

## International Tax Bermuda Highlights 2017



### Investment basics:

**Currency** – Bermuda dollar (BMD)

**Foreign exchange control** – Exempted and permit partnerships and exempted and permit companies normally are designated nonresident for exchange control purposes and are able to conduct their day-to-day operations free of any form of exchange control. They can pay dividends, distribute capital, open and maintain bank accounts and acquire assets and net liabilities in any currency.

**Accounting principles/financial statements** – A company generally is free to adopt any basis, such as GAAP or IFRS, that has international recognition for its general purpose financial statements. Regulated insurance companies additionally must report under accounting practices prescribed by the Bermuda Monetary Authority. Auditors must audit under auditing standards that are consistent with the International Standards on Auditing.

**Principal business entities** – These are local and exempted companies, partnerships and trusts. Local companies are limited liability companies that are incorporated and controlled by Bermudians to conduct business in Bermuda. Exempted companies are exempted limited liability companies and nonresident (permit) companies that are incorporated by non-Bermudians to conduct business outside of Bermuda from a place of business in Bermuda. Partnerships are similarly classified.

### Corporate taxation:

**Residence** – No

**Basis** – There are no corporate taxes in Bermuda.

**Taxable income** – No

**Taxation of dividends** – No

**Capital gains** – No

**Losses** – No

**Rate** – No

**Surtax** – No

**Alternative minimum tax** – No

**Foreign tax credit** – No

**Participation exemption** – No

**Holding company regime** – No

**Incentives** – No

### Withholding tax:

**Dividends** – No

**Interest** – No

**Royalties** – No

**Technical service fees** – No

**Branch remittance tax** – No

### Other taxes on corporations:

**Capital duty** – No

**Payroll tax** – A 15.5% tax is imposed on the total value of cash and benefits paid or given for services rendered in Bermuda by an employee. Of this amount, the employer is allowed to withhold up to 6% from the employee's remuneration to pay the tax. The payroll tax is payable on remuneration of up to BMD 750,000 per employee. Remuneration received by an employee that exceeds BMD 750,000 is not subject to payroll tax.

Employers who hire Bermudian employees during the period from 1 April 2013–31 March 2016 will be eligible to pay tax at 5.5% for the first two years of employment on the remuneration earned by those employees. Only new Bermudian hires that had been unemployed for at least

three consecutive months immediately before the date of employment are eligible for the reduced rate.

**Real property tax** – An annual land tax is levied on the annual rental value of land in Bermuda; the value is determined by the Accountant General. The tax, levied on the owner, is progressive in the sense that the higher the annual rental value, the higher the percentage of tax payable.

**Social security** – The employer is required to contribute to Bermuda social insurance through payroll deductions of BMD 34.47 per week for each employee. The employee contributes a similar amount. Pension payments normally commence when an employee reaches age 65.

**Stamp duty** – Stamp duty is levied only on transfers of Bermuda property and, therefore, is not relevant to international business to the extent such business is unlikely to own Bermuda property. Mutual funds are not subject to stamp duty.

**Transfer tax** – No

**Other** – Annual registration fees apply to entities based in Bermuda, with the amount depending on the size and nature of the entity.

A corporate service tax of 7% is levied on a provider of corporate services in respect of gross earned revenue derived from an exempt undertaking for taxable services provided during a tax period.

#### Anti-avoidance rules:

**Transfer pricing** – No

**Thin capitalization** – No

**Controlled foreign companies** – No

**Disclosure requirements** – No

#### Compliance for corporations:

**Tax year** – No

**Consolidated returns** – No

**Filing requirements** – There are quarterly filing requirements for payroll tax.

**Penalties** – No

**Rulings** – No

#### Personal taxation:

**Basis** – Neither residents nor nonresidents are subject to income, withholding or capital gains taxes in Bermuda.

**Residence** – Permission to reside in Bermuda usually is granted at the time a work permit has been issued. Non-Bermudians planning to retire to the island also may obtain residence permits if they can demonstrate that

they are self-sufficient and will not be a burden to the country. Currently, there is a moratorium on citizenship.

**Filing status** – No

**Taxable income** – No

**Capital gains** – No

**Deductions and allowances** – No

**Rates** – No

#### Other taxes on individuals:

**Capital duty** – No

**Stamp duty** – Stamp duty is levied only on transfers of Bermuda property and in the case of estates, as discussed below.

**Capital acquisitions tax** – No

**Real property tax** – An annual land tax is levied on the annual rental value of land in Bermuda; the value is determined by the Accountant General. The tax, levied on the owner, is progressive in the sense that the higher the annual rental value, the higher the percentage of tax payable.

**Inheritance/estate tax** – Stamp duty on estates applies to Bermuda real and personal property. Duty is calculated upon death as follows: 5% from BMD 100,001 to BMD 200,000; 10% from BMD 200,001 to BMD 1 million; 15% from BMD 1,000,001 to BMD 2 million; and 20% in excess of BMD 2 million.

**Net wealth/net worth tax** – No

**Social security** – An employee is required to contribute to the Bermuda social insurance through a payroll deduction of BMD 34.47 per week. The employer must contribute an equal amount. Pension payments normally commence when an employee reaches age 65. There are no unemployment benefits in Bermuda.

#### Compliance for individuals:

**Tax year** – No

**Filing and payment** – No

**Penalties** – No

#### Value added tax:

**Taxable transactions** – No

**Rates** – No

**Registration** – No

**Filing and payment** – No

**Source of tax law:** Payroll Tax Act 1995 and Payroll Tax Rates Act 1995 as amended, Stamp Duties Act 1976,

Corporate Service Tax Act 1995 and the Land Valuation and Tax Act 1967

**Tax treaties:** Bermuda has signed nine income tax treaties and 41 tax information exchange agreements. Bermuda also is a signatory to the Convention on Mutual Administrative Assistance in Tax Matters, which allows it to automatically exchange tax information on an annual basis with over 100 partner countries that also are signatories to the convention.

**Tax authorities:** Office of the Tax Commissioner

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