

Guide to do business in

BERMUDA

**Chandrawat
& Partners**





ABOUT BERMUDA

Consisting of an archipelago of seven main islands and about 170 additional islets and rocks, Bermuda is a self-governing British overseas territory in the western North Atlantic Ocean. The country has a predominantly market economy based on tourism and international finance. Moreover, the gross national product "GNP" of the country is growing more rapidly than the population, and the GNP per capita is one of the highest in the world. Tourism is the second largest industry in the country, accounting for about 5% of GDP, but a much larger share is of employment through tourism. Bermuda is a major producer of fresh vegetables, bananas, citrus fruits, milk, eggs, and honey which are produced locally. International tourism and international financial services account for the major share of the GNP of the country.

ADVANTAGES

The country has experienced rapid economic growth in past, and following are the benefits of doing business in Bermuda:

Unique investment destination

The country's current unique market opportunities for investors such as the international business sector, funds, insurance and reinsurance, financial intermediation, capital markets, hotel and building development, tourism, energy-efficient technologies, telecoms, biotech, and consultation services are the most attractive investment sectors.

Geography

Located 650 miles off the coast of the Carolinas, there are daily direct flights from Bermuda to London, US gateway cities, and Toronto. Further, the Atlantic Standard Time zone makes Bermuda an ideal place for companies serving global markets.

Regulatory alignment

The country is globally respected for its leadership and proven record of compliance and transparency. Moreover, the jurisdiction has more than 120 treaty partnerships with nations around the world. It also holds qualified jurisdiction status from the US National Association of Insurance Commissioners.

Industry reach

Being a global business hub, Bermuda comprises numerous markets such as re/insurance, captive insurance, life, and annuity insurance, insurance-linked securities, asset management, trusts and private client vehicles, and other high net worth services, shipping and aviation registries, as well as newer sectors such as fintech, insurtech, cryptocurrencies, and digital assets businesses.

Infrastructure

The country benefits from having a secure, modern, and world-class physical and technological infrastructure, including excellent telecommunications, broadband, and a fully electronic stock exchange.

Tax neutrality

The country is a well-known tax-neutral jurisdiction with zero corporate, income, withholding, or capital gains taxes. That said, its consumption-based system does levy a payroll tax, import duties, social insurance, and custom duties on goods and services. These form the major component of Bermuda's tax revenues to fund government expenditures.

SIMPLE TAX REGIME

Corporate tax

Bermuda imposes no taxes on income, profits, dividends, or capital gains on corporate, has no limit on the accumulation of profit, and has no requirement to distribute dividends.

The government of Bermuda has granted Tax Assurance Certificates to exempted undertakings, such as exempted companies, permit companies, exempted partnerships, and exempted unit trust schemes on application to the concerned Minister through the Bermuda Monetary Authority.

There are other taxes applicable in Bermuda:

Value-added tax (VAT)

In Bermuda, there is no VAT or sales tax applicable.

Customs duties

Customs duties are applicable on almost all goods arriving on the island at varying rates, however, the common rate of customs duties is 25%.

Excise taxes

There are no excise taxes applicable in Bermuda.

Individual taxes

The country does not impose an income tax on individuals but rather assesses a Payroll Tax on Employers as per the Payroll Tax Act of 1995.

Payroll tax

Effective from April 1, 2018, in Bermuda the payroll tax is levied on every employer and self-employed person at progressive rates of total remuneration paid, up to a maximum of BMD 900,000 of remuneration per annum per person. However, under certain circumstances, employers will recover a portion of the payroll tax from employees.

Payroll tax is determined based on the size of the employer's annual payroll and the income of individual employees. Employers pay tax according to the size of their annual payroll, as follows:

- Income Below BMD 200,000 is liable to payroll tax at a rate of 1.75%;
- Income BMD 200,000 to 350,000 is liable to payroll tax at a rate of 3.5%;
- Income BMD 350,000 to 500,000 is liable to payroll tax at a rate of 6.5%;
- Income over BMD 500,000 is liable to payroll tax at a rate of 9.00%; and
- Income over BMD 1 million is liable to payroll tax at a rate of 10.20%.

Incorporation of a Bermuda company is easy as the Registrar of Companies registers all limited liability companies; there are several types of entities available in Bermuda.

Company Limited by Shares

This type of company is limited by their shares, and has ability to limit the liability of the company's members to the amount that remains unpaid on the shares they hold. This amount can be zero if there is no unpaid remainder of a member's share. The liability is declared via written memorandum. This type of corporation is most common form of entity in Bermuda.

Company Limited by Guarantee

In this type of company, the liability of a company's members is limited by memorandum to an amount that members may need to contribute to the company's assets in the event that the company is wound up. The main purpose of this kind of companies in Bermuda is charitable works. These companies generally do not pay dividends.

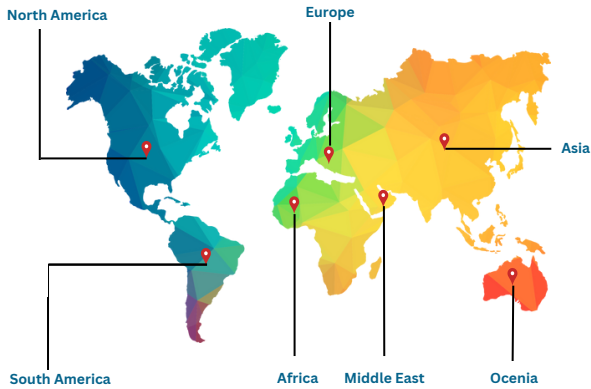
Unlimited Liability Company

As their name suggests, in these companies, the liability of a company's members is unlimited. It combines all of the usual characteristics of a company, such as a board of directors, with the unlimited liability characteristic of a partnership.

Limited Duration Company

Under Bermudian law, this type of company is declared by a memorandum to automatically dissolve on a pre-determined date. This date can be a simple event, such as a fixed date set in the future. It can be a complex event, such as; the death of a shareholder with a stipulation that the date is subject to a confirmation procedure.

SERVING CLIENTS WORLDWIDE



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