

PKF



Bermuda
Tax Guide
2013

FOREWORD

A country's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions. This handy reference guide provides clients and professional practitioners with comprehensive tax and business information for over 90 countries throughout the world.

As you will appreciate, the production of the WWTG is a huge team effort and I would like to thank all tax experts within PKF member firms who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication.

I hope that the combination of the WWTG and assistance from your local PKF member firm will provide you with the advice you need to make the right decisions for your international business.

Richard Sackin

Chairman, PKF International Tax Committee
Eisner Amper LLP
richard.sackin@eisneramper.com

IMPORTANT DISCLAIMER

This publication should not be regarded as offering a complete explanation of the taxation matters that are contained within this publication.

This publication has been sold or distributed on the express terms and understanding that the publishers and the authors are not responsible for the results of any actions which are undertaken on the basis of the information which is contained within this publication, nor for any error in, or omission from, this publication.

The publishers and the authors expressly disclaim all and any liability and responsibility to any person, entity or corporation who acts or fails to act as a consequence of any reliance upon the whole or any part of the contents of this publication.

Accordingly no person, entity or corporation should act or rely upon any matter or information as contained or implied within this publication without first obtaining advice from an appropriately qualified professional person or firm of advisors, and ensuring that such advice specifically relates to their particular circumstances.

PKF International is a network of legally independent member firms administered by PKF International Limited (PKFI). Neither PKFI nor the member firms of the network generally accept any responsibility or liability for the actions or inactions on the part of any individual member firm or firms.

PREFACE

The PKF Worldwide Tax Guide 2013 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world's most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current on 1 January 2013, while also noting imminent changes where necessary.

On a country-by-country basis, each summary addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

In addition to the printed version of the WWTG, individual country taxation guides are available in PDF format which can be downloaded from the PKF website at www.pkf.com

PKF INTERNATIONAL LIMITED
MAY 2013

©PKF INTERNATIONAL LIMITED
ALL RIGHTS RESERVED
USE APPROVED WITH ATTRIBUTION

ABOUT PKF INTERNATIONAL LIMITED

PKF International Limited (PKFI) administers the PKF network of legally independent member firms. There are around 300 member firms and correspondents in 440 locations in around 125 countries providing accounting and business advisory services. PKFI member firms employ around 2,270 partners and more than 22,000 staff. PKFI is the 11th largest global accountancy network and its member firms have \$2.68 billion aggregate fee income (year end June 2012). The network is a member of the Forum of Firms, an organisation dedicated to consistent and high quality standards of financial reporting and auditing practices worldwide.

Services provided by member firms include:

- Assurance & Advisory
- Insolvency – Corporate & Personal
- Financial Planning/Wealth management
- Taxation
- Corporate Finance
- Forensic Accounting
- Management Consultancy
- Hotel Consultancy
- IT Consultancy

PKF member firms are organised into five geographical regions covering Africa; Latin America; Asia Pacific; Europe, the Middle East & India (EMEI); and North America & the Caribbean. Each region elects representatives to the board of PKF International Limited which administers the network. While the member firms remain separate and independent, international tax, corporate finance, professional standards, audit, hotel consultancy and business development committees work together to improve quality standards, develop initiatives and share knowledge and best practice cross the network.

Please visit www.pkf.com for more information.

STRUCTURE OF COUNTRY DESCRIPTIONS

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX
CAPITAL GAINS TAX
BRANCH PROFITS TAX
SALES TAX/VALUE ADDED TAX
FRINGE BENEFITS TAX
LOCAL TAXES
OTHER TAXES

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES
DEPRECIATION
STOCK/INVENTORY
CAPITAL GAINS AND LOSSES
DIVIDENDS
INTEREST DEDUCTIONS
LOSSES
FOREIGN SOURCED INCOME
INCENTIVES

C. FOREIGN TAX RELIEF

D. CORPORATE GROUPS

E. RELATED PARTY TRANSACTIONS

F. WITHHOLDING TAX

G. EXCHANGE CONTROL

H. PERSONAL TAX

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

INTERNATIONAL TIME ZONES

AT 12 NOON, GREENWICH MEAN TIME, THE STANDARD TIME ELSEWHERE IS:

A

| | |
|-------------|---------|
| Algeria | 1 pm |
| Angola | 1 pm |
| Argentina | 9 am |
| Australia - | |
| Melbourne | 10 pm |
| Sydney | 10 pm |
| Adelaide | 9.30 pm |
| Perth | 8 pm |
| Austria | 1 pm |

B

| | |
|------------------------|------|
| Bahamas | 7 am |
| Bahrain | 3 pm |
| Belgium | 1 pm |
| Belize | 6 am |
| Bermuda | 8 am |
| Brazil | 7 am |
| British Virgin Islands | 8 am |

C

| | |
|-----------------|-------|
| Canada - | |
| Toronto | 7 am |
| Winnipeg | 6 am |
| Calgary | 5 am |
| Vancouver | 4 am |
| Cayman Islands | 7 am |
| Chile | 8 am |
| China - Beijing | 10 pm |
| Colombia | 7 am |
| Cyprus | 2 pm |
| Czech Republic | 1 pm |

D

| | |
|--------------------|------|
| Denmark | 1 pm |
| Dominican Republic | 7 am |

E

| | |
|-------------|------|
| Ecuador | 7 am |
| Egypt | 2 pm |
| El Salvador | 6 am |
| Estonia | 2 pm |

F

| | |
|---------|-------------|
| Fiji | 12 midnight |
| Finland | 2 pm |
| France | 1 pm |

G

| | |
|--------------|---------|
| Gambia (The) | 12 noon |
| Germany | 1 pm |
| Ghana | 12 noon |
| Greece | 2 pm |
| Grenada | 8 am |
| Guatemala | 6 am |

VI

| | |
|----------|---------|
| Guernsey | 12 noon |
| Guyana | 7 am |

H

| | |
|-----------|------|
| Hong Kong | 8 pm |
| Hungary | 1 pm |

I

| | |
|-------------|---------|
| India | 5.30 pm |
| Indonesia | 7 pm |
| Ireland | 12 noon |
| Isle of Man | 12 noon |
| Israel | 2 pm |
| Italy | 1 pm |

J

| | |
|---------|------|
| Jamaica | 7 am |
| Japan | 9 pm |
| Jordan | 2 pm |

K

| | |
|-------|------|
| Kenya | 3 pm |
|-------|------|

L

| | |
|------------|------|
| Latvia | 2 pm |
| Lebanon | 2 pm |
| Luxembourg | 1 pm |

M

| | |
|----------|---------|
| Malaysia | 8 pm |
| Malta | 1 pm |
| Mexico | 6 am |
| Morocco | 12 noon |

N

| | |
|-------------------|-------------|
| Namibia | 2 pm |
| Netherlands (The) | 1 pm |
| New Zealand | 12 midnight |
| Nigeria | 1 pm |
| Norway | 1 pm |

O

| | |
|------|------|
| Oman | 4 pm |
|------|------|

P

| | |
|------------------|-------|
| Panama | 7 am |
| Papua New Guinea | 10 pm |
| Peru | 7 am |
| Philippines | 8 pm |
| Poland | 1 pm |
| Portugal | 1 pm |

Q

| | |
|-------|------|
| Qatar | 8 am |
|-------|------|

R

| | |
|---------|------|
| Romania | 2 pm |
|---------|------|

| | |
|------------------------|------|
| Russia - | |
| Moscow | 3 pm |
| St Petersburg. | 3 pm |

S

| | |
|---------------------------|------|
| Singapore | 7 pm |
| Slovak Republic | 1 pm |
| Slovenia | 1 pm |
| South Africa. | 2 pm |
| Spain | 1 pm |
| Sweden. | 1 pm |
| Switzerland | 1 pm |

T

| | |
|------------------------------------|---------|
| Taiwan | 8 pm |
| Thailand | 8 pm |
| Tunisia | 12 noon |
| Turkey. | 2 pm |
| Turks and Caicos Islands | 7 am |

U

| | |
|--------------------------------|---------|
| Uganda | 3 pm |
| Ukraine | 2 pm |
| United Arab Emirates | 4 pm |
| United Kingdom(GMT) | 12 noon |
| United States of America - | |
| New York City. | 7 am |
| Washington, D.C. | 7 am |
| Chicago. | 6 am |
| Houston. | 6 am |
| Denver | 5 am |
| Los Angeles. | 4 am |
| San Francisco | 4 am |
| Uruguay | 9 am |

V

| | |
|---------------------|------|
| Venezuela | 8 am |
|---------------------|------|

Z

| | |
|--------------------|------|
| Zimbabwe | 2 pm |
|--------------------|------|

BERMUDA

Currency: Bermuda Dollar (BD\$) at par with USD

Dial Code To: 1441

Dial Code Out: 011

Correspondent Firm:

City:
Hamilton

Name:
Dudley R Cottingham

Contact Information:
292 7478
drc@cml.bm

A. TAXES PAYABLE**FEDERAL TAXES AND LEVIES
COMPANY TAX**

Companies incorporated in Bermuda are either local companies, of which 60% of ownership and directors must be Bermudian, or exempted companies which can be entirely owned by non-Bermudians and which companies are also exempt from any exchange controls.

Bermuda companies pay no tax on income or capital gains.

All companies are subject to annual company fees, based on share capital levels as follows

| Exempted companies | Fee |
|---------------------------|--------|
| US \$ Equivalent | US \$ |
| Up to 12,000 | 1,995 |
| 12,001 – 120,000 | 4,070 |
| 120,001 – 1,200,000 | 6,275 |
| 1,200,001 – 12,000,000 | 8,360 |
| 12,000,001 – 100,000,000 | 10,455 |
| 100,000,001 – 500,000,000 | 18,670 |
| 500,000,001 and above | 31,120 |

Where the exempted company's business includes the management of any unit trust scheme, the fee will be US \$2,905 in respect of each unit trust scheme managed by the company.

Where the exempted company is one limited by guarantee, but is not a mutual company, the fee will be US \$1,995.

| Local companies (BD\$) | BD\$ |
|------------------------|--------|
| Up to 50,000 | 650 |
| 50,000 – 250,000 | 970 |
| 250,000 – 500,000 | 1,620 |
| 500,000 – 1,000,000 | 3,225 |
| 1,000,000 – 5,000,000 | 6,445 |
| 5,000,000 – 10,000,000 | 12,275 |
| 500,000,001 and above | 18,410 |

CAPITAL GAINS TAX

There is no capital gains tax in Bermuda.

BRANCH PROFITS TAX

There is no branch profits tax in Bermuda. Non-Bermudian companies who wish to establish a place of business in Bermuda will require a permit to do so and the company will then be subject to an annual company fee which is currently US \$1,995

for general companies. Where the company's principal business is raising money from the public by the issue of bonds or other securities or insurance business or open-ended mutual fund business, the fee is US \$4,125. If the business of the company includes the management of any unit trust scheme, the fee is US \$2,905 in respect of each unit trust scheme managed by the company.

SALES TAX/VALUE ADDED TAX (VAT)

There are no sales taxes or value added taxes in Bermuda. Certain goods are subject to a customs duty which is payable upon entry in Bermuda.

B. DETERMINATION OF TAXABLE INCOME

This is not applicable as there are no taxes on income.

C. FOREIGN TAX RELIEF

This is not applicable as there are no double taxation arrangements because there is no taxation on income in Bermuda.

D. CORPORATE GROUPS

There is no group tax relief legislation as there are no taxes on income or capital gains.

E. RELATED PARTY TRANSACTIONS

There is no transfer pricing or related party legislation in Bermuda.

F. WITHHOLDING TAX

There are no withholding taxes in Bermuda.

G. EXCHANGE CONTROL

Exempted companies which can be entirely beneficially owned by non-Bermudians and who trade or operate from Bermuda, but not in Bermuda, are entirely exempt from any exchange controls. Exchange control regulations which have applied for some time to Bermudian local and/or Bermudian owned companies, are now being dismantled.

H. PERSONAL TAX

There are no income taxes or capital gains taxes on individuals in Bermuda.

PAYROLL TAX

Both employers and employees are subject to payroll tax if they carry on a business or profession in or from Bermuda. Employers deduct the employee's contributions from their salary. With some exceptions, the rates are as follows:

| Employer has an annual payroll of: | Tax rate |
|---|-----------------|
| BM\$ to 200,000 | 7.25% |
| BM\$ 200,000 – 500,000 | 10.75% |
| BM\$ 500,001 – 1,000,000 | 12.75% |
| over BM\$ 1,000,000 | 14.00% |
| Exempt undertakings | 14.00% |

Provided an employee is on the payroll at the end of the tax period and worked for the employer for at least 180 hours during the quarter, a special relief is available in respect of that employee, equal to BM\$ 600 per employee per quarter. The payroll tax payable in respect of that employee must not be less than 5.75% of their gross remuneration.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

No withholding tax is payable in Bermuda.

