



5x5 series: Insights and actions

Bermuda Corporate Income Tax

In response to the OECD Pillar Two Global Anti-Base Erosion (GloBE) Model Rules, the government of Bermuda enacted the Corporate Income Tax Act 2023 on December 27, 2023, which introduces a 15% corporate income tax on Bermuda businesses that are part of an In Scope Multinational enterprise (MNE) Group. An In Scope MNE Group is an MNE Group if, with respect to any fiscal year beginning on or after the commencement date, the MNE Group had annual revenue of EUR 750 million or more in the consolidated financial statements of the ultimate parent entity for at least two of the four fiscal years immediately preceding such fiscal year. The introduction of a 15% corporate income tax within Bermuda will have significant implications for the financial reporting and compliance obligations of an In Scope MNE Group with Bermuda operations.

5 insights to know

- The commencement date for the Bermuda corporate income tax for In Scope MNE Groups is January 1, 2025.
- Certain Bermuda entities and MNE Groups may be excluded from the Bermuda corporate income tax. For example, excluded entities as defined by the legislation and MNE Groups with a limited international footprint.
- The Economic Transition Adjustment (ETA) is a feature of the Bermuda corporate income tax that is not included within the OECD Pillar Two GloBE Model Rules. The ETA applies unless a taxpayer has elected to opt out of the ETA.
- The Bermuda corporate income tax provides flexibility in the form of several elections that may be made at the discretion of the taxpayer. Elections may be made either with the first tax return or alternatively, through the filing of Form CT-ELP prior to the filing of the first tax return.
- For In Scope MNE Groups, the Bermuda corporate income tax disregards previously issued Tax Assurance Certificates.

5 actions to take now

- 1 **Understand** all data needs and establish a process for the Bermuda corporate income tax to ensure financial reporting and compliance obligations are met.
- 2 **Analyze** the twenty-four available elections, model the implications of these various elections, and determine if and which an In Scope MNE Group would like to elect.
- 3 **Perform** various analysis throughout the 2024 tax year to comply with ASC 740 requirements. Various analysis should include, but are not limited to, truing up deferred tax assets and liabilities previously established during the 2023 tax year, Valuation Allowance assessments, disclosures, Tax Sharing Agreement options, etc.
- 4 **Model** the implications of the Bermuda corporate income tax using available data (i.e., annualized 2024 or projected 2025) to understand the anticipated impact to cash flows and the AETR ahead of the January 1, 2025, commencement date.
- 5 **Monitor** legislation for additional administrative guidance, information on the creation of the Corporate Tax Agency, the creation of a Qualified Refundable Tax Credits (QRTC) program, etc. to comply with the Bermuda corporate income tax.



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