



Ministerial Statement

By:

The Hon. E. David Burt, JP, MP
Premier and Minister of Finance

Tabling of the Corporate Income Tax Act 2023

Friday, December 8th, 2023

Good morning Mr Speaker,

I rise to give notice to this Honourable House that later today I will be tabling the Corporate Income Tax Act 2023 on behalf of the Government. This landmark legislation represents a major milestone in the most fundamental tax reform in Bermuda's modern history.

The tabling of this Bill presents an opportunity for Bermuda to charter a path towards meaningful tax reform that will significantly reduce the cost of living and the cost of doing business in this country, leading to further economic prosperity and economic stability.

Mr Speaker, since 2015 the Organization for Economic Co-Operation and Development (OECD), in collaboration with the Group of Twenty industrialised countries (G20), have worked to address the issue of Base Erosion and Profit Shifting.

In October 2021, a global agreement was reached to make material changes to the global tax system that would impose a minimum tax rate of 15% on the corporate profits of large multinational enterprise groups to be applied in every jurisdiction in which they had a corporate footprint, commonly referred to as the Global Minimum Tax.

Mr Speaker, in response, and in keeping consistent with our approach to matters affecting our international business sector, the Government determined it would be prudent to receive input from tax experts from industry and other sources. Thus, in January 2023 the Government empanelled an international tax working group consisting of lawyers, accountants, and other corporate tax experts to review the Global Minimum Tax in detail, recommend an efficient framework to uphold Bermuda's value proposition and continued compliance with existing commitments to the OECD and EU (European Union).

The working group considered several options to address the challenges surrounding the Global Minimum Tax and after much consultation the Government, based off the recommendation of the Working Group, decided to introduce a Corporate Income Tax regime as it provides the most flexibility and allows for the introduction of policy driven design features, which are common in many other countries, that will benefit Bermuda.

Mr Speaker, it is worth noting that such a substantial tax rule change to the global tax system initially placed Bermuda in a challenging position, but the tabling of this Bill gives me tremendous pride because, in true Bermuda fashion, we adapted to these significant changes and identified ways to maximise the benefit.

Mr Speaker, with the bill that will be tabled later today, the Government plans to introduce a 15% corporate income statutory tax that will be applicable to Bermuda businesses that are part of a multinational group with annual revenue of €750M or more. The Corporate Income Tax will also fulfil Bermuda's commitment to participate in the Global Minimum Tax initiative being implemented around the world.

Mr Speaker, the bill states the corporate income tax will be a covered tax under the OECD's GMT eligibility rules, namely one that is recognised within the OECD tax framework. This approach aims to minimize Top-Up taxes levied on Bermuda Multinational Enterprises in other jurisdictions where they operate.

The Corporate Income Tax legislation also contains highly technical tax terminology which is mostly taken directly from the OECD's GloBE (Pillar II) rules, that describes the process for calculating the tax and other administrative matters.

Mr Speaker, it is important for the public to note that the Corporate Income Tax legislation will come into force, in its entirety, in January 2025 which would provide multinational enterprises time to transition and make the necessary adjustments.

Mr Speaker, finally, as part of the new Corporate Income Tax regime, the Government of Bermuda is developing a robust package of Qualified Refundable Tax Credits (QRTCs) aimed to support Bermuda's economic goals and maintain our global attractiveness as a jurisdiction. Investments by corporations that meet the QRTC requirements will benefit Bermuda in key areas including infrastructure, education, healthcare, innovation, and housing.

In parallel, the Tax Reform Commission will analyse Bermuda's existing tax regimes and consider potential restructuring alternatives with the goal of reducing the cost of living and doing business on the island. Thus, it is expected that there will be more legislation related to this important work presented to this Legislature in the upcoming year.

Mr Speaker, before I close it must also be emphasised that the Government actively collaborated with stakeholders to ensure policy recommendations were appropriate for Bermuda's industry sectors then conducted three (3) public consultations to advance this initiative. The feedback received was detailed, thoughtful and overwhelmingly supportive of the initiative. I would like to take this opportunity to publicly thank all those who made submissions.

Mr Speaker, I must also thank all those persons that worked tirelessly to make today a reality. First, I must express my heartfelt thanks to the members of the International Tax Working Group, whose significant expertise, dedication, professionalism, and positive approach allowed us to have a product Bermuda can be proud of.

Mr Speaker, I want to also commend those persons in the Ministry of Finance team who worked countless hours on this project and ensured that Bermuda's goals in this regard were achieved within the deadlines. I am grateful for the support and significant work of the drafting team in the Attorney General's Chambers, as well as to other public officers and our team of consultants who helped with this important initiative.

Mr Speaker, in closing, I would note that this Government has continually demonstrated its commitment to prudent fiscal management, sound economic policies, compliance with international standards, effective cooperation with international partners and taking the necessary steps to ensure that reputation for quality is upheld in a way that maintains our competitive position. This legislation is a primary example of this commitment and its tabling in this Honourable House today is yet another step to continuing to build a stronger future for Bermuda that is fairer and more equitable for all.

Thank you, Mr. Speaker.