PRESS RELEASE

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CONTACT
Nea Talbot
Ph: 294.2779
Email: ntalbot@gov.bm

Premier Dunkley highlights the best of Bermuda to UK Opposition Leader
~ Staunchny defends Bermuda’s reputation in extensive letter to parliamentarian ~

The Cabinet Office is advising that Premier Michael Dunkley has recently written to UK Opposition Leader the Rt. Hon. Jeremy Corbyn, MP, to provide factual information about Bermuda in light of the Leader of the Opposition’s recent comments in Parliament about the Island in the wake of the Panama Papers’ release.

In the letter dated April 13, Premier Dunkley strongly defended Bermuda’s reputation by extensively outlining Bermuda’s significant position in the area of insurance and international business, Bermuda’s compliance with global anti-money laundering (AML) and anti-terrorist financing (ATF) standards, the Island’s contribution to UK business and employment and other key aspects of Bermuda’s global success.

Premier Dunkley wrote: “In light of your recent public comments I am writing to provide some factual and useful information, and also some initial context on our island’s contribution to the UK economy, and developing economies worldwide. I suggest there are three areas you may wish to consider in the first instance:

1. Contribution to UK business and employment:
   o Bermuda’s economy, predominantly insurance and reinsurance, directly contributes around 70,000 jobs to the UK economy (and many more globally), of which we estimate half are outside the Greater London area.
   o Bermuda’s economy has provided over $10bn of capital to the UK economy since 2008.
   o Bermuda has historically been the UK’s third largest non-European investor, so we think a valued partner.

2. Tax, transparency, and compliance:
   o We believe that the absence of direct taxation does not justify labelling a jurisdiction a “tax haven.” We are not a “tax haven” and the scale of taxes imposed by our Government is broadly in line with those prevailing in the countries with which we conduct the bulk of our foreign trade. In Bermuda, the estimated ratio of total Government taxes in relation to GDP is approximately 17-18%, which is collected mainly by way of import duties and payroll taxes, reflecting our status as an island
entirely dependent on imports. This level of taxation is in line with the federal government of the United States. Some of the major corporates who use professional services here and billing services do so via EU states such as Ireland and Luxembourg, and largely pay no taxes in Bermuda, so we can hardly claim to be pursuing self-interest on that front. We are a service economy, in an incredibly competitive global market.

- The obligation to tax falls on the source and intermediary transporter of the money (Ireland, Luxembourg, the UK and other source and intermediary countries) not on the domestic tax system of the country where the money ends up.

- Bermuda has had for over 70 years a world-leading, public authority-held central register of beneficial ownership that long pre-dates those in most developed countries, including the UK, and has at every opportunity shared the information requested by legitimate international authorities, within 24 hours including HMRC. We have just committed to provide a one hour turnaround time on urgent enquiries with the National Crime Agency, placing us absolutely at the front rank of delivery in this area worldwide, from what was already a leading position.

- Bermuda is party to the OECD Multilateral Convention on Mutual Assistance on Tax Matters (providing for the exchange of information on request) with all G20 countries, all OECD countries apart from one and all EU Member States, and has concluded more than 40 bilateral Tax Information Exchange Agreements (TIEAs).

- Bermuda is also an “early adopter” of the OECD Convention on the Automatic Exchange of Information and signed the Multilateral Competent Authority Agreement. It is rated as “largely compliant” by the OECD.

- The International Consortium of Investigative Journalists’ graphs on the most used jurisdictions do not list Bermuda as one of the principal jurisdictions involved in its papers, though the UK itself is listed. In fact we don’t rank in the top 50 of such jurisdictions.

- Bermuda is also compliant with global anti-money laundering (AML) and anti-terrorist financing (ATF) standards, and does not have banking secrecy laws. According to the US 2016 International Narcotics Strategy Control Report, Bermuda is once again in the lowest risk category for money laundering.

- Bermuda ranks more favourably than the UK in the most recent Financial Secrecy Index, published by the Tax Justice Network.

3. Global insurance hub:
- Bermuda’s prosperity is not built nor dependent on tax avoidance strategies by multinational corporations or individuals. A significant proportion of our financial-services dominated economy is re-insurance, which thrives in Bermuda because of its geographic and political independence, and because of its first-class regulatory system.
o Bermuda plays a unique and essential role in the global economy, providing reinsurance services to markets around the world and so reducing risk and the cost of capital in both developed and developing economies.

o Around 14% of the aggregate global reinsurance premium is written out of Bermuda, employing 39,000 people worldwide and paying out the majority of claims for global catastrophes like the 2005 Buncefield oil terminal fires, the 2010/11 New Zealand earthquakes, and the 2012 Costa Concordia sinking, as well as considerable proportions of the 2015/16 UK flooding and 2011 Japanese earthquakes.

o Bermuda provides over a quarter of the capacity for Lloyd's of London.

o Bermuda's commercial insurance regime reached full equivalence with the EU Solvency II Directive on 24th March 2016, reflecting our high regulatory standards.

o Bermuda was granted qualified jurisdiction status by the US National Association of Insurance Commissioners effective January 1, 2015.

“You will see from the above that we are not an ‘offshore banking’ centre, though of course there are banks in Bermuda which operate to UK standards of transparency and compliance, or rather better indeed.”

The Premier’s letter concluded: “We noted your criticism of Bermuda’s role in facilitating Google’s tax avoidance during a speech to Parliament on 11th April, and so I feel it’s important to clarify that the UK's diverted profit tax has already addressed this behaviour.

“The OECD’s country by country reporting (CBC) regime which Bermuda will join will establish a more efficient basis for the UK and other countries to tax MNEs’ transfer pricing practices. We trust this is of value as part of your understanding of the highly differentiated roles and functions of the British Overseas Territories, and of Bermuda’s unique and we believe world-leading position. I am always open to meet in person over the coming year to discuss any matters that you wish in an effort to provide accurate and timely information.”

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