



## International tax

# Bahamas Highlights 2015

### 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 of the Bahamas. The central bank generally does not withhold approval for “current transactions” (e.g. payments for imports, educational payments, medical expenses, charitable gifts and commercial letters of credit). Exemptions from the exchange control regulations may apply, e.g. for some Bahamian banks and trusts and International Business Companies (IBCs).

**Accounting principles/financial statements** – IFRS apply.

**Principal business entities** – These are the public and private corporation, limited liability company, IBC and partnership.

An IBC is an entity formed under the IBC Act 1989 and does not carry on business with Bahamian residents. The benefits of IBC status include: no fixed limit on the amount of authorized capital; it is not necessary to obtain a business license and an IBC is exempt from business license fees; and an IBC can merge with a foreign company and transact foreign exchange business without exchange control restrictions.

### Corporate taxation:

**Residence** – Companies are not subject to direct taxes.

**Basis** – No

**Taxable income** – No

**Taxation of dividends** – No

**Capital gains** – No

**Losses** – No

**Rate** – The Bahamas does not levy corporate income tax.

**Surtax** – No

**Alternative minimum tax** – No

**Foreign tax credit** – No

**Participation exemption** – No

**Holding company regime** – No

**Incentives** – While there are no company taxes, the Bahamas offers free zone incentives, including exemptions from stamp duty and import/export duties for qualifying transactions.

### Withholding tax:

**Dividends** – No

**Interest** – No

**Royalties** – No

**Technical service fees** – No

**Branch remittance tax** – No

**Other** – No

### Other taxes on corporations:

**Capital duty** – No

**Payroll tax** – No

**Real property tax** – Subject to several exemptions, owners of land and buildings must pay an annual real property tax. The rate, levied on the assessed value, depends on whether the property is commercial or owner-occupied. For commercial property, the rate is 1% on that part of the value that does not exceed BSD 500,000 and 2% on the excess. For owner-occupied property, the first BSD 250,000 of market value tax-exempt. The rate is 0.75% on the value of property between BSD 250,000 and BSD 500,000 and 1% on the excess over BSD 500,000. For vacant land owned by non-Bahamians, a fee of BSD 100 is due on the part of the market value that does not exceed BSD 7,000 and a 1.5% tax is levied on the value in excess of BSD 7,000.

**Social security** – The employer must pay 5.9% of wages and the employee 3.9% (capped at BSD 26,000 annually).

**Stamp duty** – Stamp duty is imposed at various rates (either flat dollar or as a percentage of value) on certain instruments and filings, to include bonds, money orders, letters of credit, transfers of real or tangible property, affidavits, powers of attorney, etc. In some instances, nonresidents may be

charged stamp duty at up to twice the rate of residents. Stamp duty also may apply to imports.

**Transfer tax** – No

**Other** – While companies are not subject to direct taxes, they are subject to a host of other indirect taxes and fees, including a business license fee, registration duties and import duties. Other indirect taxes include hotel guest tax, passenger tax, casino tax and business and hotel licensing fees. Customs duties for dutiable goods apply upon import or upon the withdrawal from bond of bonded goods. A general additional surcharge of 2.5% may apply on imports and warehoused goods are subject to a 1% additional duty.

### Anti-avoidance rules:

**Transfer pricing** – No

**Thin capitalization** – No

**Controlled foreign companies** – No

**Other** – No

**Disclosure requirements** – No

### Compliance for corporations:

**Tax year** – No

**Consolidated returns** – No

**Filing requirements** – No

**Penalties** – No

**Rulings** – No

### Personal taxation:

**Basis** – The Bahamas does not levy personal income tax.

**Residence** – No

**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 imposed at various rates (either flat dollar or as a percentage of value) on certain instruments and filings, to include bonds, money orders, letters of credit, the sale of a business, transfers of real or personal property, affidavits, powers of attorney, etc. In some instances, nonresidents may be charged stamp duty at up to twice the rate of residents. Stamp duty also may apply to imports.

**Capital acquisitions tax** – No

**Real property tax** – Subject to several exemptions, owners (to include life tenants) of land and buildings must pay an annual real property tax. The applicable rate, levied on the market value, depends on whether the property is commercial property or owner-occupied (see “Other taxes on corporations” above).

**Inheritance/estate tax** – No

**Net wealth/net worth tax** – No

**Social security** – The employer must pay 5.9% of wages, with the employee contributing 3.9% (capped at BSD 26,000 annually). The self-employed are subject to a

rate of 8.8% of average insurable income, depending on their class (with an annual cap of BSD 26,000).

#### **Compliance for individuals:**

**Tax year** – No

**Filing and payment** – No

**Penalties** – No

#### **Value added tax:**

**Taxable transactions** – VAT was introduced from 1 January 2015. All goods and services that are not specifically stated as “exempt” in the VAT Act are considered taxable. The VAT registration threshold is BSD 100,000, and voluntary registration is allowed for businesses that do not meet the BSD 100,000 threshold.

**Rates** – The standard rate of VAT is 7.5% and applies to taxable supplies not exempt or zero rated. A zero rate applies to taxable supplies that are considered exports of goods and services not consumed in The Bahamas. Exempt supplies include education services funded by tuition costs, the sale or rental of a dwelling, and life insurance, annuities and

savings products.

**Filing and payment** – Taxpayers with an annual turnover of at least BSD 5 million are required to file monthly VAT returns.

Quarterly filing is required for taxpayers whose annual turnover exceeds BSD 400,000 but is less than BSD million. Online filing of returns is compulsory and payments of VAT are due at the time of filing.

**Source of tax law:** Tariff Act, Customs Management Act, Stamp Act, Real Property Tax Act, Business License Act, Value Added Tax Act, and others

**Tax treaties:** The Bahamas has no tax treaties but tax information exchange agreements are in effect with 32 jurisdictions, including the US.

**Tax authorities:** Ministry of Finance

**International organizations:** CARICOM (not part of customs union); Commonwealth of Nations

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