

LEX MUNDI INTERNATIONAL TAX DESKBOOK
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BAHAMAS TAX DESKBOOK

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INTRODUCTION

Traditionally The Bahamas has been regarded as a 'tax free' jurisdiction with the majority of government revenues being derived from customs import duties and tariffs which represent approximately 60% of the annual government revenue. Additional tax revenue is derived from the numerous direct and indirect taxing statutes hereinafter referred. The present tax structure does not include an income tax component.

Freeport, Grand Bahama, Bahamas

By virtue of the Hawksbill Creek Agreement (extended to the year 2015) made between the Bahamas government and the Freeport businesses licensed by The Grand Bahama Port Authority Limited (GBPA) certain concessions and exemptions are made available to the GBPA and its licensees situate in the defined port area of Freeport/Lucaya, Grand Bahama. The remainder of Grand Bahama is subject to the general law of The Bahamas.

Primary Tax Legislation:

1. **Stamp Act, 1925, Chapter 334, The Statute Laws of the Bahamas, 1987 Revision, Volume VIII**

This act provides for the levying and collection of a stamp duty payable upon and in respect of the several instruments referred therein. The Act also provides for duties to be charged upon certain goods and further provides duty exemptions for certain transactions. The duties imposed by the Act are paid to the Public Treasury and except as otherwise provided may be paid using adhesive stamps or by postage metering machine.

2. **Tarriff Act, 1975, Chapter 269, The Statute Laws of the Bahamas, 1987 Revision, Volume VI**

This Act provides for the levying and collection of duties upon all goods imported to The Bahamas.

[Licensees under the GBPA are eligible to import supplies and/or manufacturing supplies in connection with its business free from import duties]

3. **Customs Management Act, 1976, Chapter 267, The Statute Laws of the Bahamas, 1987 Revision, Volume VI**

This Act provides for the management and administration of the Customs Department, the licensing and controlling of warehouses, and the determination, recovery and remission of Customs Duties.

4. **Real Property Tax Act, Chapter 339, The Statute Laws of the Bahamas, 1987 Revision, Volume VII**

This Act provides for the levying and collection of an annual tax on all real property (subject to certain exceptions) the calculation of which is based on the assessed market value of the property. Notices of assessment are issued by the Chief Evaluation Officer and are payable to the Treasurer of the Public Treasury.

[All property in the port area of Grand Bahama is exempt from Real Property Tax.]

5. **Business License Act, 1969 Chapter 302, The Statute Laws of the Bahamas, 1987 Revision, Volume VII**

This Act requires all persons (including corporate entities and partnerships) carrying on business to annually apply for a business licence. The licensing fee is calculated on the annual turnover of the business. All fees payable under the Act are paid to the Treasurer of the Public Treasury.

[All business entities conducting business in the defined port area in Freeport, Grand Bahama must obtain a license from the GBPA and are required to pay to the GBPA the annual licensing fee and are exempt from the provisions of the Business License Act.]

6. **Passenger Tax Act, 1950, Chapter 343, The Statute Laws of the Bahamas, 1987 Revision, Volume VIII**

This Act provides for the levying and collection of a departure tax for all passengers arriving in and departing from The Bahamas (taxes range from B\$7.00 to \$15.00 depending on the mode of travel and age of the individual). The sum is presently collected by the owner, master or agent of any vessel (including aircraft) by which or by any person through whom passengers are brought in or taken out of The Bahamas.

Miscellaneous Tax related Statutes:

1. **Customs Duty (Most-Favoured-Nation Tariff) Act, 1957, Chapter 271, The Statute Laws of the Bahamas, 1987 Revision, Volume VI**

INCOME TAXES – AS APPLIED TO BUSINESS ENTITIES AND INDIVIDUALS

- *Not Applicable*

ALL OTHER TAXES, CONTRIBUTIONS OR TRANSFER REGIMES OTHER THAN INHERITANCE AND GIFT TAXES AND LEVIES

1. **Business License under the Business License Act, 1969:** The following is the scale on which the licensing fees are calculated:

Description of Business	Fee
(a) Petty business	Nil
(b) Very small business with-	
(i) a low profit	\$250.00
(ii) a medium profit	\$500.00
(iii) a high profit	\$700.00
(iv) a very high profit	\$800.00
(c) small business with-	
(i) a low profit	\$500.00
(ii) a medium profit	\$750.00
(iii) a high profit	\$1,000.00
(iv) a very high profit	\$1,250.00
(d) medium business with-	
(i) a low profit	1/2 of 1% of its turnover
(ii) a medium profit	1% of its turnover
(iii) a high profit	1/2% of its turnover
(iv) a very high profit	1 1/2 % of its turnover
(e) large business with-	
(i) a low profit	1/2 of 1% of its turnover
(ii) a medium profit	1% of its turnover
(iii) a high profit	1 1/2% of its turnover
(iv) a very high profit	1 1/2% of its turnover
(f) very large business with-	
(i) a low profit	1/2 of 1% of its turnover or \$140,000.00 (whichever is the greater)
(ii) a medium profit	1% of its turnover or 280,000.00 (whichever is the greater)
(iii) a high profit	1 1/2 % of its turnover or \$420,000.00 (whichever is the greater)

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| (iv) a very high profit | 1 1/2 % of its turnover or \$500,000.00 (whichever is the greater) |
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For the purposes of this section, a business shall be deemed to be-

- (a) petty, if its turnover does not exceed fifty thousand dollars per annum;
 - (b) very small, if its turnover exceeds fifty thousand dollars but does not exceed one hundred thousand dollars per annum;
 - (c) small, if its turnover exceeds one hundred thousand dollars but does not exceed two hundred and fifty thousand dollars per annum;
 - (d) medium, if its turnover exceeds two hundred and fifty thousand dollars but does not exceed one million dollars per annum;
 - (e) large, if its turnover exceeds one million dollars but does not exceed twenty-eight million dollars per annum;
 - (f) very large, if its turnover is twenty-eight million dollars or more per annum.";
2. **Employment Severance:** An employer who, due to redundancy, dismisses an employee who has been in the continuous employment of the employer for a period of one year or more is liable to pay the employee a "redundancy payment". The payment is to be calculated by reference to the date of the employee's redundancy by starting on that date and reckoning backwards the number of complete years of employment and allowing –
- (a) where the employee has been employed for twelve months or more-
 - (i) two weeks' notice or two weeks' basic pay in lieu of notice, and
 - (ii) two weeks' basic pay (or a part thereof on a pro rata basis) for each year up to twenty four weeks;
 - (b) where the employee holds a supervisory or managerial position –
 - (i) one months notice or one month's basic pay in lieu of notice, and
 - (ii) one month's basic pay (or a part thereof on a pro rata basis) for each year up to forty-eight weeks.
3. **National Insurance Scheme:** Pursuant to the Provisions of the **National Insurance Act, 1972, Chapter 320, The Statute Laws of the Bahamas, 1987 Revision, Volume VIII** every employee except as otherwise provided in the Act must contribute a percentage of their income to the scheme. Employers all also required to make a contribution for each employee in their employment. Contribution rates are based on the amount of wages for each week or month.

For those workers, including civil servants who are not eligible to receive a government pension, whose wage is under B\$60.00 a week, a contribution of 1.7% from the employee and a contribution of 7.1% from the employer is required.

For those workers earning B\$60.00 or more each week, a contribution of 3.4% from the employee and a contribution of 5.4% from the employer is required. In each case the total contribution is 8.8%. The maximum salary on which contributions can be deducted is B\$400 weekly (B\$1,733 monthly). No worker is required to pay more than B\$708 in any contribution year.

REGISTRATION DUTIES FOR BUSINESS ENTITIES

Registration of Foreign companies: Under the provisions of the Companies Act, 1992 provision is made for the registration of Foreign Companies. Registration is effected upon paying the prescribed fee (B\$650.00) and filing a statement with the Registrar General containing the required details and documents.

Incorporation:

1. Registration duties upon incorporation of a company:

Companies Act Companies:

Incorporation of company with authorized capital of B\$5000 and 5000 shares of B\$1 each (standard structure). Payable duties include:

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| (i.) | Registrar General Filing Fee – includes filing fee for Memorandum and Articles of Association, and fee for certified copy of Memorandum and Articles of Association. | B\$385.00 |
| (ii.) | Stamp Duty | B\$ 60.00 |

Where the initial authorized capital exceed \$5000 – B\$3.00 per B\$1000 or any portion thereof.

International Business Company (IBC)

Incorporation of IBC with authorized capital of \$50,000 (standard structure). Payable duties include:

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| (i.) | Registrar General Filing Fee – includes filing fee for Memorandum and Articles | |
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of Association, and fee for certified copy
of Memorandum and Articles of Association. B\$385.00

Where the initial capital exceeds \$50,000.00
the filing fee is: B\$1,055.00

2. No stamp duty payable.

2. **Registration duties due upon increase in capital:**

Companies Act Company - B\$3.00 for every \$1000 increase or any
portion thereof

IBC - B\$ 75.00 up to \$50,000.00
- B\$ 750.00 over \$50,000.00

3. **Registrar General annual license fee:**

60% Bahamian owned Company - B\$ 350.00
less than 60% Bahamian owned Company - B\$1000.00
International Business Company - B\$ 350.00

4. **Registration duties upon transfer of the companies shares:**

None unless the company's underlying assets comprise Bahamian real
estate in which case stamp duty is payable at the same rate as a
conveyance on sale.

Scale for calculating Stamp Duty:

<u>Consideration</u>	<u>Duty</u>
Less than B\$20,000.00	2% of the amount or value of the consideration;
Exceeds B\$20,000.00 but does not Exceed B\$50,000.00	4% of the amount or value of the consideration;
Exceeds B\$50,000.00 and does not exceed B\$100,000.00	6% of the amount or value of the consideration;
Exceeds B\$100,000.00 and does not exceed B\$250,000.00	8% of the amount or value of the consideration;
Exceeds B\$250,000.00	10% of the amount or value of the consideration.

(All Stamp Duties are paid to the Treasurer of the Public Treasury)

5. **Registration duties due upon transfer of corporate asset:**
No stamp duty is payable unless the asset is Bahamian real estate.

INHERITANCE AND GIFT TAXES

Inheritance – None

Gift Taxes – Every deed of conveyance, assignment or transfer of realty or personalty attracts stamp duty (see the above Stamp Duty rate scale).

OTHER MATTERS

Hotels Encouragement Act, 1954, Chapter 263, The Statute Laws of the Bahamas, 1987 Revision, Volume VI

The Hotels Encouragement Act provides for customs duty exemptions on materials imported to The Bahamas for the construction, equipping, furnishing and completion of hotels in addition to providing investors with tax guarantees and concessions for the improvement of existing facilities. The Office of the Prime Minister is responsible for the administration of the Act and all applications and enquiries should be addressed to the Permanent Secretary, Office of the Prime Minister, P.O. Box CB-10980, Nassau, The Bahamas.

Industries Encouragement Act, 1970, Chapter 301, The Statute Laws of the Bahamas, 1987 Revision, Volume VII

This Act provides for (inter alia) customs duty exemptions on machinery or raw materials required for the manufacture of products approved as beneficial to the Bahamas. The Act also provides for real property tax, income tax and export tax exemptions. The Office of the Prime Minister is responsible for the administration of the Act and all applications and enquiries should be addressed to the Permanent Secretary, Office of the Prime Minister, P.O. Box CB-10980, Nassau, The Bahamas.

EXCHANGE CONTROL REGIMES

The Exchange Control Regulations Act, 1952 governs the conversion of Bahamian dollars into foreign currency.

1. **Limitation on profit remittances abroad by foreign investment**
If the earnings are in Bahamian dollars then approval from the Exchange Control Department of the Central Bank of The Bahamas is required to convert such earnings to foreign currency for remittance abroad.
2. **Limitations to the free possession of foreign currency by residents**
United States currency is acceptable in the local economy however residents are not entitled to hold foreign currency but for exceptional circumstances where

approval is available from the Exchange Department of the Central Bank of the Bahamas.

TAX TREATIES

Under the Tax information Exchange Agreement (TIEA) between The Bahamas and the United States of America provision is made for the exchanging of tax information. The full implementation of this agreement awaits formal legislation by the Bahamian Parliament however the provisions of the agreement are expressed to take effect:-

- (a) on January 1, 2004 with respect to requests for information made in connection with a criminal matter; and
- (b) on January 1, 2006 with respect to requests for information made in connection with a civil matter.