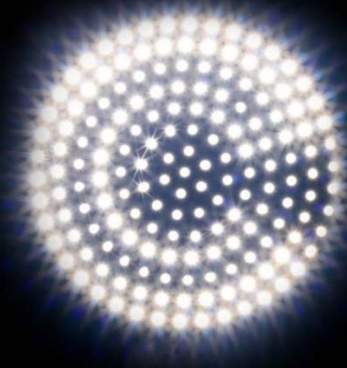


International Tax Bermuda Highlights 2018



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 – Payroll tax is imposed on the total value of cash and benefits paid or given for services rendered in Bermuda by an employee. As from 1 April 2017, the payroll tax consists of two separate portions that must be calculated separately: the employer portion and the employee portion. The employer will remain responsible for the payment of both portions, but will have the option of deducting the employee portion in full or in part.

The employer is required to pay tax on gross remuneration as defined in the Payroll Tax Act 1995 based on the following rate structure: 1.75% if annual payroll is less than BMD 200,000; 7% if annual payroll is BMD 200,000 to BMD 500,000; 9% if BMD 500,001 to

BMD 1 million; and 10.25% if more than BMD 1 million. Exempt undertakings are subject to payroll tax at 10.25%.

The employee portion of payroll tax is a separate amount, calculated using a marginal tax rate structure. The marginal tax rate structure is as follows: 4.75% when annual remuneration is less than or equal to BMD 48,000; 5.75% from BMD 48,001 to BMD 96,000; 7.75% from BMD 96,001 to BMD 235,000; and 8.75% from BMD 235,001 and above.

The sum of the employer and employee portion is the total payroll tax payable.

The payroll tax is payable on remuneration of up to BMD 900,000 per employee. Remuneration received by an employee that exceeds BMD 900,000 is not subject to payroll tax.

Employers who hire Bermudian employees will be eligible to pay tax only for the employee portion at the marginal tax rate 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.

As from 1 April 2017, a Financial Services Tax (FST) is

charged on the following financial services providers: banks, domestic insurers and money service business. For banks, the rate is 0.005% on consolidated gross assets as at the end of a tax period. For domestic insurers, the rate is 2.5% of gross premiums written in a tax period, excluding premiums relating solely to health insurance. For the money service business, the rate is 1% on the aggregated incoming and outgoing money transmission volume in a tax period.

Anti-avoidance rules:

Transfer pricing – No

Thin capitalization – No

Controlled foreign companies – No

Disclosure requirements – Bermuda has adopted the OECD country-by-country (CbC) reporting requirements and has signed the Multilateral Competent Authority Agreement (MCAA). CbC reports must be filed in respect of accounting periods starting on or after 1 January 2016 for multinational enterprise groups that are in scope.

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 multiple tax treaties and 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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