage a business event at any place or premises of public dancing, singing, music, or other public entertainment;
- Stage a trade show or expo; or
- Sell at a regatta, farmer’s market, or other similar national community event.

Annual business license

A business that operates on a continual basis and for whom a temporary or occasional license is not appropriate must apply for an annual business license, renewable annually. The license fee is based on turnover as follows: turnover less than BSD 100,000 – 0%, turnover between BSD 100,000 and BSD 500,000 – 0.5%, turnover between BSD 500,001 and BSD 5 million – 0.75%, and turnover exceeding BSD 5 million – 1.25%.

Filing and payment: Businesses can select the filing period that coincides with their financial year. The deadline for a business license renewal and payment is dependent on the date selected, as shown in the following table:

Deadlines		
Financial year	Deadline for renewal of business license	Payment deadline
1 January to 31 December	31 January	31 March
1 April to 31 March	30 April	30 June
1 July to 30 June	31 July	30 September
1 October to 30 September	31 October	31 December

Penalties: Penalties vary depending on the type of offense.

Individual taxation

There is no individual income tax in The Bahamas.

Compliance for individuals

There are no compliance requirements for individuals as there is no individual income tax.

Withholding tax

There is no withholding tax on dividends, interest, royalties, or technical service fees in The Bahamas and no branch remittance tax.

Anti-avoidance rules

Transfer pricing: There is no transfer pricing legislation.

Interest deduction limitations: There are no interest deduction limitation rules.

Controlled foreign companies: There are no CFC rules.

Hybrids: There is no anti-hybrid legislation.

Economic substance requirements: The Bahamas has implemented several pieces of legislation requiring companies to become compliant with the OECD/G20 BEPS action 5, which deals with countering harmful tax practices more effectively, taking into account transparency and substance.

The legislation includes the Commercial Entities (Substance Requirement) Act, that requires commercial entities to prove substantial economic presence in The Bahamas. The substantial economic presence requirement is satisfied through the location of management and control in The Bahamas and having relevant “core income generating activities.”

Additional legislation includes the Removal of Preferential Exemptions Act, which repeals exemptions for certain categories of company or entity incorporated under the IBC Act, the Exempted Limited Partnership Act, the Investment Condominium Act, and the Executive Entities Act. The Removal of Preferential Exemptions Act is effective immediately for companies incorporated after 31 December 2018. Companies incorporated on or before 31 December 2018 have a transition period and continue to benefit from the preferential exemptions for three years from the commencement of the Removal of Preferential Exemptions Act (i.e., until 31 December 2021).

Disclosure requirements: The Bahamas has adopted country-by-country (CbC) reporting requirements in accordance with the OECD BEPS project that applies to multinational enterprise (MNE) groups with a minimum consolidated revenue of USD 850 million in the previous year.

All constituent entities that are tax resident in The Bahamas have a notification obligation. The notification is due on or before the last day of the entity’s fiscal year. An entity that also is an ultimate parent entity or a surrogate parent entity, also must submit a CbC report. The CbC report is due 12 months after the end of the entity’s fiscal year.

Exit tax: There is no exit tax.

General anti-avoidance rule: There is no general anti-avoidance rule.

Value added tax

Rates	
Standard rate	12%
Reduced rate	0%/2.5%/6%/10%

Taxable transactions: VAT applies on the sale of most goods, the supply of services, imports, and real property transactions.

Rates: The standard rate of VAT is 12%. The supply of real property is subject to VAT at a rate of 2.5% on transactions not exceeding BSD 100,000 and 10% on transactions over BSD 100,000. Transactions that include the disposition of a business’ assets other than cash, deposit accounts, and real property are chargeable at a rate of 6%. A zero rate applies to exports, specific food and household items deemed to be necessities, medicine, and goods temporarily imported. Exempt supplies include educational services funded by tuition fees, the rental of a dwelling, life insurance, annuities and savings products, insurance contracts on owner-occupied dwellings, and the lightering (i.e., transfer) between vessels of goods not destined for home consumption under the Custom Management Act, where the ports of origin and destination are not within The Bahamas.

Registration: Businesses are required to register for VAT where they make taxable supplies of at least BSD 100,000. Businesses also are required to register regardless of the level of their taxable supplies where they are:

- Responsible for the administration of condominiums or other residential accommodation, or a marketplace for vacation home rentals; or

- Located within or outside of The Bahamas and they provide, directly or through an agent, telecommunications services or electronic commerce for use, enjoyment, benefit, or advantage within The Bahamas.

Businesses that do not provide the above services and whose turnover is below the threshold may register voluntarily.

Filing and payment: Taxpayers with an annual turnover of at least BSD 5 million are required to file monthly VAT returns. Taxpayers whose annual turnover is less than BSD 5 million file quarterly in January, April, July, and October. Online filing of VAT returns and payment of the VAT due must be made by the 21st day following the filing period.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals.

Social security contributions: The Bahamian national insurance contribution is a form of social insurance. All companies with employees are required to register with the National Insurance Board. Employers are required to pay 5.9% of employees' wages, with a maximum wage ceiling of BSD 3,077 monthly or BSD 710 weekly.

Individuals also are required to register with the National Insurance Board. Employees must contribute 3.9% of wages, up to the maximum wage ceiling. Self-employed individuals are subject to a rate of 8.8% of average insurable income with a maximum ceiling of BSD 3,077 monthly or BSD 710 weekly.

The wage ceiling for national insurance is adjusted on a biennial basis and was last increased in July 2020.

Payroll tax: There is no payroll tax.

Capital duty: There is no capital duty.

Real property tax: Subject to several exemptions, business owners and individual owners (including life tenants) of land and buildings must pay an annual real property tax on the property's market value. The rate depends on whether the property is commercial or owner-occupied. Real property tax is payable on 31 December and, if unpaid, can attract a 5% surcharge.

Type of property	Property value	Rate/amount
Commercial property	Up to BSD 500,000	0.75%
	Over BSD 500,000	2%
Owner-occupied property	Up to BSD 250,000	0%
	BSD 250,001–BSD 500,000	0.625%
	Over BSD 500,000	1%
Vacant land owned by nonresidents	Up to BSD 7,000	BSD 100
	Over BSD 7,000	1.5%

Transfer tax: There is no transfer tax.

Stamp duty: Stamp duty is imposed at various rates (either as a flat rate amount or as a percentage of value) on certain instruments and filings, including bonds, money orders, letters of credit, transfers of tangible or personal property, affidavits, powers of attorney, etc. Stamp duty also may apply to imports.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Other: Companies are subject to various indirect taxes and fees, including import duties.

Customs duties for dutiable goods apply upon import or upon the withdrawal from bond of bonded goods. Warehoused goods are subject to 1% additional duty.

Tax treaties: The Bahamas has not concluded any tax treaties; however, tax information exchange agreements are in effect with over 30 jurisdictions, including Canada, France, the UK, and the US.

Tax authorities: Ministry of Finance, Department of Inland Revenue, National Insurance Board, Central Bank of The Bahamas, The Bahamas Competent Authority

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