



REMARKS
THE MINISTER OF FINANCE
THE HONOURABLE CURTIS DICKINSON, JP, MP
Economic Substance Incentives Programme
On Wednesday January 10 2019, 12:30pm
AB Place/Global House

Good afternoon.

In December 1997, the Council of the European Union (EU) adopted a resolution on a Code of Conduct for business taxation with the objective of curbing harmful tax competition aimed at jurisdictions with low or zero rates of corporate income tax, such as Bermuda, BVI, Cayman and the Crown Dependencies.

I am very pleased to say that as part of our ongoing commitment to compliance, regulation and transparency, we implemented reforms and on the 17th of December 2018, the Economic Substance Act 2018 was passed by Parliament. This ensures that Bermuda remains off any EU list of non-compliant jurisdictions and will continue to thrive as an international business centre.

Bermuda registered entities including companies in the banking, insurance, fund management, financing and leasing, headquarters, shipping, intellectual property, distribution and service centers, and related holding company sectors will now need to meet economic substance requirements as provided in the legislation and related regulations. These firms must show that they have a physical presence, personnel and revenue-generating activities in Bermuda. The economic substance requirements will apply to new companies from 1 January 2019 and existing companies from 1 July 2019.

The government proposes incentives to companies affected by the Economic Substance Act to keep them in Bermuda and encourage job creation and opportunities.

The new EU Economic Substance Incentives Programme includes the application of the already in place “New Business Work Permit Policy” as well as payroll tax relief. The government understands that the two things foremost in the minds of most Bermudians are jobs and the protection of Bermudian opportunities within our own country. Closed or restricted job categories such as a front office receptionist, or which are entry level, graduate or trainee positions, will remain closed and continue to be protected, giving Bermudians the opportunity to earn employment in the new jobs created by these companies.

For the many Bermudians my parliamentary colleagues and I met on the doorstep who lost positions such as these during the recession or who had graduated and been unable to gain entry into those fields, the creation of new jobs and new

opportunities in the sectors that I mentioned earlier, this will be welcome news. The government is committed to working with these companies to ensure that unemployed and underemployed Bermudians will be ready and able to fill these posts.

The New Business Work Permit allows an exempted company that is new to Bermuda to receive automatic approval of work permits for the first six months of obtaining its first new business permit. As part of the eligibility criteria, a business must be directed and managed from Bermuda, and it must show that it has adequate personnel and expenditure undertaken on island thus creating jobs and opportunities within new or existing businesses offering support services.

The New Business Work Permit policy has been in place since 2012 and will include exempted companies already registered in Bermuda without employees and any new exempted company that decides to set-up in Bermuda with employees.

Businesses that will need more than ten (10) work permits within the first six months of operation (e.g. relocating an existing business from another jurisdiction) will be required to present to the Minister their Bermuda office staffing plan including their projections for hiring and developing Bermudians as well as engaging local service providers to support their organizations.

To further encourage job creation, in May of last year the government granted medium and large companies an incentive that is a 3 year employer Payroll Tax concession for additional jobs created in Bermuda. With respect to this

programme, the concession will last for two years and extend to companies that create or transfer jobs to Bermuda.

The Government's plan encourages and rewards investment in Bermuda's economy, encourages businesses already here to expand and stay, and our tax incentives will encourage job creation. Simply put, our goal is to have more companies and more jobs based in Bermuda, providing more employment and entrepreneurial opportunities for Bermudians.

In implementing these reforms and drafting this legislation, I am grateful for the support of the Bermuda Government Technical Officers, the BMA, the IAC, ABIC and ABIR, and all sectors of Bermuda's international business community.

This will benefit all of Bermuda. We will continue to be a jurisdiction of choice and we will continue to work to create job opportunities.

Thank you.

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