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Bermuda Begins Second Public Consultation on Corporate Income Tax Proposal

- *Policy Proposals align with OECD's GloBE Rules*
- *Proposes corporate income tax rate of 15%*
- *Contemplates effective date of January 2025*
- *Recognises importance and availability of Qualified Refundable Tax Credits in 2025*

5 October, 2023

Today the Government of Bermuda announced that it will issue a second public consultation paper regarding the proposed introduction of a corporate income tax ("CIT") that would be applicable to Bermuda businesses that fall within the scope of the Organization for Economic Cooperation and Development's ("OECD") global minimum tax rules ("GloBE Rules"). This would include Bermuda Tax Resident Entities and Bermuda Permanent Establishments that are part of a Multinational Enterprise Group ("MNE") with consolidated revenue of €750M or more in at least two of the previous four fiscal years to maintain consistency with GloBE Rules.

Taking into account feedback from the first public consultation period which ended on September 8th, 2023, several important factors have influenced the design of the proposed CIT regime. Bermuda intends that its CIT is recognised as a Covered Tax under GloBE rules. This would minimise incremental expense for MNEs in the form of Top-Up taxes that could be collected in other jurisdictions through the Income Inclusion Rule ("IIR") or UTPR while recognising Creditable Foreign Taxes. To that end, Bermuda is proposing an effective rate of 15% for profits of covered MNEs.

The CIT would become effective in 2025, providing MNEs the necessary time to make adjustments to their systems as they transition to paying a corporate income tax in Bermuda.

The Government proposes to introduce details of a Qualified Refundable Tax Credit ("QRTC") program in 2024 to become effective in 2025. It is anticipated that QRTCs will be designed to support Bermuda-based job retention and growth, as well as investments in career training, infrastructure, sustainability, and other initiatives to promote Bermuda as an attractive mid-shore jurisdiction in which to live and work.

Bermuda's Tax Reform Commission will soon be empaneled to look at ways of lowering the cost of living and doing business in Bermuda in parallel with the refinement of the CIT regime. Investments in key initiatives that foster job creation and other programs to accelerate economic development remain top-of-mind to help attract investments from MNEs.

"We are highly appreciative of the feedback received from the first consultation period, and directly from industry leaders, and I am confident that our new CIT regime represents an attractive path forward for Bermuda that is in line with international tax rules," said Premier and Finance Minister David Burt.

"Under this new structure, the Government can impact everyday life by easing the burden on our citizens, maintaining our competitiveness for international business investments, and continuing our commitment to being a global compliance leader that fosters fairness and consistency in tax policy around the world. I look forward to continuing to partner with our key stakeholders in the further refinement of this proposal, and the positive impact the new CIT regime will have on Bermuda's future."

The second consultation period begins on October 5, 2023. All comments should be submitted prior to the deadline of October 30, 2023.

For more information visit: <https://forum.gov.bm/en/> or: <https://www.gov.bm/>.

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Consultation Feedback

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