

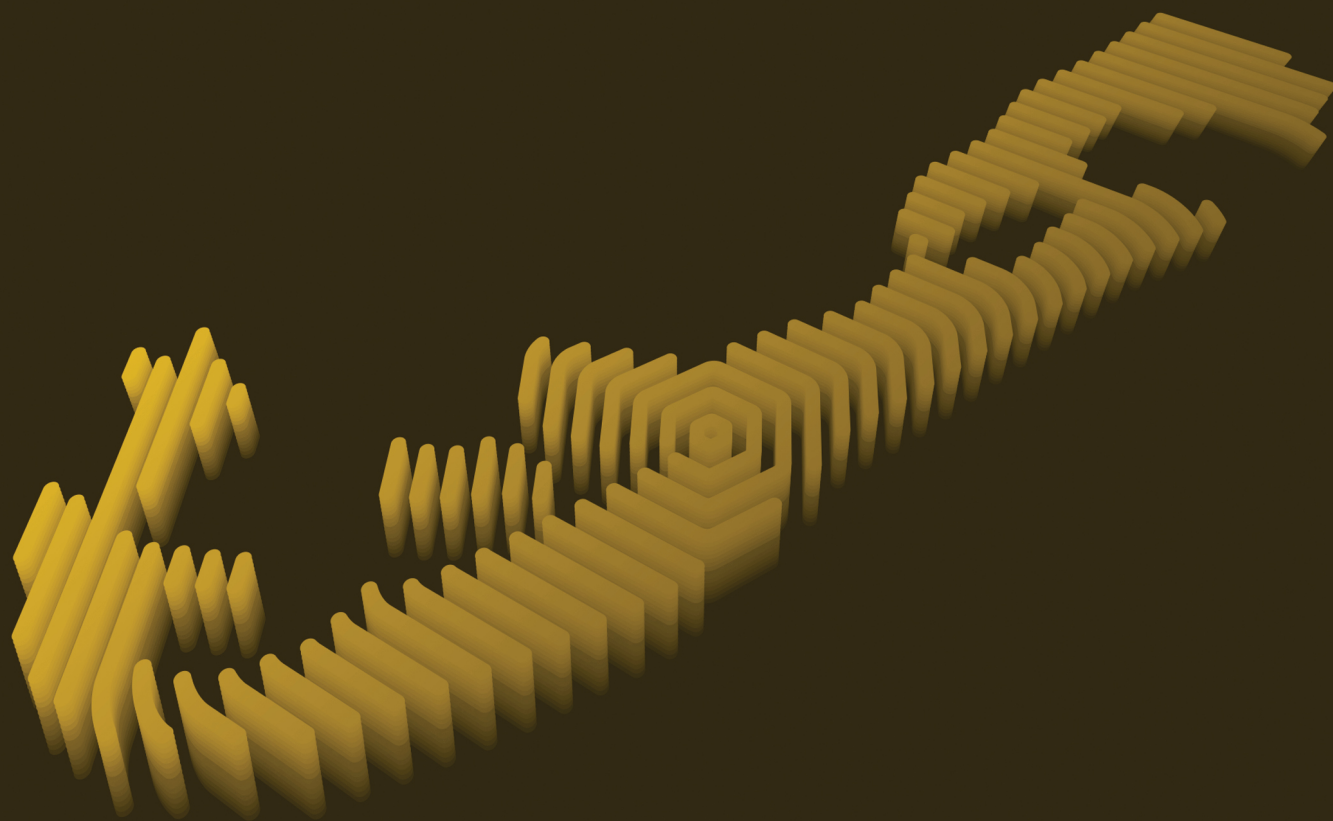


GOVERNMENT OF BERMUDA
Ministry of Finance

PUBLIC CONSULTATION

Tax Credits

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Ministry of Finance

Tax Credits

Public Consultation

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1. Introduction

The Tax Reform Commission Report (“the Report”) was published by the Ministry of Finance on August 27, 2025. Amongst the recommendations in the Report, which address many aspects of the overall tax system, is the proposed introduction of three specific tax credits – a substance based tax credits for regulated insurers, a community benefit credit and a utilities infrastructure benefit. As noted in the Report, the overall program of tax credits is expected to develop over time as the results and experiences of the initial implementation becomes clear.

The Report is being made available for comment on the Bermuda Citizens Forum at [Citizen engagement platform | The Government of Bermuda](#). That site also contains a Press Release from the Tax Reform Commission with explanatory information.

For the purposes of this Public Consultation, an illustrative draft is attached for comment from stakeholders. The illustrative draft is prepared on the preliminary basis that the principal recommendations of the Tax Reform Commission would be adopted as described. However, this should not be read as an endorsement of or acceptance of the recommendations in the Report; it is a platform for stakeholder engagement and discussion, recognising that the Report is itself the product of extensive stakeholder engagement with a significant variety of industry participants.

The illustrative draft for this consultation contains only the principal statutory provisions. There will be related administrative regulations and further conforming amendments to the Corporate Income Tax Act and the Corporate Income Tax Agency Act, which will be developed alongside the principal rules.

Additional amendments to the illustrative draft legislation may be made before the final Bill is submitted to Parliament for debate, including changes informed by feedback received through this Consultation.

As part of this Public Consultation, the Ministry now seeks input on the illustrative draft legislation, as well as recommendations for additional guidance that may be needed to support implementation. Respondents may also incorporate commentary with respect to the Report more generally.

This Public Consultation period will run from 4 September 2025 to 25 September 2025. Submissions received after this date may not be considered. Consultation Paper Responses and Comments should be submitted by email to: finance@gov.bm. Respondents should include "Tax Credits" in the subject box.

Media Enquiries should be addressed to: hsadams@gov.bm.

2. Illustrative Draft Legislation

TAX CREDITS ACT 2025

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WHEREAS it is expedient to incentivise industries that are instrumental in the growth and development of the Bermuda economy to invest in their on-island operations;

AND WHEREAS it is appropriate to encourage such investment where it results in increased employment in Bermuda and increased job opportunities for Bermudians;

AND WHEREAS it is also appropriate to encourage such investment where it results in increased expenditure on domestic goods and services and thereby benefits the wider local Bermuda economy;

AND WHEREAS it is also appropriate to recognise and encourage charitable contributions where such charitable contributions represent a meaningful contribution to the community;

Be it enacted by The King's Most Excellent Majesty, by and with the advice and consent of the Senate and the House of Assembly of Bermuda, and by the authority of the same, as follows:

PART 1

PRELIMINARY

Citation

- 1 This Act, which may be cited as the Tax Credits Act 2025.

Definitions

- 2 In this Act, unless the context otherwise requires-

“adjusted tax payments” has the meaning given to that term in the CIT Administrative Regulations;

“Agency” means the Corporate Income Tax Agency established under section 3 of the Agency Act;

“Agency Act” means the Corporate Income Tax Agency Act 2024;

“annual election” means an election made by a Filing Qualifying Bermuda Group Entity that, once made, shall apply for the fiscal year in respect of which the election is made and all subsequent fiscal years, unless and until the election is modified or revoked;

“applicable consolidated financial statements” means-

- (a) the financial statements prepared by an ultimate parent entity in accordance with an applicable financial accounting standard, in which the assets, liabilities, income, expenses and cash flows of that entity and the entities in which it has a controlling interest are presented as those of a single economic unit; or
- (b) where the ultimate parent entity does not prepare financial statements described in paragraph (a), the consolidated financial statements of the ultimate parent entity are those that would have been prepared if such entity were required to prepare such statements in accordance with an applicable financial accounting standard;

“applicable financial accounting standard” means—

- (a) International Financial Reporting Standards (IFRS);
- (b) the generally accepted accounting principles of Australia, Brazil, Canada, Member States of the European Union, Member States of the European Economic Area, Hong Kong (China), Japan, Mexico, New Zealand, the People’s Republic of China, the Republic of India, the Republic of Korea, Russia, Singapore, Switzerland, the United Kingdom, and the United States of America; or
- (c) such other financial accounting standards as may be prescribed by the Minister;

“applicable financial statements” means the financial statements prepared in accordance with an applicable financial accounting standard by a Bermuda Entity that is not a member of a group;

“arm’s length principle” means the principle under which transactions between certain group entities must be recorded by reference to the

conditions that would have been obtained between independent enterprises in comparable transactions and under comparable circumstances;

“benefit period” means the fiscal year in respect of which an accrued substance-based tax credit benefit of a Qualifying Bermuda Group Entity is determined in accordance with section 7(1). For example, to the extent that an accrued substance-based tax credit benefit is determined with respect to expenses incurred by a Qualifying Bermuda Group Entity for its fiscal year beginning January 1, 2025 and ending December 31, 2025, the benefit period for such accrued substance-based tax credit benefit shall begin January 1, 2025 and end December 31, 2025;

“Bermuda-Based Charitable Purpose” means the fulfilment of a charitable purpose in Bermuda and/or for the benefit of individuals who were exempted, or would have been exempted to the extent that their duties were performed in Bermuda, under Part V of the Bermuda Immigration and Protection Act 1956;

“Bermuda Constituent Entity” has the meaning given to that term in section 9 of the CIT Act;

“Bermuda Constituent Entity Group” has the meaning given to that term in section 8 of the CIT Act;

“Bermuda Entity” means—

- (a) an entity formed, incorporated, organised or registered in Bermuda, provided that the entity meets this requirement at any time during the fiscal year; or
- (b) a Bermuda Permanent Establishment;

“Bermuda Group” means—

- (a) in the case of one or more Bermuda Entities that are members of a group-

- (i) all Bermuda Permanent Establishments whose main entities are members of the group; and
 - (ii) all other Bermuda Entities that are members of the group; or
- (b) in the case of a Bermuda Entity that is not a member of a group (including a Bermuda Permanent Establishment whose main entity is not a member of a group), such Bermuda Entity;

“Bermuda Permanent Establishment” has the meaning given to that term in section 2(1) of the CIT Act;

“Bermuda Tax Credit Claim Form” means a form filed by a Filing Qualifying Bermuda Group Entity, in such manner and subject to such requirements as shall be prescribed by the Agency, to claim tax credit benefits on behalf of one or more Qualifying Bermuda Group Entities;

“Bermuda Workday Percentage” has the meaning given to that term in section 8(4)(a);

“charitable contribution” means a voluntary, nonreciprocal transfer of cash from a Bermuda Entity to an Eligible Bermuda Charity;

“charitable expenses” means expenses incurred by a Bermuda Entity with respect to charitable contributions;

“charitable purpose” has the meaning given to that term in the Charities Act 2014;

“charity” has the meaning given to that term in the Charities Act 2014;

“CIT Act” means the Corporate Income Tax Act 2023;

“CIT Administrative Regulations” means the Corporate Income Tax (Administrative) Regulations 2025;

“CIT charge” means, with respect to a fiscal year of a Qualifying Bermuda Group, the aggregate amount of tax chargeable pursuant to section 4 of the CIT Act with respect to each Bermuda Constituent Entity Group which includes, as a Bermuda Constituent Entity member, at least one Qualifying Bermuda Group BCE member of the Qualifying Bermuda Group during the fiscal year;

“constituent entity” has the meaning given to that term in section 2(1) of the CIT Act;

“controlling interest” means an ownership interest in an entity such that the interest holder—

- (a) is required to consolidate the assets, liabilities, income, expenses and cash flows of the entity on a line-by-line basis in accordance with an applicable financial accounting standard; or
- (b) would have been required to consolidate the assets, liabilities, income, expenses and cash flows of the entity on a line-by-line basis if the interest holder had prepared applicable consolidated financial statements;

“distributable tax credit benefit” shall mean, in respect of a fiscal year, the aggregate of-

- (a) the distributable substance-based tax credit benefit determined in accordance with section 20(1);
- (b) the community development tax credit benefit determined in accordance with section 22(1); and
- (c) the utilities infrastructure tax credit benefit determined in accordance with section 23(1),

determined for a Qualifying Bermuda Group Entity;

“Eligible Bermuda Charity” has the meaning given to that term in section 22(3);

“eligible carrying value of tangible assets” means the amount described in section 26(1)(a);

“eligible employees” means-

- (a) full-time and part-time employees of a Qualifying Bermuda Group Entity; and
- (b) independent contractors participating in the ordinary operating activities of a Qualifying Bermuda Group Entity, provided that for this purpose independent contractors-
 - (i) must be natural persons, and may include natural persons who are employed by a staffing or employment company;
 - (ii) must be under the direction and control of the Qualifying Bermuda Group Entity or other Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group; and
 - (iii) do not include employees of a corporate contractor providing goods or services to a Qualifying Bermuda Group Entity, except to the extent such employees are under the direction and control of the Qualifying Bermuda Group Entity or other Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group;

“entity” means-

- (a) any legal person (other than a natural person) including, without limitation, any corporation, company (whether limited by shares or guarantee), limited liability company or partnership (whether general or limited) having separate legal personality; or
- (b) an arrangement that prepares separate financial accounts, regardless of whether or not such arrangement has separate legal personality;

“exercise date” means—

- (a) in the case of a stock or share option, warrant or equivalent form of stock-based compensation, the date of exercise;
- (b) in the case of stock-based compensation not described in paragraph (a) which is issued subject to vesting or other similar restrictions, the vesting date or the date on which such restrictions otherwise lapse; or
- (c) in the case of stock-based compensation not described in paragraphs (a) or (b), the date on which such stock or share is issued;

“Filing Qualifying Bermuda Group Entity” means the Qualifying Bermuda Group Entity that files the Bermuda Tax Credit Claim Form on behalf of all Qualifying Bermuda Group Entities of a Qualifying Bermuda Group;

“fiscal year” means the accounting period with respect to which the applicable financial statements or the applicable consolidated financial statements, as the case may be, are prepared;

“group” means a collection of entities that are related through ownership or control such that the assets, liabilities, income, expenses and cash flows of those entities-

- (a) are included in the applicable consolidated financial statements of the ultimate parent entity; or
- (b) are excluded from the applicable consolidated financial statements of the ultimate parent entity solely on size or materiality grounds, or on the grounds that the entity is held for sale;

“insurance investment entity” has the meaning given to that term in section 2(1) of the CIT Act;

“main entity” means an entity that is a member of a group, and which wholly or partly carries out its business through a Bermuda Permanent Establishment;

“Minister” means the Minister of Finance;

“ownership interest” means any equity interest (i.e. any shares, interests, participation, or other equivalents of an entity which are characterised as equity under the applicable financial accounting standard used in the preparation of the applicable financial statements or the applicable consolidated financial statements, as the case may) that carries rights to the profits, capital or reserves of an entity;

“payroll expenses” has the meaning given to that term in section 8(3)(a);

“Payroll Tax Charge” means the aggregate amount of payroll tax incurred by a Qualifying Bermuda Group Entity for a Payroll Tax Period pursuant to section 3(1)(a) of the Payroll Tax Act 1995;

“Payroll Tax Period” shall mean each period described in section 21 of the Payroll Tax Act 1995;

“preceding benefit period” means a benefit period which begins on or after January 1, 2025 and ends prior to the fiscal year with respect to which the provisions of Part 4 are being applied. For example, to the extent that section 17(2) is being applied for the fiscal year of a Qualifying Bermuda Group Entity which begins January 1, 2028 and ends December 31, 2028-

- (a) the third preceding benefit period described in section 17(2)(a) for the fiscal year shall be the benefit period which begins January 1, 2025 and ends December 31, 2025;
- (b) the second preceding benefit period described in section 17(2)(b) for the fiscal year shall be the benefit period which begins January 1, 2026 and ends December 31, 2026;
- (c) the first preceding benefit period described in section 17(2)(c) for the fiscal year shall be the benefit period which begins January 1, 2027 and ends December 31, 2027; and

“prescribed by the Agency” means in the form, or in compliance with any other requirements, specified by the Agency through a filing portal administered by the Agency or on its official website located at: www.cita.bm;

“prescribed by the Minister” means prescribed by regulations or guidance under section 3, or by Notice published in the Gazette;

“Qualifying Bermuda Group” means-

- (a) in respect of the substance-based tax credit, a Bermuda Group described in section 7(2);
- (b) in respect of the community development tax credit, a Bermuda Group described in section 22(2)(a); and
- (c) in respect of the utilities infrastructure tax credit, a Bermuda Group described in section 24(2).

“Qualifying Bermuda Group BCE” means a Qualifying Bermuda Group Entity which is a Bermuda Constituent Entity for the purposes of the CIT Act for the fiscal year;

“Qualifying Bermuda Group Entity” means each Bermuda Entity that is a member of a Qualifying Bermuda Group;

“Qualifying Bermuda Group NBCE” means a Qualifying Bermuda Group Entity which is not a Bermuda Constituent Entity for the purposes of the CIT Act for the fiscal year;

“qualifying expenses” means-

- (a) in respect of the substance-based tax credit, expenses described in sections 8(1)(a) and 13(2)(a); and
- (b) in respect of the community development tax credit, expenses described in section 22(2)(c); and
- (c) in respect of the utilities infrastructure tax credit, expenses described in section 25(2);

“Reserve Fund” means the specified fund established pursuant to the Reserve Fund Regulations;

“Reserve Fund Regulations” means the Tax Refund Reserve Fund Regulations 2025;

“required fund balance” has the meaning given to that term in the Reserve Fund Regulations;

“stock-based compensation” means compensation in the form of stock or shares, stock or share options, stock or share warrants, or an equivalent, including compensation applicable to employees or non-employees of the constituent entity;

“tangible assets” means-

- (a) property, plant and equipment;
- (b) a lessee’s right of use to tangible assets; and

- (c) a licence or similar arrangement from the government for the use of immovable property or exploitation of natural resources that entails significant investment in tangible assets,

provided that for this purpose tangible assets shall not include the carrying value of property to the extent that it is held for sale, lease, or investment.

“tax credit” shall mean the substance-based tax credit, the community development tax credit, or the utilities infrastructure tax credit;

“tax credit benefit” shall mean the accrued substance-based tax credit benefit, the distributable substance-based tax credit benefit, the community development tax credit benefit, or the utilities infrastructure tax credit benefit;

“total accrued tax credit benefit” has the meaning given to that term in section 29(2);

“ultimate parent entity” means an entity that-

- (a) owns, directly or indirectly, a controlling interest in any entity; and
- (b) is not owned, with a controlling interest, directly or indirectly by another entity;

“U.S. dollars” means the lawful currency of the United States.

Regulations and guidance

3 (1) The Minister may make such regulations as are necessary or expedient to give effect to the provisions of this Act, including for any transitional, incidental, supplementary or consequential provisions.

(2) The negative resolution procedure shall apply to regulations made under this section.

(3) The Minister may from time-to-time issue guidance on the application of any part of this Act.

PART 2

TAX CREDIT BENEFITS

Establishment of tax credits

4 Subject to the provisions of this Act, a Filing Qualifying Bermuda Group Entity shall be eligible to claim tax credit benefits on behalf of Qualifying Bermuda Group Entities with respect to the eligible carrying value of tangible assets, and the qualifying expenses incurred, in fiscal years beginning on or after January 1, 2025.

Utilisation of tax credit benefits

5 (1) The distributable tax credit benefit of a Qualifying Bermuda Group Entity for a fiscal year shall, in the case of-

- (a) a Qualifying Bermuda Group BCE, be included in the determination of adjusted tax payments for the fiscal year of the Bermuda Constituent Entity Group of which the Qualifying Bermuda Group BCE is a Bermuda Constituent Entity member; and
- (b) a Qualifying Bermuda Group NBCE, be paid to the Filing Qualifying Bermuda Group Entity.

PART 3**EXPENSES****Expenses of a Bermuda Entity**

6 (1) The expenses of a Bermuda Entity for a fiscal year shall be-

- (a) in the case of a Bermuda Entity that is not a member of a group, the expenses determined for the purposes of preparing the profit and loss statement in the applicable financial statements of the Bermuda Entity for the fiscal year; and
- (b) in the case of a Bermuda Entity that is a member of a group, the expenses determined for the Bermuda Entity for the purposes of preparing the profit and loss statement in the applicable consolidated financial statements for the fiscal year;

(2) For the purposes of subsection (1)-

- (a) an amount that is reported in other comprehensive income or loss (rather than in the profit and loss statement) for the fiscal year is excluded from the computation of the expenses of the Bermuda Entity;
- (b) the expenses of the Bermuda Entity for the fiscal year shall be adjusted to include any change in opening equity at the beginning of the fiscal year attributable to-
 - (i) the correction of an error in a prior fiscal year, to the extent that the error affected the determination of the amount of qualifying expenses in such prior fiscal year;
 - (ii) a change in accounting principle or policy, to the extent that the change would have affected the determination of the amount of qualifying expenses for a prior fiscal year; and
 - (iii) a change in the financial accounting standard used to prepare the applicable financial statements or the applicable consolidated financial statements, as the case may be, to the

extent that the change would have affected the determination of the amount of qualifying expenses for a prior fiscal year; and

(c) the expenses of a main entity for a fiscal year shall be allocated to a Bermuda Permanent Establishment through which the business of the main entity is wholly or partly carried out in an amount equal to-

(i) the expenses determined for the purposes of preparing the profit and loss statement for the fiscal year in the separate financial statements of the Bermuda Permanent Establishment prepared in accordance with the applicable financial accounting standard used in the preparation of the applicable financial statements of the main entity or the applicable consolidated financial statements, as the case may be; or

(ii) if the Bermuda Permanent Establishment did not prepare separate financial statements which meet the requirements of subparagraph (i), the expenses which would have been determined for the purposes of preparing the profit and loss statement for the fiscal year if the Bermuda Permanent Establishment had prepared separate financial statements in accordance with the applicable financial accounting standard used in the preparation of the applicable financial statements of the main entity or the applicable consolidated financial statements, as the case may be.

(d) the expenses incurred by a Bermuda Entity with respect to stock-based compensation for the fiscal year shall be adjusted by-

(i) excluding the amount of expenses recognized with respect to stock-based compensation in the profit and loss statement in the applicable financial statements or the applicable consolidated financial statements, as the case may be, for the fiscal year; and

(ii) with respect to stock-based compensation which has an exercise date during the fiscal year, increasing expenses for the fiscal year by an amount equal to the excess of-

(A) the market value of the stock-based compensation on the exercise date; over

(B) the value of any consideration received by the Bermuda Entity in exchange for the stock-based compensation, regardless of whether such consideration was received during the fiscal year or another fiscal year;

(e) For the purposes of paragraph (d)-

- (i) stock-based compensation expense may only be recognized by a Bermuda Entity pursuant to subparagraph (d)(ii) to the extent it can be reliably and consistently traced to the Bermuda Entity that received the property, use of property, or services for which the stock-based compensation was provided;
- (ii) the stock-based compensation provided does not need to be issued by the Bermuda Entity that incurred the relevant stock-based compensation expense; and
- (iii) a deduction for stock-based compensation expense is not allowed to the Bermuda Entity that issued the stock-based compensation unless the Bermuda Entity received the property or services for which the compensation was paid;

(f) To the extent that-

- (i) an expense amount determined in accordance with this section is included in the determination of qualifying expenses of a Bermuda Entity for a fiscal year;
- (ii) it is subsequently determined that the expense amount described in subparagraph (i) was overstated, such that an adjustment is made to correct the overstatement in the applicable financial statements or the applicable consolidated financial statements for the fiscal year in which the expense was originally recognized or another fiscal year; and
- (iii) in the fiscal year in which the adjustment described in subparagraph (ii) is made, the adjustment does not reduce expenses reported in the profit and loss statement or is otherwise recorded in the applicable financial statements or the applicable consolidated financial statements, as the case may be, in a manner which does not result in a reduction in expenses determined in accordance with this section and is not subject to the application of paragraph (2)(b),

then the expenses of the Bermuda Entity for the fiscal year in which the adjustment described in subparagraph (ii) is made shall be reduced by the amount of the adjustment, provided that such reduction shall not exceed the expense amount previously

included in the determination of qualifying expenses as described in subparagraph (i).

(3) For the purposes of paragraph (1)(b)-

(a) expenses incurred by a Bermuda Entity with respect to transactions between the Bermuda Entity and-

(i) another Bermuda Entity within the same group shall not be taken into account in computing the expenses of the Bermuda Entity; and

(ii) any other entity which is a member of the same group shall be taken into account in computing the expenses of the Bermuda Entity and any consolidated adjustments which result in the elimination of the expenses in the profit and loss statement of the applicable consolidated financial statements shall be disregarded, provided that with respect to a Bermuda Permanent Establishment whose main entity is not a Bermuda Entity, this subparagraph shall apply to the main entity and subparagraph (i) shall apply to the Bermuda Permanent Establishment;

(b) to the extent that the amount of expenses incurred by a Bermuda Entity with respect to a transaction described in subparagraph (3)(a)(ii) exceed the amount that would be determined in accordance with the arm's length principle, the expenses of the Bermuda Entity for the fiscal year shall be reduced by the amount of such excess; and

(c) expenses that are recorded in the applicable consolidated financial statements, rather than the separate accounts of the Bermuda Entity itself, may be taken into account in computing the expenses of the Bermuda Entity only to the extent they can be reliably and consistently traced to the Bermuda Entity.

PART 4

SUBSTANCE-BASED TAX CREDIT

Accrued substance-based tax credit benefit

7 (1) The accrued substance-based tax credit benefit of a Qualifying Bermuda Group Entity member of a Qualifying Bermuda Group for a fiscal year shall be equal to the sum of-

(a) the job-based benefit component; and

(b) the expense-based benefit component,

for the fiscal year.

(2) For the purposes of subsection (1), a Qualifying Bermuda Group is a Bermuda Group which-

- (a) included at least one Bermuda Entity which was registered as an insurer by the Bermuda Monetary Authority under the Insurance Act 1978 during the fiscal year; and
- (b) derived more than 50% of its aggregate gross revenues for the fiscal year from-
 - (i) Bermuda Entities described in paragraph (a); and
 - (ii) allocations of gross revenues from investment holding entities to Bermuda Entities described in paragraph (a).

(3) The requirement in paragraph (2)(b) shall be met to the extent that-

- (a) the sum of-
 - (i) the aggregate revenues for the fiscal year of all Bermuda Entities described in paragraph (2)(a); and
 - (ii) the aggregate of all gross revenue allocations described in subparagraph (2)(b)(ii) for the fiscal year; exceeds
- (b) 50% of the sum of-
 - (i) the aggregate revenues earned for the fiscal year by all Bermuda Entity members of the Bermuda Group; and
 - (ii) the aggregate of all gross revenue allocations described in subparagraph (2)(b)(ii) for the fiscal year.

(4) For the purposes of subparagraph (2)(b)(ii)-

- (a) gross revenues of an investment holding entity shall be allocated to the owners of the investment holding entity in accordance with their ownership interests;
- (b) an investment holding entity shall be an entity that meets the following criteria-
 - (i) it is a member of the same group as one or more Bermuda Entities described in paragraph (2)(a);
 - (ii) ownership interests in the investment holding entity are held by one or more Bermuda Entities described in paragraph (2)(a), either directly or through a chain of one or more other investment holding entities;
 - (iii) it is designed to hold or pool assets (which may be financial and non-financial);
 - (iv) it is primarily designed to generate investment income or gains; and

- (v) owners have a right to return from the assets of the entity or income earned on those assets, based on the contributions made by those owners;

(5) For the purposes of subsections (2) through (4), the revenues of an entity which is a member of a group (including, for this purpose, a Bermuda Permanent Establishment whose main entity is a member of a group) for a fiscal year shall be determined as follows-

- (a) revenues for the fiscal year shall be the gross revenues determined for the entity for the purposes of preparing the profit and loss statement and the statement of other comprehensive income and loss in the applicable consolidated financial statements for the fiscal year;
- (b) to the extent that the applicable financial accounting standard allows or requires that revenues are presented on a net basis (including, for example, where revenues attributable to insurance premiums are presented net of insurance premiums ceded to reinsurers, or where gross investment gains are presented net of gross investment losses), revenues shall be determined for the purposes of this subsection prior to any such netting;
- (c) the revenues of a main entity for a fiscal year shall be allocated to a Bermuda Permanent Establishment through which the business of the main entity is wholly or partly carried out in an amount equal to-
 - (i) the revenues determined for the purposes of preparing the profit and loss statement for the fiscal year in the separate financial statements of the Bermuda Permanent Establishment prepared in accordance with the applicable financial accounting standard used in the preparation of the applicable consolidated financial statements; or
 - (ii) if the Bermuda Permanent Establishment did not prepare separate financial statements which meet the requirements of subparagraph (i), the revenues which would have been determined for the purposes of preparing the profit and loss statement for the fiscal year if the Bermuda Permanent Establishment had prepared separate financial statements in accordance with the applicable financial accounting standard used in the preparation of the applicable consolidated financial statements;
- (d) revenues of a Bermuda Entity which are attributable to insurance premiums earned with respect to a transaction between the Bermuda Entity and another entity within the same group (other than a Bermuda Entity) shall be taken into account in computing the revenues of the Bermuda Entity and any consolidated adjustments which result in the elimination of such revenues in the applicable consolidated financial statements shall be disregarded.

Job-based benefit component

8 (1) The job-based benefit component of a Qualifying Bermuda Group Entity for a fiscal year shall be equal to-

- (a) the eligible payroll expenses of the Qualifying Bermuda Group Entity for the fiscal year; multiplied by

- (b) the job-based benefit factor of the Qualifying Bermuda Group determined in accordance with section 9 for the fiscal year.

(2) For the purposes of paragraph (1)(a)-

- (a) the eligible payroll expenses incurred by a Qualifying Bermuda Group Entity for the fiscal year shall be equal to the sum of-

- (i) with respect to each eligible employee (other than an eligible employee with respect to whom an election has been made pursuant to subsection (7)) who has a Bermuda Workday Percentage in excess of 50% for the fiscal year, the payroll expenses incurred by the Qualifying Bermuda Group Entity for the fiscal year with respect to the eligible employee, excluding any payroll expenses incurred with respect to a long-term compensation award described in subparagraph (5)(d)(i);

- (ii) with respect to each eligible employee (other than an eligible employee with respect to whom an election has been made pursuant to subsection (7)) who has a Bermuda Workday Percentage of 50% or less for the fiscal year, the product of-

- (A) the payroll expenses incurred by the Qualifying Bermuda Group Entity for the fiscal year with respect to the eligible employee, excluding any payroll expenses incurred with respect to a long-term compensation award described in subparagraph (5)(d)(i); and

- (B) the Bermuda Workday Percentage of the eligible employee for the fiscal year;

- (iii) with respect to each eligible employee with respect to whom an election has been made pursuant to subsection (7) and who has a Bermuda Workday Percentage in excess of 50% for the fiscal year, the aggregate payroll expenses incurred with respect to the eligible employee for the fiscal year, as determined pursuant to paragraph (7)(b);

- (iv) with respect to each eligible employee with respect to whom an election has been made pursuant to subsection (7) and who has a Bermuda Workday Percentage of 50% or less for the fiscal year, the product of-

- (A) the aggregate payroll expenses incurred with respect to the eligible employee for the fiscal year, as determined pursuant to paragraph (7)(b); and

- (B) the Bermuda Workday Percentage of the eligible employee for the fiscal year;

- (v) with respect to each long-term compensation award of an

eligible employee (other than an eligible employee with respect to whom an election has been made pursuant to subsection (7)) who has an allocation percentage, as determined in accordance with paragraph (5)(b), in excess of 50% for the fiscal year, the payroll expenses incurred by the Qualifying Bermuda Group Entity for the fiscal year with respect to the long-term compensation award;

(vi) with respect to each long-term compensation award of an eligible employee (other than an eligible employee with respect to whom an election has been made pursuant to subsection (7)) who has an allocation percentage, as determined in accordance with paragraph (5)(b), of 50% or less for the fiscal year, the product of-

(A) the payroll expenses incurred by the Qualifying Bermuda Group Entity for the fiscal year with respect to the long-term compensation award; and

(B) the allocation percentage determined in accordance with paragraph (5)(b);

(vii) with respect to each long-term compensation award of an eligible employee for whom an election has been made pursuant to subsection (7) and who has an allocation percentage, as determined in accordance with paragraph (5)(b), in excess of 50% for the fiscal year, the aggregate payroll expenses incurred with respect to the long-term compensation award for the fiscal year, as determined pursuant to paragraph (7)(c);

(viii) with respect to each long-term compensation award of an eligible employee for whom an election has been made pursuant to subsection (7) and who has an allocation percentage, as determined in accordance with paragraph (5)(b), of 50% or less for the fiscal year, the product of-

(A) the aggregate payroll expenses incurred with respect to the long-term compensation award for the fiscal year, as determined pursuant to paragraph (7)(c); and

(B) the allocation percentage determined in accordance with paragraph (5)(b);

(b) no amount of eligible payroll expense may be taken into account more than once, including by more than one Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group or in more than one fiscal year; and

(c) the Filing Qualifying Bermuda Group Entity may elect to disregard, in whole or in part, the eligible payroll expenses of the Qualifying Bermuda Group Entity for the fiscal year. The election under this paragraph is an annual election.

(3) For the purposes of paragraph (2)(a)-

- (a) payroll expenses shall include expenses incurred by an entity-
 - (i) to remunerate an employee or independent contractor, including salaries and wages, bonuses, stock-based compensation, and allowances;
 - (ii) other expenses that provide a direct and separate personal benefit to the employee or independent contractor, such as health insurance and pension contribution;
 - (iii) payroll and employment taxes;
 - (iv) social insurance contributions;
 - (v) fees paid to a staffing or employment company for services provided by independent contractors; and
 - (vi) work permit fees,as adjusted in accordance with paragraph (b);
- (b) to the extent that an expenditure would have been described in paragraph (a) for the fiscal year, but for the fact that the expenditure was capitalised into the carrying value of an asset or liability of the entity (rather than being expensed in the profit and loss statement) in the applicable financial statements or the applicable consolidated financial statements, as the case may be, the Filing Qualifying Bermuda Group Entity may make an annual election to increase the payroll expenses of the entity for the fiscal year by the amount of the capitalised expenditure;
- (c) to the extent that an election is made pursuant to paragraph (b) with respect to a capitalised expenditure-
 - (i) the carrying value of the asset or liability described in paragraph (b) shall be adjusted to exclude the amount of the capitalised expenditure; and
 - (ii) any expenses which are determined by reference to the carrying value of the asset or liability (including, for example, depreciation expense) for the fiscal year or any other fiscal year shall, for the purposes of this Act, be determined by reference to the adjusted carrying value determined in accordance with subparagraph (i);

(4) For the purposes of paragraph (2)(a)-

- (a) The Bermuda Workday Percentage of an eligible employee for a fiscal year of a Qualifying Bermuda Group shall be equal to the result obtained by dividing-
 - (i) the total number of Bermuda Workdays of the eligible employee

for the fiscal year; by

- (ii) the total number of workdays of the eligible employee for the fiscal year,

rounded to the nearest one-hundredth of a percent;

- (b) For the purposes of paragraph (a), a day shall be treated as a workday to the extent-

- (i) it is a business day in Bermuda; and

- (ii) in the case of-

- (A) an eligible employee:

- (I) with respect to whom an election has been made pursuant to subsection (7); or

- (II) who is engaged in a qualified foreign assignment as determined in accordance with subsection (8),

the eligible employee performs at least 3 hours of services on such day for one or more entities which are members of the same group as the Qualifying Bermuda Group;

- (B) any other eligible employee, such eligible employee performs at least 3 hours of services on such day for one or more Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group,

provided that no day shall be counted more than once as a workday with respect to an eligible employee;

- (c) Subparagraph (b)(ii) shall not apply to a day on which the eligible employee is-

- (i) engaged in eligible training activities, as determined pursuant to subsection (6); or

- (ii) absent from the workplace due to-

- (A) sick (or other medical) leave;

- (B) maternity or paternity leave; or

- (C) bereavement leave,

provided that a day shall only be described in subparagraphs (i) and (ii) to the extent that the eligible employee was compensated by a Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group with respect to such day;

(d) For the purposes of subparagraph (4)(a)(i), a Bermuda Workday of an eligible employee shall include-

- (i) a business day in Bermuda described in subparagraph (c)(i);
- (ii) a business day in Bermuda described in subparagraph (c)(ii), provided that the eligible employee was physically present in Bermuda for the entire day;
- (iii) a business day in Bermuda on which the eligible employee is engaged in a qualified foreign assignment, as determined in accordance with subsection (8); and
- (iv) any other workday on which the eligible employee performs at least 3 hours of services for one or more Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group while physically present in Bermuda.

(5) For the purposes of determining the eligible payroll expenses incurred for a fiscal year with respect to each long-term compensation award of an eligible employee-

- (a) the Bermuda Workday Percentage determined pursuant to paragraph (4)(a) shall not apply;
- (b) the allocation percentage used in subparagraphs (2)(a)(vi) and (viii) to determine the eligible portion of payroll expenses with respect to the long-term compensation award shall be equal to the result obtained by dividing-
 - (i) the total number of Bermuda Workdays of the eligible employee during the workday allocation period determined in accordance with paragraph (c) for the fiscal year; by
 - (ii) the total number of workdays of the eligible employee during the workday allocation period determined in accordance with paragraph (c) for the fiscal year;
- (c) for the purposes of paragraph (b), the workday allocation period for a fiscal year with respect to the long-term compensation award shall be the period which-
 - (i) begins on the date the long-term compensation award was granted to the eligible employee; and
 - (ii) ends on the earlier of-
 - (A) the vesting date of the long-term compensation award; and
 - (B) the last day of the fiscal year;
- (d) for the purposes of this subsection-
 - (i) a long-term compensation award is a specific item of compensation awarded to an eligible employee which is subject

to a performance period which exceeds 12 months (including, for example, stock-based compensation or other long-term incentive awards which are subject to time-based vesting requirements with a vesting period which exceeds 12 months);

(ii) with respect to each long-term compensation award-

(A) the performance period is the period in which any prescribed service-related conditions (including, for example, time-based or performance-based vesting conditions) are required to be met in order to establish the eligible employee's non-forfeitable ownership rights to the long-term compensation award, as described in the compensation plan or policy pursuant to which the long-term compensation award was issued to the eligible employee;

(B) the vesting date shall be the date on which non-forfeitable ownership rights to the long-term compensation award are transferred to the eligible employee;

(6) An eligible employee shall be engaged in eligible training activities for each business day on which the eligible employee is-

(a) in attendance at, or participating in, a course, seminar, conference, or other structured training session which is intended for personal or professional development or educational purposes, provided that this paragraph shall only apply to a day on which the eligible employee's attendance exceeds 3 hours;

(b) employed by a Qualifying Bermuda Group Entity pursuant to an internship program, provided that this paragraph shall only apply with respect to the first 24 months in which the eligible employee was employed by the Qualifying Bermuda Group Entity pursuant to an internship program (or, if shorter, a period of 24 months less the number of full months in which the eligible employee was previously employed by another Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group pursuant to an internship program);

(c) employed by a Qualifying Bermuda Group Entity during the 12-month period following the date on which the eligible employee first enters the workforce, provided that for this purpose-

(i) the date on which the eligible employee first enters the workforce shall be the date on which the eligible employee assumes their first full-time or part-time position as an employee, provided that-

(A) any full-time or part-time position held by the eligible employee prior to the fiscal year in which the eligible employee attains the age of 22;

(B) any full-time or part-time position held by the eligible employee during a fiscal year in which the eligible employee

was enrolled in a post-secondary degree program; or

- (C) any full-time or part-time position held by the eligible employee pursuant to an internship program maintained by a Qualifying Bermuda Group Entity (regardless of whether such Qualifying Bermuda Group Entity is a member of the same Qualifying Bermuda Group as the Qualifying Bermuda Group Entity with respect to which this paragraph is being applied), but only to the extent of the portion of the fiscal year determined in accordance with paragraph (b),

shall be disregarded for the purposes of determining whether the eligible employee is entering the workforce for the first time;

- (d) such other training activities as may be prescribed by the Minister,

provided that for the purposes of this subsection, an eligible employee shall only be treated as engaged in eligible training activities on a day when the eligible employee was exempted, or would have been exempted to the extent that their duties were performed in Bermuda, under Part V of the Bermuda Immigration and Protection Act 1956 from the requirement to hold a work permit.

(7) A Filing Qualifying Bermuda Group Entity may make an annual election to determine the eligible payroll expenses for an eligible employee of a Qualifying Bermuda Group Entity for a fiscal year based on the aggregate payroll expenses incurred with respect to the eligible employee by all entities which are members of the same group as the Qualifying Bermuda Group Entity, provided that-

- (a) an election may only be made pursuant to this subsection with respect to an eligible employee of the Qualifying Bermuda Group Entity for a fiscal year to the extent that-
 - (i) during the fiscal year, the eligible employee is also an employee of another entity or entities (other than a Qualifying Bermuda Group Entity) which are members of the same group as the Qualifying Bermuda Group Entity; and
 - (ii) the payroll expense incurred by the group with respect to the eligible employee is allocated between the Qualifying Bermuda Group Entity and such other entity (or entities) in the applicable consolidated financial statements for the fiscal year;
- (b) for the purposes of subparagraphs (2)(a)(iii) and (iv), the aggregate payroll expenses incurred with respect to the eligible employee shall be equal to the sum of the payroll expenses incurred with respect to the eligible employee by-
 - (i) each Qualifying Bermuda Group Entity which employs the eligible employee; and
 - (ii) each other entity (or entities) described in subparagraph (a)(i),

excluding any payroll expenses incurred for the fiscal year with respect to a long-term compensation award described in subparagraph (5)(d)(i) and subject to any adjustment required pursuant to paragraph (e);

(c) for the purposes of subparagraphs (2)(a)(vii) and (viii), the aggregate payroll expenses incurred with respect to a long-term compensation award of the eligible employee described in subparagraph (5)(d)(i) shall be equal to the sum of the payroll expenses incurred with respect to the long-term compensation award by-

(i) each Qualifying Bermuda Group Entity which employs the eligible employee; and

(ii) each other entity (or entities) described in subparagraph (a)(i),

subject to any adjustment required pursuant to paragraph (e);

(d) for the purposes of subparagraphs (b)(ii) and (c)(ii), the payroll expenses incurred by each other entity (or entities) shall be determined pursuant to sections 6(1) and (2), provided that for this purpose the phrase "Bermuda Entity" shall be replaced everywhere it appears in sections 6(1) and (2) by the word "entity";

(e) to the extent that an eligible employee of a Qualifying Bermuda Group Entity is employed by more than one Qualifying Bermuda Group Entity member of the same Qualifying Bermuda Group-

(i) an election made pursuant to this subsection shall apply to each such Qualifying Bermuda Group Entity member; and

(ii) the aggregate payroll expenses determined in accordance with paragraphs (b) and (c) for the fiscal year shall be divided by the number of Qualifying Bermuda Group Entities which employed the eligible employee for the fiscal year; and

(f) no payroll expense incurred by the group with respect to the eligible employee shall be taken into account more than once for the purposes of this section.

(8) An eligible employee shall be regarded as engaged in a qualified foreign assignment on each day-

(a) which falls within a period of 60 months following the date described in subparagraph (6)(c)(i); and

(b) on which the eligible employee is:

(i) exempted, or would have been exempted to the extent that their duties were performed in Bermuda, under Part V of the Bermuda Immigration and Protection Act 1956 from the requirement to hold a work permit;

- (ii) performing services in a location outside of Bermuda for an entity which is a member of the same group as the Qualifying Bermuda Group Entity,

provided that this subsection shall only apply with respect to the first 12 months in which the eligible employee was performing services as described in subparagraph (b)(ii).

Job-based benefit factor

9 (1) The job-based benefit factor of a Qualifying Bermuda Group for a fiscal year shall be equal to the product of-

- (a) the headcount factor;
- (b) the Bermuda Employment and Training Factor;
- (c) the employment growth factor; and
- (d) the transition factor;

with the result expressed as a percentage rounded to the nearest one-hundredth of a percent.

Headcount factor

10 (1) The headcount factor shall be determined based on the aggregate number of full-time eligible employees of the Qualifying Bermuda Group for a fiscal year. To the extent that the aggregate number of full-time eligible employees of the Qualifying Bermuda Group for a fiscal year was-

- (a) less than 20, the headcount factor of the Qualifying Bermuda Group for the fiscal year shall be 0%;
- (b) 20 or more but less than 40, the headcount factor of the Qualifying Bermuda Group for the fiscal year shall be 20%;
- (c) 40 or more but less than 60, the headcount factor of the Qualifying Bermuda Group for the fiscal year shall be 25%;
- (d) 60 or more but less than 80, the headcount factor of the Qualifying Bermuda Group for the fiscal year shall be 30%;
- (e) 80 or more but less than 100, the headcount factor of the Qualifying Bermuda Group for the fiscal year shall be 35%;
- (f) 100 or more but less than 125, the headcount factor of the Qualifying Bermuda Group for the fiscal year shall be 40%;
- (g) 125 or more but less than 150, the headcount factor of the Qualifying Bermuda Group for the fiscal year shall be 45%; and
- (h) 150 or more, the headcount factor of the Qualifying Bermuda Group for the fiscal year shall be 50%.

(2) For the purposes of subsection (1), the aggregate number of full-time eligible employees of the Qualifying Bermuda Group for the fiscal year shall be equal

to the sum of-

- (a) with respect to each eligible employee of a Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group who had a Bermuda Workday Percentage in excess of 50% for the fiscal year, the full-time equivalent factor determined with respect to the eligible employee for the fiscal year; and
- (b) with respect to each eligible employee of a Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group who had a Bermuda Workday Percentage of 50% or less for the fiscal year, the product of-
 - (i) the Bermuda Workday Percentage of the eligible employee for the fiscal year; and
 - (ii) the full-time equivalent factor determined with respect to the eligible employee for the fiscal year;

(3) The full-time equivalent factor for an eligible employee for the fiscal year shall be-

- (a) in the case of an eligible employee who has an employment agreement (or equivalent) with one or more Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group which establishes the standard working hours of the eligible employee with respect to the fiscal year, the product of-
 - (i) the result obtained by dividing-
 - (A) the lesser of-
 - (I) the standard working hours of the eligible employee for the fiscal year established by the employment agreement (or equivalent, as determined in the aggregate with regard to all Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group) for the fiscal year; and
 - (II) 1,540; by
 - (B) 1,540; and
 - (ii) the result obtained by dividing-
 - (A) the lesser of-
 - (I) the number of months (including a portion of a month) in which the eligible employee was employed by one or more Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group during the fiscal year; and

(II) 12; by

(B) 12;

(b) in the case of an eligible employee who is not described in paragraph (a), the product of-

(i) the result obtained by dividing-

(A) the lesser of-

(I) the number of hours of service provided by the eligible employee to Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group during the fiscal year; and

(II) 1,540; by

(B) 1,540; and

(ii) the result obtained by dividing-

(A) the lesser of-

(I) the number of months (including a portion of a month) in which the eligible employee was employed by one or more Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group during the fiscal year; and

(II) 12; by

(B) 12;

(4) For the purposes of subsection (3) -

(a) to the extent that an eligible employee had one or more employment agreements (or equivalent) which established different standard working hours for the eligible employee for portions of the fiscal year, paragraph (3)(a) shall be applied separately to each such portion of the fiscal year and the results obtained by such separate applications of paragraph (3)(a) shall be added together to obtain an aggregate full-time equivalent factor for the eligible employee for the fiscal year, provided that for this purpose-

(i) the aggregate of the amounts determined pursuant to clause (3)(a)(i)(A) for each separate application of paragraph (3)(a) for the fiscal year shall not exceed 1,540; and

- (ii) the aggregate of the amounts determined pursuant to clause (3)(a)(ii)(A) for each separate application of paragraph (3)(a) for the fiscal year shall not exceed 12;
 - (b) to the extent that an eligible employee had an employment agreement for only a portion of the period during which the eligible employee was employed by one or more Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group during the fiscal year, such that the eligible employee is described in paragraphs (3)(a) and (b) for the fiscal year, paragraphs (3)(a) and (b) shall be applied separately to such portions of the fiscal year and the results obtained by such separate applications of paragraphs (3)(a) and (b) shall be added together to obtain an aggregate full-time equivalent factor for the eligible employee for the fiscal year, provided that for this purpose-
 - (i) the aggregate of the amounts determined pursuant to clauses (3)(a)(i)(A) and (3)(b)(i)(A) for each separate application of paragraphs (3)(a) and (b) for the fiscal year shall not exceed 1,540; and
 - (ii) the aggregate of the amounts determined pursuant to clauses (3)(a)(ii)(A) and (3)(b)(ii)(A) for each separate application of paragraphs (3)(a) and (b) for the fiscal year shall not exceed 12.
- (5) The Filing Qualifying Bermuda Group Entity may make an annual election to disregard one or more eligible employees for the purposes of this section.

Bermuda Employment and Training Factor

11 (1) The Bermuda Employment and Training Factor of a Qualifying Bermuda Group for a fiscal year shall be determined-

- (a) first, by computing the percentage determined by dividing-
 - (i) the eligible payroll expenses incurred by all Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group for the fiscal year with respect to eligible employees who were exempted, or would have been exempted to the extent that their duties were performed in Bermuda, under Part V of the Bermuda Immigration and Protection Act 1956 from the requirement to hold a work permit at any time during such fiscal year; by
 - (ii) the eligible payroll expenses incurred by all Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group for the fiscal year with respect to all eligible employees;
- (b) second, by multiplying the amount determined in paragraph (a) by the sum of-
 - (i) 50%, and
 - (ii) the training percentage determined in accordance with

subsection (2); and

- (c) third, by adding 100% to the amount determined in paragraph (b) and rounding the result to the nearest one-hundredth of a percent.

(2) The training percentage of the Qualifying Bermuda Group for a fiscal year shall be determined-

- (a) first, by computing the training-related eligible payroll expenses incurred with respect to each eligible employee of a Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group for the fiscal year, which shall be equal to the product of-
 - (i) the eligible payroll expenses determined in accordance with paragraph (2)(a) with respect to the eligible employee for the fiscal year; and
 - (ii) the result obtained by dividing-
 - (A) the number of days described in section 8(4)(c)(i) with respect to the eligible employee for the fiscal year; by
 - (B) the number of days described in section 8(4)(d) with respect to the eligible employee for the fiscal year;
- (b) second, by aggregating the training-related eligible payroll expenses determined in accordance with subparagraph (i) with respect to all eligible employees of Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group for the fiscal year;
- (c) third, by multiplying the amount determined in paragraph (b) by 25% and rounding the result to the nearest one-hundredth of a percent.

(3) At the election of the Filing Qualifying Bermuda Group Entity-

- (a) the Bermuda Employment and Training Factor described in subsection (1) shall be deemed to be 100% for the fiscal year;
- (b) the training percentage described in subsection (2) shall be deemed to be 0% for the fiscal year,

provided that the elections described in paragraphs (a) and (b) shall be annual elections.

Employment growth factor

12 (1) The employment growth factor of a Qualifying Bermuda Group for a fiscal year shall be equal to the amount determined by dividing-

- (a) the amount determined in accordance with section 10(2) for the fiscal year, by

- (b) the amount which would have been determined in accordance with section 10(2) if such section, as determined without regard to section 10(5), had been applied to the immediately preceding fiscal year,

with the result specified as a percentage rounded to the nearest one-hundredth of a percent, provided that the amount determined in accordance with this subsection shall not exceed 200%.

(2) For the purposes of subsection (1)-

(a) to the extent that-

- (i) there were no Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group during the immediately preceding fiscal year; or
- (ii) the amount determined in accordance with paragraph (1)(b) is nil,

the employment growth factor of the Qualifying Bermuda Group for the fiscal year shall be deemed to be 200%;

(b) paragraph (1)(b) shall apply even if the immediately preceding fiscal year began prior to January 1, 2025;

(c) to the extent that a Qualifying Bermuda Group Entity becomes or ceases to be a member of the Qualifying Bermuda Group during the fiscal year due to the transfer of a direct or indirect ownership interest in the Qualifying Bermuda Group Entity-

(i) the amount determined in accordance with paragraph (1)(b) for a Qualifying Bermuda Group which disposed of the Qualifying Bermuda Group Entity shall be reduced by the number of full-time eligible employees of the Qualifying Bermuda Group Entity as determined for the portion of the fiscal year preceding the transfer date, provided that for this purpose the determination of the number of full-time eligible employee shall be made by replacing each reference to 1,540 in section 10(2) with the product of 1,540 and the result obtained by dividing-

(A) the number of days during the fiscal year in which the Qualifying Bermuda Group Entity was a member of the disposing Qualifying Bermuda Group; by

(B) the total number of days during the fiscal year of the disposing Qualifying Bermuda Group; and

(ii) the amount determined in accordance with paragraph (1)(b) for a Qualifying Bermuda Group which acquired the Qualifying Bermuda Group Entity shall be increased by the number of full-time eligible employees of the Qualifying Bermuda Group

Entity as determined for the portion of the fiscal year following the transfer date, provided that for this purpose the determination of the number of full-time eligible employee shall be made by replacing each reference to 1,540 in section 10(2) with the product of 1,540 and the result obtained by dividing-

- (A) the number of days during the fiscal year in which the Qualifying Bermuda Group Entity was a member of the acquiring Qualifying Bermuda Group, by
- (B) the total number of days during the fiscal year of the acquiring Qualifying Bermuda Group.

Expense-based benefit component

13 (1) The expense-based benefit component of a Qualifying Bermuda Group Entity for a fiscal year shall be equal to the product of-

- (a) the lesser of-
 - (i) the Eligible Bermuda Expenses incurred by the Qualifying Bermuda Group Entity for the fiscal year; and
 - (ii) an amount equal to 25% of the amount described in section 8(1)(a); and
- (b) the expense-based benefit factor of the Qualifying Bermuda Group for the fiscal year.

(2) For the purposes of paragraph (1)(a)(i)-

- (a) Eligible Bermuda Expenses shall include the following expenses incurred by the Qualifying Bermuda Group Entity for the fiscal year-
 - (i) Bermuda Business Premises Expenses;
 - (ii) Bermuda Tangible Asset-Related Expenses;
 - (iii) Eligible Bermuda Service Expenses;
 - (iv) training expenses; and
 - (v) Other Eligible Bermuda Expenses,

provided that no portion of any such expenses may be taken into account more than once for the purposes of determining Eligible Bermuda Expenses for the fiscal year;

- (b) the Minister may prescribe modifications to any of the expense descriptions referenced in this section;
- (c) Eligible Bermuda Expenses shall not include-

- (i) payroll expenses; or
- (ii) charitable expenses; and
- (d) the Filing Qualifying Bermuda Group Entity may elect to disregard, in whole or in part, any expenses for the purposes of determining the Eligible Bermuda Expenses of a Qualifying Bermuda Group Entity for the fiscal year. The election under this paragraph is an annual election.

(3) For the purposes of subparagraph (2)(a)(i)-

- (a) Bermuda Business Premises Expenses of a Qualifying Bermuda Group Entity for a fiscal year shall include business premises expenses determined in accordance with-

- (i) paragraph (b); or,
- (ii) at the election of the Filing Qualifying Bermuda Group Entity, paragraph (c),

which are attributable to business premises which are located in Bermuda, and which are comprised of real property owned or leased by the Qualifying Bermuda Group Entity, including any fixtures or improvements to such property, provided that for this purpose business premises shall not include property held for sale, investment, or lease (other than property held for lease to other Qualifying Bermuda Group Entity members of the same Qualifying Bermuda Group);

- (b) business premises expenses shall include the following expenses incurred by a Qualifying Bermuda Group Entity for the fiscal year-

- (i) lease expenses;
- (ii) expenses related to the depreciation or impairment of property;
- (iii) property taxes;
- (iv) utilities;
- (v) cleaning, landscaping, maintenance, and repairs;
- (vi) insurance; and
- (vii) stamp duty;

- (c) the Filing Qualifying Bermuda Group Entity may make an annual

election to-

(i) disregard paragraph (b) with respect to a Qualifying Bermuda Group Entity, such that none of the expenses described therein shall be included in the determination of Eligible Bermuda Expenses of the Qualifying Bermuda Group Entity for the fiscal year; and

(ii) determine business premises expenses the Qualifying Bermuda Group Entity for the fiscal year based on the product of-

(A) the total square footage of the business premises owned or leased by the Qualifying Bermuda Group Entity; and

(B) a rate of [\$...] per square foot,

provided that to the extent that the business premises were only owned or leased by the Qualifying Bermuda Group Entity for a portion of the fiscal year, the rate described in clause (B) shall be multiplied by the result obtained by dividing the number of days in the fiscal year on which the business premises were owned or leased by the Qualifying Bermuda Group Entity by the total number of days in the fiscal year.

(4) Bermuda Tangible Asset-Related Expenses shall include expenses incurred by a Qualifying Bermuda Group Entity with respect to tangible assets (other than tangible assets described in paragraph (3)(a)) which-

(a) were acquired or leased by the Qualifying Bermuda Group Entity from a Bermuda Entity, provided that the Bermuda Entity is not a member of the same Qualifying Bermuda Group as the acquiring Qualifying Bermuda Group Entity; and

(b) was located in Bermuda for more than 50% of the time during the fiscal year (or, if shorter, more than 50% of the time during the fiscal year in which the movable tangible property was owned or leased by one or more members of the Qualifying Bermuda Group of which the Qualifying Bermuda Group Entity is a member).

(5) The Eligible Bermuda Service Expenses of a Qualifying Bermuda Group Entity for a fiscal year shall be equal to the aggregate of each Eligible Bermuda Service Expense Amount incurred by the Qualifying Bermuda Group Entity for the fiscal year, and for this purpose-

(a) with respect to each eligible service expense amount incurred by the Qualifying Bermuda Group Entity for the fiscal year, the Eligible Bermuda Service Expense Amount shall be equal to the product of-

(i) the eligible service expense amount; and

(ii) the Bermuda Service Element related to the eligible service with respect to which the eligible service expense amount was

incurred, as determined in accordance with paragraph (d);

(b) for the purposes of subparagraph (a)(i)-

- (i) an eligible service expense amount is an amount of expense which was incurred by the Qualifying Bermuda Group Entity in connection with the receipt of an eligible service;
- (ii) an eligible service expense amount shall not include an amount of expense incurred with respect to services rendered by a Qualifying Bermuda Group Entity member of the same Qualifying Bermuda Group as the Qualifying Bermuda Group Entity which received the services;
- (iii) to the extent that an expenditure would have met the requirements to be treated as an eligible service expense amount for the fiscal year, but for the fact that the expenditure was capitalised into the carrying value of an asset or liability of the Qualifying Bermuda Group Entity (rather than being expensed in the profit and loss statement) in the applicable financial statements or the applicable consolidated financial statements, as the case may be, the Filing Qualifying Bermuda Group Entity may make an annual election to increase the eligible service expense amount of the Qualifying Bermuda Group Entity for the fiscal year by the amount of the capitalised expenditure;
- (iv) to the extent that an election is made pursuant to subparagraph (iii) with respect to a capitalised expenditure-
 - (A) the carrying value of the asset or liability described in subparagraph (iii) shall be adjusted to exclude the amount of the capitalised expenditure; and
 - (B) any expenses which are determined by reference to the carrying value of the asset or liability (including, for example, depreciation expense) for the fiscal year or any other fiscal year shall, for the purposes of this Act, be determined by reference to the adjusted carrying value determined in accordance with clause (A);

(c) for the purposes of paragraph (b), eligible services shall include-

- (i) professional services (including, but not limited to, accounting, actuarial, audit, consulting, tax, legal, marketing, human resources, and corporate services);
- (ii) investment management and related advisory services;
- (iii) management, administrative, and outsourcing services;
- (iv) information technology services (including, but not limited to, infrastructure and cloud management services, cybersecurity services, and other IT support services);
- (v) insurance-specific services, including managing general agent (or similar) services, claims handling services, and brokerage services; and

(vi) services rendered by a director of the Qualifying Bermuda Group Entity;

(d) The Bermuda Service Element related to an eligible service shall be equal to the proportion of the eligible service which was performed by individuals (including officers or employees of the service provider, where the service provider is an entity) who were physically present in Bermuda at the time of the performance of such service, provided that for this purpose-

(i) such proportion of the eligible service shall be determined in accordance with such methods and subject to such requirements as shall be prescribed by the Minister; and

(ii) to the extent that the conditions described in subparagraph (i) are not met with respect to an eligible service for the fiscal year, the proportion of the eligible service performed by individuals who were physically present in Bermuda at the time of the performance of the service shall be deemed to be nil for the fiscal year.

(6) For the purposes of subparagraph (2)(a)(iv), eligible training expenses of a Qualifying Bermuda Group Entity for a fiscal year shall include-

(a) expenses incurred in connection with attendance at, or participation in, courses, seminars, conferences, or other structured training sessions in (or from) Bermuda during the fiscal year by eligible employees of the Qualifying Bermuda Group Entity;

(b) with respect to eligible employees of the Qualifying Bermuda Group Entity who are exempted, or would have been exempted to the extent that their duties were performed in Bermuda, under Part V of the Bermuda Immigration and Protection Act 1956 from the requirement to hold a work permit-

(i) expenses incurred in connection with attendance at, or participation in, courses, seminars, conferences, or other structured training sessions by the eligible employee during the fiscal year, including travel, accommodation, and related expenses to the extent that such training activities are undertaken outside of Bermuda;

(ii) travel, accommodation, and related expenses incurred during the fiscal year with respect to an eligible employee who is performing services in a location outside of Bermuda for an entity which is a member of the same group as the Qualifying Bermuda Group Entity, provided that this subparagraph shall only apply to expenses incurred during any period determined in accordance with section 8(6)(b) or (c);

- (iii) travel, accommodation, and related expenses incurred during the fiscal year with respect to an eligible employee who is on a qualified foreign assignment as determined in accordance with section 8(8); and
- (iv) expenses incurred for the fiscal year in connection with scholarships awarded by the Qualifying Bermuda Group Entity to an eligible employee;
- (c) expenses incurred for the fiscal year in connection with such other training activities as may be prescribed by the Minister.

(7) Other Eligible Bermuda Expenses shall include expenses incurred by a Qualifying Bermuda Group Entity for the fiscal year in connection with-

- (a) accommodations, meals, and ground transportation in Bermuda;
- (b) fees paid to the Bermuda Monetary Authority and the Bermuda Registrar of Companies, provided that for this purpose fees shall not include penalties assessed by either organisation; and
- (c) dues related to memberships in industry or trade associations, but only to the extent that such associations are organised or incorporated as Bermuda Entities.

Expense-based benefit factor

14 (1) For the purposes of section 13(1)(b), the expense-based benefit factor shall be -

- (a) 0% with respect to the first \$1,000,000 of Eligible Bermuda Expenses incurred by the Qualifying Bermuda Group for the fiscal year;
- (b) 10% with respect to the next \$1,500,000 of Eligible Bermuda Expenses incurred by the Qualifying Bermuda Group for the fiscal year;
- (c) 20% with respect to the next \$2,500,000 of Eligible Bermuda Expenses incurred by the Qualifying Bermuda Group for the fiscal year;
- (d) 30% with respect to the next \$5,000,000 of Eligible Bermuda Expenses incurred by the Qualifying Bermuda Group for the fiscal year;
- (e) 40% with respect to the next \$5,000,000 of Eligible Bermuda Expenses incurred by the Qualifying Bermuda Group for the fiscal year; and
- (f) 50% with respect to Eligible Bermuda Expenses in excess of \$15,000,000 incurred by the Qualifying Bermuda Group for the fiscal year; and

(2) For the purposes of subsection (1), the Eligible Bermuda Expenses of the

Qualifying Bermuda Group for the fiscal year shall be equal to the aggregate Eligible Bermuda Expenses incurred by all Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group for the fiscal year.

Transition factor

15 (1) The transition factor of a Qualifying Bermuda Group for a fiscal year shall be-

- (a) [...] with respect to fiscal years beginning on or after 1 January 2025 but prior to 1 January 2026;
- (b) [...] with respect to fiscal years beginning on or after 1 January 2026 but prior to 1 January 2027; and
- (c) [...] with respect to fiscal years beginning on or after 1 January 2027.

Opening tax credit carryforward of a Qualifying Bermuda Group Entity

16 (1) The total opening tax credit carryforward amount of a Qualifying Bermuda Group Entity for the fiscal year shall be equal to the total closing tax credit carryforward amount, if any, of the Qualifying Bermuda Group Entity as determined in accordance with section 21(2) at the end of the immediately preceding fiscal year, but only to the extent that the Qualifying Bermuda Group Entity was required to apply section 21(2) for such immediately preceding fiscal year.

(2) The total opening tax credit carryforward amount described in subsection (1) shall be allocated between the preceding benefit periods of the Qualifying Bermuda Group Entity. The allocation of the total opening tax credit carryforward amount for the fiscal year shall be determined by advancing, in each case by one benefit period, the benefit period allocations determined in accordance with section 21(3) at the end of the immediately preceding fiscal year. For this purpose-

- (a) the total closing tax credit carryforward amount allocated to the second preceding benefit period pursuant to the application of section 21(3)(a) for the immediately preceding fiscal year shall become the total opening tax credit carryforward amount allocated to the third preceding benefit period for the purposes of applying section 17(2)(a) for the fiscal year;
- (b) the total closing tax credit carryforward amount allocated to the first preceding benefit period pursuant to the application of section 21(3)(b) for the immediately preceding fiscal year shall become the total opening tax credit carryforward amount allocated to the second preceding benefit period for the purposes of applying section 17(2)(b) for the fiscal year; and
- (c) the total closing tax credit carryforward amount allocated to the immediately preceding fiscal year pursuant to the application of section 21(3)(c) for the immediately preceding fiscal year shall become the total opening tax credit carryforward amount allocated to the first preceding benefit period for the purposes of applying section 17(2)(c) for the fiscal year.

Opening tax credit carryforward of a Qualifying Bermuda Group

17 (1) The total opening tax credit carryforward amount of a Qualifying Bermuda Group for a fiscal year shall be equal to the aggregate of the total opening tax credit carryforward amounts, if any, determined in accordance with section 16(1)

for each Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group for the fiscal year.

(2) The total opening tax credit carryforward amount described in subsection (1) shall be allocated to each preceding benefit period of the Qualifying Bermuda Group. For this purpose, the total opening tax credit carryforward amount of the Qualifying Bermuda Group for the fiscal year shall be allocated to-

- (a) the third preceding benefit period in an amount equal to the aggregate of the amounts allocated to the third preceding benefit period for each Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group in accordance with section 16(2)(a) for the fiscal year;
- (b) the second preceding benefit period in an amount equal to the aggregate of the amounts allocated to the second preceding benefit period for each Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group in accordance with section 16(2)(b) for the fiscal year; and
- (c) the first preceding benefit period in an amount equal to the aggregate of the amounts allocated to the first preceding benefit period for each Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group in accordance with section 16(2)(c) for the fiscal year.

Distributable substance-based tax credit benefit of a Qualifying Bermuda Group

18 (1) The distributable substance-based tax credit benefit of the Qualifying Bermuda Group for the fiscal year shall be equal to the lesser of-

- (a) the available tax credit benefit determined in accordance with subsection (2) for the fiscal year, and
- (b) the distributable tax credit benefit limitation determined in accordance with subsection (4) for the fiscal year.

(2) The available tax credit benefit for the fiscal year shall be equal to the sum of-

- (a) the accrued substance-based tax credit benefit of the Qualifying Bermuda Group determined in accordance with subsection (3) for the fiscal year, and
- (b) the total opening tax credit carryforward of the Qualifying Bermuda Group determined in accordance with section 17(1) for the fiscal year.

(3) The accrued substance-based tax credit benefit of the Qualifying Bermuda Group shall be equal to the aggregate of the accrued substance-based tax credit benefits determined in accordance with section 7(1) for each Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group for the fiscal year.

(4) The distributable tax credit benefit limitation for the fiscal year shall be equal to the greater of-

- (a) the product of-
- (i) the Aggregate Bermuda Tax Charge determined in accordance with subsection (5) for the fiscal year; and

- (ii) the distributable benefit factor determined in accordance with subsection (6) for the fiscal year; and
 - (b) the amount described in section 17(2)(a) for the fiscal year.
- (5) The Aggregate Bermuda Tax Charge of the Qualifying Bermuda Group for the fiscal year shall be equal to the sum of-

- (a) the CIT charge of the Qualifying Bermuda Group for the fiscal year; and
- (b) the sum of-
 - (i) with respect to each Payroll Tax Period which falls entirely within the fiscal year of the Qualifying Bermuda Group, the aggregate of the Payroll Tax Charges incurred by each Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group for such Payroll Tax Period; and
 - (ii) with respect to each Payroll Tax Period which falls partly within and partly without the fiscal year of the Qualifying Bermuda Group, an amount equal to the product of-
 - (A) the aggregate Payroll Tax Charges incurred by each Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group for the Payroll Tax Period; and
 - (B) the result obtained by dividing-
 - (1) the number of days in the Payroll Tax Period which fall within the fiscal year of the Qualifying Bermuda Group; by
 - (2) the total number of days in the Payroll Tax Period.

- (6) The distributable benefit factor shall be-
- (a) 25% with respect to fiscal years beginning on or after January 1, 2025 but before January 1, 2026;
 - (b) 50% with respect to fiscal years beginning on or after January 1, 2026 but before January 1, 2027;
 - (c) 75% with respect to fiscal years beginning on or after January 1, 2027 but before January 1, 2028;
 - (d) 100% with respect to fiscal years beginning on or after January 1, 2028.

Closing tax credit carryforward of a Qualifying Bermuda Group

19 (1) The total closing tax credit carryforward amount of a Qualifying Bermuda Group for a fiscal year shall be equal to the excess, if any, of-

- (a) the amount described in section 18(1)(a); over
- (b) the amount described in section 18(1)(b),

for the fiscal year.

(2) The total closing tax credit carryforward amount, if any, determined in accordance with subsection (1) shall be allocated between the preceding benefit periods of the Qualifying Bermuda Group. For this purpose, the total closing tax credit carryforward amount of the Qualifying Bermuda Group for the fiscal year shall be allocated to-

- (a) the second preceding benefit period of the Qualifying Bermuda Group, to the extent of the result obtained by-
 - (i) adding the portion of the total opening tax credit carryforward of the Qualifying Bermuda Group which was allocated to the second preceding benefit period in accordance with section 17(2)(b); and
 - (ii) subtracting the lesser of-
 - (A) the amount determined in accordance with section 18(4) for the fiscal year, reduced by the amount determined in accordance with section 17(2)(a); and
 - (B) the amount described in subparagraph (a)(i);
- (b) the first preceding benefit period of the Qualifying Bermuda Group, to the extent of the result obtained by-
 - (i) adding the portion of the total opening tax credit carryforward of the Qualifying Bermuda Group which was allocated to the first preceding benefit period in accordance with section 17(2)(c); and
 - (ii) subtracting the lesser of-
 - (A) the amount determined in accordance with section 18(4) for the fiscal year, reduced by the amount determined in accordance with section 17(2)(a) and subparagraph (2)(a)(ii) of this section for the fiscal year; and
 - (B) the amount described in subparagraph (b)(i); and
- (c) the fiscal year of the Qualifying Bermuda Group, to the extent of the result obtained by-
 - (i) adding the amount determined in accordance with section 18(3) for the fiscal year; and
 - (ii) subtracting the amount determined in accordance with section 18(4) for the fiscal year, reduced by the amount determined in accordance with section 17(2)(a) and subparagraphs (2)(a)(ii) and (2)(b)(ii) of this section for the fiscal year.

Distributable substance-based tax credit benefit of a Qualifying Bermuda Group Entity

20 (1) The distributable substance-based tax credit benefit of a Qualifying Bermuda Group Entity for a fiscal year shall be determined in accordance with-

- (a) subsection (2), to the extent that the amount described in section 18(1)(b) equals or exceeds the amount described in section 18(1)(a) for the fiscal year; or
- (b) subsection (3), to the extent that the amount described in section 18(1)(a) exceeds the amount described in section 18(1)(b) for the fiscal year.

(2) For the purposes of paragraph (1)(a), the distributable substance-based tax credit benefit of a Qualifying Bermuda Group Entity for the fiscal year shall be equal to the sum of-

- (a) the accrued substance-based tax credit benefit determined in accordance with section 7(1) for the Qualifying Bermuda Group Entity for the fiscal year; and
- (b) the total opening tax credit carryforward amount determined in accordance with section 16(1) for the Qualifying Bermuda Group Entity for the fiscal year.

(3) For the purposes of paragraph (1)(b), the distributable substance-based tax credit benefit of a Qualifying Bermuda Group Entity for the fiscal year shall be equal to the sum of-

- (a) the product of-
 - (i) the amount determined in accordance with section 17(2)(a) for the fiscal year; and
 - (ii) the result obtained by dividing-
 - (A) the amount determined in accordance with section 16(2)(a) for the fiscal year; by
 - (B) the amount determined in accordance with section 17(2)(a) for the fiscal year;
- (b) the product of-
 - (i) the lesser of the amounts determined for the fiscal year in accordance with-
 - (A) section 19(2)(a)(ii)(A); and
 - (B) section 19(2)(a)(ii)(B); and
 - (ii) the result obtained by dividing-
 - (A) the amount determined in accordance with section 16(2)(b) for the fiscal year; by
 - (B) the amount determined in accordance with section 17(2)(b) for the fiscal year;
- (c) the product of-
 - (i) the lesser of the amounts determined for the fiscal year in accordance with-

- (A) section 19(2)(b)(ii)(A); and
- (B) section 19(2)(b)(ii)(B); and
- (ii) the result obtained by dividing-
 - (A) the amount determined in accordance with section 16(2)(c) for the fiscal year; by
 - (B) the amount determined in accordance with section 17(2)(c) for the fiscal year;
- (d) the product of-
 - (i) the amount determined in accordance with section 19(2)(c)(ii) for the fiscal year; and
 - (ii) the result obtained by dividing-
 - (A) the accrued substance-based tax credit benefit of the Qualifying Bermuda Group Entity as determined in accordance with section 7(1) for the fiscal year; by
 - (B) the accrued substance-based tax credit benefit of the Qualifying Bermuda Group as determined in accordance with section 18(3) for the fiscal year.

Closing tax credit carryforward of a Qualifying Bermuda Group Entity

21 (1) To the extent that a total closing tax credit carryforward amount is determined with respect to a Qualifying Bermuda Group in accordance with section 19(1) –

- (a) the total closing tax credit carryforward amount of each Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group shall be determined in accordance with subsection (2); and
- (b) the total closing tax credit carryforward amount of a Qualifying Bermuda Group Entity determined in accordance with subsection (2) shall be allocated to preceding benefit periods in accordance with subsection (3).

(2) The total closing tax credit carryforward amount of a Qualifying Bermuda Group Entity for the fiscal year shall be equal to-

- (a) the sum of-
 - (i) the total opening tax credit carryforward amount of the Qualifying Bermuda Group Entity determined in accordance with section 16(1) for the fiscal year; and
 - (ii) the accrued substance-based tax credit benefit of the Qualifying Bermuda Group Entity determined in accordance with section 7(1) for the fiscal year; less
- (b) the amount described in section 20(3) for the fiscal year.

(3) The total closing tax credit carryforward amount described in subsection (2) shall be allocated between the preceding benefit periods of the Qualifying Bermuda

Group Entity. For this purpose, the total closing tax credit carryforward amount allocated to the-

- (a) second preceding benefit period of the Qualifying Bermuda Group Entity shall be equal to the product of-
 - (i) the total closing tax credit carryforward amount of the Qualifying Bermuda Group allocated to the second preceding benefit period in accordance with section 19(2)(a) for the fiscal year; and
 - (ii) the result obtained by dividing-
 - (A) the amount determined in accordance with section 16(2)(b) for the fiscal year; by
 - (B) the amount determined in accordance with section 17(2)(b) for the fiscal year;
- (b) first preceding benefit period of the Qualifying Bermuda Group Entity shall be equal to the product of-
 - (i) the total closing tax credit carryforward amount of the Qualifying Bermuda Group allocated to the first preceding benefit period in accordance with section 19(2)(b) for the fiscal year; and
 - (ii) the result obtained by dividing-
 - (A) the amount determined in accordance with section 16(2)(c) for the fiscal year; by
 - (B) the amount determined in accordance with section 17(2)(c) for the fiscal year; and
- (c) the fiscal year of the Qualifying Bermuda Group Entity shall be equal to the product of-
 - (i) the total closing tax credit carryforward amount of the Qualifying Bermuda Group allocated to the fiscal year in accordance with section 19(2)(c); and
 - (ii) the result obtained by dividing-
 - (A) the accrued substance-based tax credit benefit of the Qualifying Bermuda Group Entity as determined in accordance with section 7(1) for the fiscal year; by
 - (B) the accrued substance-based tax credit benefit of the Qualifying Bermuda Group as determined in accordance with section 18(3) for the fiscal year.

PART 5

COMMUNITY DEVELOPMENT TAX CREDIT

Community development tax credit benefit

22 (1) The community development tax credit benefit of a Qualifying Bermuda Group Entity member of a Qualifying Bermuda Group for a fiscal year shall be equal to the product of-

- (a) the eligible charitable expenses incurred by the Qualifying Bermuda Group Entity for the fiscal year; and
- (b) 25%.

(2) For the purposes of subsection (1)-

- (a) a Bermuda Group shall be regarded as a Qualifying Bermuda Group for a fiscal year to the extent that the aggregate eligible charitable expenses incurred by all Bermuda Entity members of the Bermuda Group for-

- (i) the fiscal year,
- (ii) the first preceding fiscal year, and
- (iii) the second preceding fiscal year,

equals or exceeds \$300,000, provided that for this purpose the fiscal years described in subparagraphs (ii) and (iii) may include fiscal years which begin before January 1, 2025;

- (b) a charity shall not be regarded as a Qualifying Bermuda Group Entity;

- (c) eligible charitable expenses shall mean charitable expenses incurred by the Qualifying Bermuda Group Entity for a fiscal year with respect to charitable contributions made to one or more Eligible Bermuda Charities, provided that-

- (i) to the extent that any expenses determined in accordance with section 6(1) for the fiscal year were incurred with respect to charitable contributions which were not paid to Eligible Bermuda Charities on or before the last day of the third month following the end of the fiscal year, such expenses-

- (A) shall not be included in the determination of eligible charitable expenses for the fiscal year in which the expenses were recognised for the purposes of section 6(1); and

- (B) shall be included in the determination of eligible charitable expenses in the fiscal year (or years) in which the charitable contributions are paid to Eligible Bermuda Charities;

- (ii) eligible charitable expenses shall only include charitable expenses which were incurred with respect to charitable contributions which have been (or will be) made in cash;

- (iii) charitable expenses shall only be regarded as eligible charitable expenses to the extent that the Qualifying Bermuda Group Entity has received acknowledgment from the Eligible Bermuda Charity, in such form and manner as the Minister may prescribe, that-

- (A) the criteria summarised in subsection (3) were met by the Eligible Bermuda Charity at the time the contribution was received; and
 - (B) at least 75% of the charitable contribution shall be utilised by the Eligible Bermuda Charity for a Bermuda-Based Charitable Purpose; and
 - (iv) the Filing Qualifying Bermuda Group Entity may elect to disregard, in whole or in part, the charitable expenses incurred by a Qualifying Bermuda Group Entity for the fiscal year. The election under this paragraph is an annual election.
- (3) For the purposes of this part, a charity shall be regarded as an Eligible Bermuda Charity to the extent that the charity-
- (a) is registered under the Charities Act 2014; and
 - (b) is required under the Charities Regulations 2014 to file audited financial statements.

PART 6

UTILITIES INFRASTRUCTURE TAX CREDIT

Utilities infrastructure tax credit benefit of a Qualifying Bermuda Group Entity

23 (1) The utilities infrastructure tax credit benefit of a Qualifying Bermuda Group Entity member of a Qualifying Bermuda Group for a fiscal year shall be equal to the product of-

- (a) the utilities infrastructure tax credit benefit of the Qualifying Bermuda Group, as determined pursuant to section 24(1) for the fiscal year; and
 - (b) the pro rata share of the Qualifying Bermuda Group Entity, as determined in accordance with subsection (2) for the fiscal year.
- (2) The pro rata share of the Qualifying Bermuda Group Entity for the fiscal year shall be equal to the sum of-
- (a) the product of-
 - (i) the result obtained by dividing-
 - (A) the amount described in section 24(1)(b)(i) for the fiscal year; by
 - (B) the amount described in section 24(1)(b) for the fiscal year; and
 - (ii) the result obtained by dividing-
 - (A) the eligible payroll expenses described in section 8(1)(a) for the Qualifying Bermuda Group Entity for the fiscal year; by

- (B) the amount described in section 25(1)(a) for the fiscal year;
and
 - (b) the product of-
 - (i) the result obtained by dividing-
 - (A) the amount described in section 24(1)(b)(ii) for the fiscal year; by
 - (B) the amount described in section 24(1)(b) for the fiscal year;
and
 - (ii) the result obtained by dividing-
 - (A) the eligible carrying value of tangible assets of the Qualifying Bermuda Group Entity determined in accordance with section 26(2)(b) for the fiscal year; by
 - (B) the amount described in section 26(1)(a) for the fiscal year,
- with the result expressed as a percentage rounded to the nearest one-hundredth of a percent, provided that the aggregate pro rata share of all Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group shall not exceed 100% for a fiscal year.

Utilities infrastructure tax credit benefit of a Qualifying Bermuda Group

24 (1) The utilities infrastructure tax credit benefit of a Qualifying Bermuda Group for a fiscal year shall be equal to the lesser of-

- (a) the CIT charge, if any, of the Qualifying Bermuda Group for the fiscal year; and
- (b) the sum of-
 - (i) the payroll-based benefit component determined in accordance with section 25(1); and
 - (ii) the tangible asset-based benefit component determined in accordance with section 26(1),

for the Qualifying Bermuda Group for the fiscal year.

(2) For the purposes of subsection (1), a Qualifying Bermuda Group is a Bermuda Group which includes at least one Bermuda Entity which is [subject to authorisation by or otherwise under the oversight of the Regulatory Authority with respect to electricity generation and distribution, digital communications and fuel distribution].

Payroll-based benefit component

25 (1) The payroll-based benefit component of a Qualifying Bermuda Group shall be equal to the product of-

- (a) the eligible payroll expenses of the Qualifying Bermuda Group for the fiscal year; and
- (b) the payroll benefit factor of the Qualifying Bermuda Group for the fiscal year.

(2) For the purposes of paragraph (1)(a), the eligible payroll expenses of the Qualifying Bermuda Group shall be equal to the aggregate of the eligible payroll expenses described in section 8(1)(a) for each Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group for the fiscal year, provided that no portion of the eligible payroll expenses may be taken into account more than once by the Qualifying Bermuda Group for the fiscal year.

(3) For the purposes of paragraph (1)(b), the payroll benefit factor shall be-

- (a) 9.6% for fiscal years beginning on or after January 1, 2025 but prior to January 1, 2026;
- (b) 9.4% for fiscal years beginning on or after January 1, 2026 but prior to January 1, 2027;
- (c) 9.2% for fiscal years beginning on or after January 1, 2027 but prior to January 1, 2028;
- (d) 9.0% for fiscal years beginning on or after January 1, 2028 but prior to January 1, 2029;
- (e) 8.2% for fiscal years beginning on or after January 1, 2029 but prior to January 1, 2030;
- (f) 7.4% for fiscal years beginning on or after January 1, 2030 but prior to January 1, 2031;
- (g) 6.6% for fiscal years beginning on or after January 1, 2031 but prior to January 1, 2032;
- (h) 5.8% for fiscal years beginning on or after January 1, 2032 but prior to January 1, 2033;
- (i) 5.0% for fiscal years beginning on or after January 1, 2033.

Tangible asset-based benefit component

26 (1) The tangible asset-based benefit component of a Qualifying Bermuda Group shall be equal to the product of-

- (a) the eligible carrying value of tangible assets of the Qualifying Bermuda Group for the fiscal year; and
- (b) the tangible assets benefit factor of the Qualifying Bermuda Group

for the fiscal year.

(2) For the purposes of paragraph (1)(a)-

(a) the eligible carrying value of tangible assets of the Qualifying Bermuda Group shall be equal to the sum of the eligible carrying value of tangible assets determined in accordance with paragraph (b) for each Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group for the fiscal year, provided that no portion of the eligible carrying value of a tangible asset may be taken into account more than once by the Qualifying Bermuda Group for the fiscal year;

(b) the eligible carrying value of tangible assets of a Qualifying Bermuda Group Entity for the fiscal year shall be equal to the sum of-

(i) with respect to each tangible asset which was located in Bermuda for more than 50% of the time during the fiscal year (or, if shorter, the time during the fiscal year in which the tangible asset was owned by one or more members of the Qualifying Bermuda Group of which the Qualifying Bermuda Group Entity is a member), the product of-

(A) the average carrying value of the tangible asset for the fiscal year, and

(B) 100%; and

(ii) with respect to each tangible asset which was located in Bermuda for 50% or less of the time during the fiscal year (or, if shorter, the time during the fiscal year in which the tangible asset was owned by one or more members of the Qualifying Bermuda Group of which the Qualifying Bermuda Group Entity is a member), the product of-

(A) the average carrying value of the tangible asset for the fiscal year, and

(B) the result obtained by dividing-

(I) the number of days during the fiscal year in which the tangible asset was located in Bermuda, by

(II) the total number of days during the fiscal year (or, if less, the total number of days during the fiscal year in which the tangible asset was owned by one or more members of the Qualifying Bermuda Group of which the Qualifying Bermuda Group Entity is a member);

(3) The average carrying value of a tangible asset of a Qualifying Bermuda Group Entity for a fiscal year shall be equal to the simple average of the carrying values of the tangible asset on the first and last day of the fiscal year as recorded in the applicable financial statements or the applicable consolidated financial statements, as the case may be.

- (4) For the purposes of subsection (3)-
- (a) the carrying value of a tangible asset shall be the value, net of accumulated depreciation or amortisation, recorded in the applicable financial statements or the applicable consolidated financial statements, as the case may be, provided that-
 - (i) the carrying value of the tangible asset shall be determined after taking into account any consolidating elimination entries recognised in the applicable consolidated financial statements as a result of-
 - (A) a transfer of the tangible asset between members of the Qualifying Bermuda Group, or
 - (B) a leasing arrangement between members of the Qualifying Bermuda Group;
 - (ii) the carrying value of the tangible asset shall be determined prior to consideration of any increase in the carrying value which is attributable to a revaluation of the tangible asset for financial statement purposes; and
 - (iii) the carrying value of the tangible asset shall be determined after taking into account any purchase accounting adjustments recognised for financial statement purposes;
 - (b) To the extent that an asset is-
 - (i) acquired during the fiscal year, its carrying value on the first day of the fiscal year shall be zero, or
 - (ii) disposed of during the fiscal year, its carrying value on the last day of the fiscal year shall be zero; and
 - (c) the Filing Qualifying Bermuda Group Entity may elect to disregard, in whole or in part, the carrying value of tangible assets of a Qualifying Bermuda Group Entity for the fiscal year. The election under this paragraph is an annual election.

- (5) For the purposes of paragraph (1)(b), the tangible assets benefit factor shall be-
- (a) 7.6% for fiscal years beginning on or after January 1, 2025 but prior to January 1, 2026;
 - (b) 7.4% for fiscal years beginning on or after January 1, 2026 but prior to January 1, 2027;
 - (c) 7.2% for fiscal years beginning on or after January 1, 2027 but prior to January 1, 2028;
 - (d) 7.0% for fiscal years beginning on or after January 1, 2028 but prior to January 1, 2029;
 - (e) 6.6% for fiscal years beginning on or after January 1, 2029 but prior to January 1, 2030;

- (f) 6.2% for fiscal years beginning on or after January 1, 2030 but prior to January 1, 2031;
- (g) 5.8% for fiscal years beginning on or after January 1, 2031 but prior to January 1, 2032;
- (h) 5.4% for fiscal years beginning on or after January 1, 2032 but prior to January 1, 2033;
- (i) 5.0% for fiscal years beginning on or after January 1, 2033.

PART 7

MISCELLANEOUS

Corporate restructuring

27 (1) To the extent that a Bermuda Entity is described in-

- (a) section 6(1)(a); or
- (b) section 6(1)(b) with respect to any one specific group,

for only a portion of a fiscal year, including (but not limited to) where such circumstances arise due to a transfer of any direct or indirect ownership interest in the Bermuda Entity during the fiscal year, the provisions of this Act shall be applied separately to such portion of the fiscal year in the same manner as if such portion was a fiscal year;

Conversion of foreign currency

28 (1) To the extent that the applicable financial statements or the applicable consolidated financial statements, as the case may be, are presented in a currency other than the Bermuda Dollar or the U.S. dollar-

- (a) the total accrued tax credit benefit and the distributable tax credit benefit of the Qualifying Bermuda Group Entity for the fiscal year shall initially be calculated in such other currency; and
- (b) the amount described in paragraph (a) shall then be converted into U.S. dollars;

(2) For the purposes of paragraph (1)(b), the Minister shall prescribe-

- (a) the methodology, and
- (b) the official exchange rate,

for converting the amount described in paragraph (1)(a) into U.S. dollars.

(3) The distributable tax credit benefit included in the determination of adjusted tax payments for the fiscal year in accordance with section 5(1)(a) shall be denominated in U.S. dollars, and payments determined in accordance with section 5(1)(b) shall be made in U.S. dollars provided that, upon request, the Agency may at its discretion make such payments in Bermuda dollars.

Accrual against Reserve Fund

29 (1) The total accrued tax credit benefit of a Qualifying Bermuda Group BCE for a fiscal year shall be included in the determination of the required fund balance of the Reserve Fund to the extent prescribed in the Reserve Fund Regulations.

(2) For the purposes of subsection (1), the total accrued tax credit benefit of a Qualifying Bermuda Group BCE for a fiscal year shall be equal to the sum of-

- (a) the accrued substance-based tax credit benefit;
- (b) the community development tax credit benefit; and
- (c) the utilities infrastructure tax credit benefit,

for the Qualifying Bermuda Group BCE for the fiscal year, provided that to the extent that section 30(2) applies with respect to the Qualifying Bermuda Group BCE for the fiscal year, such sum shall be adjusted in accordance with section 30(4).

Requirement to file a Bermuda Tax Credit Claim Form

30 (1) To the extent that a Filing Qualifying Bermuda Group Entity is eligible to claim a tax credit benefit on behalf of a Qualifying Bermuda Group Entity for a fiscal year pursuant to section 4, the tax credit benefit shall only be allowed to the Qualifying Bermuda Group Entity to the extent that the Filing Qualifying Bermuda Group Entity claims the tax credit benefit on a Bermuda Tax Credit Claim Form filed in the manner and subject to the requirements as shall be prescribed by the Minister;

(2) Notwithstanding subsection (1), to the extent that-

- (a) a Filing Qualifying Bermuda Group Entity is eligible to claim a tax credit benefit on behalf of a Qualifying Bermuda Group Entity for a fiscal year pursuant to section 4; and
- (b) the Filing Qualifying Bermuda Group Entity claims the tax credit benefit on a Bermuda Tax Credit Claim Form filed in the manner and subject to the requirements as shall be prescribed by the Minister, except for the fact that the Bermuda Tax Credit Claim Form is filed by the Filing Qualifying Bermuda Group Entity after the due date prescribed by the Minister for filing,

then subsection (3) shall apply.

- (3) To the extent that this subsection applies, each of-
- (a) the distributable tax credit benefit; and
 - (b) the amount determined in accordance with section 18(3)(d),
- determined for a Qualifying Bermuda Group Entity for the fiscal year shall be adjusted by applying the late filing adjustment factor to each such amount.
- (4) The late filing adjustment factor to be applied to the amounts described in subsection (3) or section 29(2) for a Qualifying Bermuda Group Entity for the fiscal year shall be-
- (a) 75%, to the extent that the Bermuda Tax Credit Claim Form was filed-
 - (i) after the due date prescribed by the Minister for filing the Bermuda Tax Credit Claim Form, and on or before;
 - (ii) the last day of the sixth month following the date described in subparagraph (a)(i);
 - (b) 50%, to the extent that the Bermuda Tax Credit Claim Form was filed-
 - (i) after the date described in subparagraph (a)(ii), and on or before;
 - (ii) the last day of the twelfth month following the date described in subparagraph (a)(i);
 - (c) 25%, to the extent that the Bermuda Tax Credit Claim Form was filed-
 - (i) after the date described in subparagraph (b)(ii), and on or before;
 - (ii) the last day of the eighteenth month following the date described in subparagraph (a)(i);
 - (d) 0%, to the extent that the Bermuda Tax Credit Claim Form was filed after the date described in subparagraph (c)(ii).

PART 8

CIVIL PENALTIES AND INTEREST

Interest to be chargeable

31 To the extent that the distributable tax credit benefit reported on a Bermuda Tax Credit Claim Form with respect to a Qualifying Bermuda Group NBCE is determined to have been overstated, interest shall be chargeable in respect of such overstatement at the rates and in the manner prescribed in regulations made

pursuant to section 3 of this Act.

Power to impose civil penalties

32 (1) The Agency may, where it deems appropriate, impose the civil penalties prescribed by this Part.

(2) Civil penalties under this Part shall be imposed on Qualifying Bermuda Group Entities, and where a penalty is imposed on a Qualifying Bermuda Group Entity, each other Qualifying Bermuda Group Entity that is a member of the same Qualifying Bermuda Group shall be jointly and severally liable for the penalty.

(3) The Agency shall, upon having considered the conduct of the Qualifying Bermuda Group as provided in subsection (4), decide—

- (a) whether an overstatement requiring the imposition of a civil penalty under this Part has occurred; and
- (b) the amount of the penalty to be imposed (in circumstances where a maximum penalty is specified).

(4) The Agency shall, for the purposes of subsection (3) and in addition to such further criteria prescribed in this Part, consider the conduct of the Qualifying Bermuda Group, including—

- (a) whether or not any relevant guidance was followed;
- (b) the amount of the overstatement (if any) in a distributable tax credit benefit which results from the conduct which is the subject of the penalty; and
- (c) whether or not responses were received in respect of any enquiries by the Agency together with the content and timeliness of such responses.

(5) A civil penalty imposed shall not relieve any person from their obligation to repay any overstatement of a distributable tax credit benefit reported on a Bermuda Tax Credit Claim Form (including any interest thereon).

(6) Multiple penalties may be imposed where the circumstances give rise to multiple overstatements.

(7) Subject to subsections (8) and (9), the Agency may impose a penalty against a Qualifying Bermuda Group Entity referred to in subsection (2) by way of written notice, which notice shall—

- (a) provide that a penalty shall be due and payable as of the date of such notice; and

- (b) notwithstanding subsection (2), not be required to be addressed to each member of the Qualifying Bermuda Group to be valid.

(8) The Agency must, prior to imposing a penalty under subsection (8), issue a warning notice to the Qualifying Bermuda Group Entity against whom such penalty is proposed, and such warning notice shall—

- (a) indicate the offence for which a penalty is proposed and the reasons the Agency has determined to impose such penalty;
- (b) indicate the proposed amount of the penalty;
- (c) state that if a penalty is imposed each other Qualifying Bermuda Group Entity that is a member of the same Qualifying Bermuda Group shall be jointly and severally liable for the penalty; and
- (d) state that the affected Qualifying Bermuda Group Entity has 28 days from the date of the warning notice to respond in writing to the warning notice.

(9) Following the expiry of the 28-day response period provided for in subsection (8), the Agency shall issue a decision notice in respect of any warning notice, and a decision notice shall confirm whether or not a penalty has been imposed and, if it has been imposed, the amount of such penalty.

(10) A civil penalty imposed pursuant to this Part may be recovered by the Agency as a debt.

Failure to accurately state the tax credit benefit on a Bermuda Tax Credit Claim Form

33 (1) To the extent that there is an overstatement of the distributable tax credit benefit reported on a Bermuda Tax Credit Claim Form with respect to a Qualifying Bermuda Group Entity and such overstatement is attributable to—

- (a) negligence;
- (b) careless, reckless or intentional disregard of the provisions of this Act (or any related regulations); or
- (c) a substantial overstatement,

then the Agency shall impose a civil penalty of up to 20% of the amount of such overstatement on the Filing Qualifying Bermuda Group Entity of the Qualifying Bermuda Group.

(2) The amount of any overstatement shall be deemed reduced by that portion of the overstatement which is attributable to—

- (a) the treatment of any item by the Qualifying Bermuda Group Entity

if there is or was substantial authority for such treatment; or

- (b) any item if the relevant facts affecting the item's treatment are adequately disclosed in the Bermuda Tax Credit Claim Form (or any qualified amended Bermuda Tax Credit Claim Form) for the fiscal year, provided that—
 - (i) disclosure with respect to a recurring item must be made for each fiscal year in which the item is taken into account; and
 - (ii) an item shall only be adequately disclosed if it is disclosed in the manner prescribed by the Agency and disclosed with sufficient detail and clarity so as to enable the Agency to make a reasonably informed and accurate assessment of the nature, scope and effect of the item disclosed.

(3) The Agency shall not impose a civil penalty under this section on all or portion of an overstatement if there was reasonable cause for it and the Filing Qualifying Bermuda Group Entity acted in good faith with respect to such overstatement.

(4) In assessing whether or not a Filing Qualifying Bermuda Group Entity had reasonable cause and acted in good faith for the purposes of this section, the Agency shall, notwithstanding section 32, take into account, if disclosed to the Agency, any advice the Filing Qualifying Bermuda Group Entity received from professional advisors qualified to advise upon this Act and any related laws or guidance.

(5) In this section-

“qualified amended Bermuda Tax Credit Claim Form” means an amended Bermuda Tax Credit Claim Form filed prior to the Agency raising any enquiry with respect to the original Bermuda Tax Credit Claim Form, but shall not include any Bermuda Tax Credit Claim Form which is subject to unilateral amendment by the Agency pursuant to regulations the Minister may prescribe under this Act;

“substantial authority” means authority from one or more of the following sources—

- (a) this Act or any regulations made thereunder;
- (b) decisions of the Court;
- (c) determinations by the Agency;
- (d) official guidance or "frequently asked questions" issued in relation to any of the foregoing,

where the authority is sufficient to give rise to more than a reasonable basis for the treatment, but does not necessarily establish that the treatment is correct on the balance of probabilities;

“substantial overstatement” means an overstatement which exceeds 20% of the distributable tax credit benefit which should have been reported had the overstatement not occurred;

“overstatement” means the circumstances where the amount of the distributable tax credit benefit shown on the Bermuda Tax Credit Claim Form for the fiscal year, together with any adjustments shown on a qualified amended Bermuda Tax Credit Claim Form for the fiscal year, is more than the amount of the distributable tax credit benefit that the Filing Qualifying Bermuda Group Entity ought to have reported on such Bermuda Tax Credit Claim Form.

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