

A BILL

entitled

TAX CREDITS ACT 2025

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WHEREAS it is expedient to provide tax credits so as to incentivise industries that are instrumental in the growth and development of the Bermuda economy to invest in their on-island operations; to encourage such investment where it results in increased employment in Bermuda and increased job opportunities for Bermudians; to further encourage such investment where it results in increased expenditure on domestic goods and services and thereby benefits the wider local Bermuda economy; and, lastly, to recognise and encourage charitable contributions where such charitable contributions represent a meaningful contribution to the community;

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Be it enacted by The King's Most Excellent Majesty, by and with the advice and consent of the Senate and the House of Assembly of Bermuda, and by the authority of the same, as follows:

PART 1 PRELIMINARY

Citation

1 This Act may be cited as the Tax Credits Act 2025.

Interpretation

2 In this Act, unless the context otherwise requires—

“accrued substance-based tax credit benefit” means a tax credit calculated pursuant to section 6;

“Agency” means the Corporate Income Tax Agency established under section 3 of the Corporate Income Tax Agency Act 2024;

“Agency Act” means the Corporate Income Tax Agency Act 2024;

“annual election” means an election made by a Filing Qualifying Bermuda Group Entity pursuant to this Act that, once made, shall apply for the fiscal year in respect of which the election is made and all subsequent fiscal years, unless and until the election is modified or revoked;

“applicable consolidated financial statements” means—

- (a) the financial statements prepared by an ultimate parent entity in accordance with an applicable financial accounting standard, in which the assets, liabilities, income, expenses and cash flows of that entity and the entities in which it has a controlling interest are presented as those of a single economic unit; or
- (b) where the ultimate parent entity does not prepare financial statements described in paragraph (a), the consolidated financial statements of the ultimate parent entity that would have been prepared if such entity were required to prepare such statements in accordance with an applicable financial accounting standard;

“applicable financial accounting standard” means—

- (a) International Financial Reporting Standards (IFRS);
- (b) the generally accepted accounting principles of Australia, Brazil, Canada, Member States of the European Union, Member States of the European Economic Area, Hong Kong (China), Japan, Mexico, New Zealand, the People's Republic of China, the Republic of India, the Republic of Korea, Russia, Singapore, Switzerland, the United Kingdom, and the United States of America; or

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(c) such other financial accounting standards as the Minister may prescribe by regulations;

“applicable financial statements” means the financial statements prepared in accordance with an applicable financial accounting standard by a Bermuda Entity that is not a member of a group;

“arm’s length principle” means the principle under which transactions between certain group entities must be recorded by reference to the conditions that would have been obtained between independent enterprises in comparable transactions and under comparable circumstances;

“benefit period” means the fiscal year in respect of which an accrued substance-based tax credit benefit of a Qualifying Bermuda Group Entity is determined in accordance with section 6(1);

“Bermuda-based charitable purpose” means the fulfilment of a charitable purpose in Bermuda;

“Bermuda Constituent Entity” has the meaning given to that term in section 9 of the Corporate Income Tax Act 2023;

“Bermuda Constituent Entity Group” has the meaning given to that term in section 8 of the Corporate Income Tax Act 2023;

“Bermuda Entity” means—

- (a) an entity formed, incorporated, organised or registered in Bermuda, provided that the entity meets this requirement at any time during the fiscal year; or
- (b) a Bermuda Permanent Establishment;

“Bermuda Group” means—

- (a) in the case of one or more Bermuda Entities that are members of a group—
 - (i) all Bermuda Permanent Establishments whose main entities are members of the group; and
 - (ii) all other Bermuda Entities that are members of the group; or
- (b) in the case of a Bermuda Entity that is not a member of a group (including a Bermuda Permanent Establishment whose main entity is not a member of a group), such Bermuda Entity;

“Bermuda Monetary Authority” means the Bermuda Monetary Authority established under section 2 of the Bermuda Monetary Authority Act 1969;

“Bermuda Permanent Establishment” has the meaning given to that term in section 2(1) of the Corporate Income Tax Act 2023;

“Bermuda service element” has the meaning given to that term in section 19(5)(d);

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“Bermuda workdays” shall be construed as provided in section 10(4);

“Bermuda workdays percentage” shall be construed as provided in section 10(1);

“business day” means any day excluding Saturday or Sunday and any other day which is a public holiday or is kept as a public holiday under the Public Holiday Act 1947;

“charitable contributions” means a voluntary, nonreciprocal transfer of cash from a Bermuda Entity to an eligible Bermuda charity;

“charitable expenses” means expenses incurred by a Bermuda Entity with respect to charitable contributions;

“charitable purpose” has the meaning given to that term in the Charities Act 2014;

“charity” has the meaning given to that term in section 2 of the Charities Act 2014;

“CIT charge” means, with respect to a fiscal year of a Qualifying Bermuda Group, the aggregate amount of tax chargeable pursuant to section 4 of the Corporate Income Tax Act 2023 with respect to each Bermuda Constituent Entity Group which includes, as a Bermuda Constituent Entity member, at least one Qualifying Bermuda Group BCE member of the Qualifying Bermuda Group during the fiscal year;

“community development tax credit” means the tax credit established pursuant to Part 4 of this Act;

“community development tax credit benefit” means the tax credit benefit calculated in accordance with section 28;

“controlling interest” means an ownership interest in an entity such that the interest holder—

- (a) is required to consolidate the assets, liabilities, income, expenses and cash flows of the entity on a line-by-line basis in accordance with an applicable financial accounting standard; or
- (b) would have been required to consolidate the assets, liabilities, income, expenses and cash flows of the entity on a line-by-line basis if the interest holder had prepared applicable consolidated financial statements;

“distributable substance-based tax credit benefit” means, in respect of a Qualifying Bermuda Group Entity, the tax credit benefit calculated in accordance with section 26;

“distributable tax credit benefit” means, in respect of a fiscal year, the aggregate of—

- (a) the distributable substance-based tax credit benefit;

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(b) the community development tax credit benefit; and

(c) the utilities infrastructure tax credit benefit,

determined for a Qualifying Bermuda Group Entity;

“eligible Bermuda charity” has the meaning given to that term in section 28(3);

“eligible Bermuda service expense amount” has the meaning given to that term in section 19(5)(a);

“eligible carrying value of tangible assets” means the amount described in section 32(2)(a);

“eligible employees” means—

(a) full-time and part-time employees of a Qualifying Bermuda Group Entity;

(b) an employee of an entity (other than a Qualifying Bermuda Group Entity) which is a member of the same group as a Qualifying Bermuda Group Entity, and who is—

(i) seconded or assigned to the Qualifying Bermuda Group Entity pursuant to an agreement between the Qualifying Bermuda Group Entity and such other entity; and

(ii) is under the direction and control of the Qualifying Bermuda Group Entity or other Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group throughout the secondment or assignment period; and

(c) contractors participating in the ordinary operating activities of a Qualifying Bermuda Group Entity, provided that for this purpose contractors—

(i) must be natural persons, and may include natural persons who are employed by a staffing or employment company;

(ii) must be under the direction and control of the Qualifying Bermuda Group Entity or other Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group; and

(iii) do not include employees of a corporate contractor providing goods or services, except to the extent such employees are under the direction and control of the Qualifying Bermuda Group Entity or other Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group;

“eligible payroll expenses” has the meaning given to that term in section 8;

“eligible service” has the meaning given to that term in section 19(5)(c);

“eligible service expense amount” has the meaning given to that term in section 19(5)(b);

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“entity” means—

- (a) any legal person (other than a natural person) including, without limitation, any corporation, company (whether limited by shares or guarantee), limited liability company or partnership (whether general or limited) having separate legal personality; or
- (b) an arrangement that prepares separate financial accounts, regardless of whether or not such arrangement has separate legal personality;

“exercise date” means—

- (a) in the case of a stock or share option, warrant or equivalent form of stock-based compensation, the date of exercise;
- (b) in the case of stock-based compensation not described in paragraph (a) which is issued subject to vesting or other similar restrictions, the vesting date; or
- (c) in the case of stock-based compensation not described in paragraphs (a) or (b), the date on which such stock or share is issued;

“expense-based benefit component” has the meaning given to that term in section 19(1);

“Filing Qualifying Bermuda Group Entity” means the Qualifying Bermuda Group Entity that claims tax credit benefits on behalf of all Qualifying Bermuda Group Entities of a Qualifying Bermuda Group (or in the case of a Qualifying Bermuda Group consisting of only one entity, the entity in such Qualifying Bermuda Group);

“fiscal year” means the accounting period with respect to which the applicable financial statements or the applicable consolidated financial statements, as the case may be, are prepared;

“group” means a collection of entities that are related through ownership or control such that the assets, liabilities, income, expenses and cash flows of those entities—

- (a) are included in the applicable consolidated financial statements of the ultimate parent entity; or
- (b) are excluded from the applicable consolidated financial statements of the ultimate parent entity solely on size or materiality grounds, or on the grounds that the entity is held for sale;

“group entity” has the meaning given to that term in section 2 of the Corporate Income Tax Act 2023;

“job-based benefit component” has the meaning given to that term in section 7;

“long-term compensation award” has the meaning given to that term in section 11(3)(a);

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“main entity” means an entity which wholly or partly carries out its business through a Bermuda Permanent Establishment;

“Minister” means the Minister of Finance;

“ownership interest” means any equity interest (i.e. any shares, interests, participation, or other equivalents of an entity which are characterised as equity under the applicable financial accounting standard used in the preparation of the applicable financial statements or the applicable consolidated financial statements, as the case may) that carries rights to the profits, capital or reserves of an entity;

“payroll expenses” has the meaning given to that term in section 9(1);

“payroll tax charge” means the aggregate amount of payroll tax incurred by a Qualifying Bermuda Group Entity for a payroll tax period pursuant to section 3(1)(a) of the Payroll Tax Act 1995;

“preceding benefit period” means a benefit period which begins on or after 1 January 2025 and ends prior to the fiscal year with respect to which the provisions of Part 3 of this Act are being applied;

“Qualifying Bermuda Group” means—

- (a) in respect of the substance-based tax credit, a Bermuda Group described in section 6(2);
- (b) in respect of the community development tax credit, a Bermuda Group described in section 28(2)(a); and
- (c) in respect of the utilities infrastructure tax credit, a Bermuda Group described in section 30(2);

“Qualifying Bermuda Group BCE” means a Qualifying Bermuda Group Entity which is a Bermuda Constituent Entity for the purposes of the Corporate Income Tax Act 2023 for the fiscal year;

“Qualifying Bermuda Group Entity” means each Bermuda Entity that is a member of a Qualifying Bermuda Group;

“Qualifying Bermuda Group NBCE” means a Qualifying Bermuda Group Entity which is not a Bermuda Constituent Entity for the purposes of the Corporate Income Tax Act 2023 for the fiscal year;

“qualifying expenses” means—

- (a) in respect of the substance-based tax credit, expenses described in sections 7(1)(a) and 19(1)(a);
- (b) in respect of the community development tax credit, expenses described in section 28(2)(c); and
- (c) in respect of the utilities infrastructure tax credit, expenses described in section 31(2);

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“tax refund reserve fund” means the fund established pursuant to section 50A of the Corporate Income Tax Act 2023;

“required fund balance” has the meaning given to that term in the Corporate Income Tax Act 2023 or regulations made thereunder;

“stock-based compensation” means compensation in the form of stock or shares, stock or share options, stock or share warrants, or an equivalent, and includes compensation applicable to employees or non-employees of the entity;

“substance-based tax credit” means the tax credit established pursuant to Part 3 of this Act;

“tangible assets” means—

- (a) property, plant and equipment;
- (b) a lessee’s right of use to tangible assets; and
- (c) a licence or similar arrangement from the government for the use of immovable property or exploitation of natural resources that entails significant investment in tangible assets,

provided that for this purpose tangible assets shall not include the carrying value of property to the extent that it is held for sale, lease, or investment;

“tax credit” means the substance-based tax credit, the community development tax credit, the utilities infrastructure tax credit or, as the context may admit, any combination of the foregoing;

“tax credit benefit” means the accrued substance-based tax credit benefit, the distributable substance-based tax credit benefit, the community development tax credit benefit, or the utilities infrastructure tax credit benefit or, as the context may admit, any combination of the foregoing;

“total accrued tax credit benefit” has the meaning given to that term in section 35(2);

“ultimate parent entity” means an entity that—

- (a) owns, directly or indirectly, a controlling interest in any entity; and
- (b) is not owned, with a controlling interest, directly or indirectly by another entity;

“utilities infrastructure tax credit” means the tax credit established pursuant to Part 5 this Act;

“utilities infrastructure tax credit” means a tax credit benefit calculated in accordance with section 29;

“U.S. dollars” means the lawful currency of the United States;

“vesting date” has the meaning given to that term in section 11(3)(b)(ii);

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“workday” has the meaning given to that term in section 10(2).

PART 2

TAX CREDIT BENEFITS (GENERAL)

Establishment of tax credits

3 Subject to the provisions of this Act, a Filing Qualifying Bermuda Group Entity shall be eligible to claim tax credit benefits on behalf of Qualifying Bermuda Group Entities with respect to the eligible carrying value of tangible assets, and the qualifying expenses incurred, with effect from the fiscal years beginning on or after 1 January 2025, in each case as set out in this Act, notwithstanding the commencement date of this Act.

Utilisation of tax credit benefits

4 The distributable tax credit benefit of a Qualifying Bermuda Group Entity for a fiscal year shall, in the case of—

- (a) a Qualifying Bermuda Group BCE, be included in the determination of adjusted tax payments for the fiscal year of the Bermuda Constituent Entity Group of which the Qualifying Bermuda Group BCE is a member in accordance with the Corporate Income Tax Act 2023 or regulations made thereunder; and
- (b) a Qualifying Bermuda Group NBCE, be paid to the Filing Qualifying Bermuda Group Entity.

Expenses used in calculation of tax credits and tax credit benefits

5 (1) For the purposes of any calculation of tax credits or tax credit benefits pursuant to this Act, the expenses of a Bermuda Entity for a fiscal year shall be—

- (a) in the case of a Bermuda Entity that is not a member of a group, the expenses determined for the purposes of preparing the profit and loss statement in the applicable financial statements of the Bermuda Entity for the fiscal year; and
- (b) in the case of a Bermuda Entity that is a member of a group, the expenses determined for the Bermuda Entity for the purposes of preparing the profit and loss statement in the applicable consolidated financial statements for the fiscal year;

(2) For the purposes of subsection (1)—

- (a) an amount that is reported in other comprehensive income or loss (rather than in the profit and loss statement) for the fiscal year is excluded from the computation of the expenses of the Bermuda Entity;
- (b) the expenses of the Bermuda Entity for the fiscal year shall be adjusted to include any change in opening equity at the beginning of the fiscal year attributable to—

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- (i) the correction of an error in a prior fiscal year, to the extent that the error affected the determination of the amount of qualifying expenses in such prior fiscal year;
 - (ii) a change in accounting principle or policy, to the extent that the change would have affected the determination of the amount of qualifying expenses for a prior fiscal year;
 - (iii) a change in the financial accounting standard used to prepare the applicable financial statements or the applicable consolidated financial statements, as the case may be, to the extent that the change would have affected the determination of the amount of qualifying expenses for a prior fiscal year; and
- (c) the expenses of a main entity for a fiscal year shall be allocated to a Bermuda Permanent Establishment through which the business of the main entity is wholly or partly carried out in an amount equal to—
 - (i) the expenses determined for the purposes of preparing the profit and loss statement for the fiscal year in the separate financial statements of the Bermuda Permanent Establishment prepared in accordance with the applicable financial accounting standard used in the preparation of the applicable financial statements of the main entity or the applicable consolidated financial statements, as the case may be; or
 - (ii) if the Bermuda Permanent Establishment did not prepare separate financial statements which meet the requirements of subparagraph (i), the expenses which would have been determined for the purposes of preparing the profit and loss statement for the fiscal year if the Bermuda Permanent Establishment had prepared separate financial statements in accordance with the applicable financial accounting standard used in the preparation of the applicable financial statements of the main entity or the applicable consolidated financial statements, as the case may be;
- (d) the expenses incurred by a Bermuda Entity with respect to long-term compensation awards and other stock-based compensation for the fiscal year shall be adjusted by—
 - (i) excluding the amount of expenses recognised with respect to long-term compensation awards or other stock-based compensation in the profit and loss statement in the applicable financial statements or the applicable consolidated financial statements, as the case may be, for the fiscal year; and
 - (ii) with respect to—
 - (A) stock-based compensation which had an exercise date during the fiscal year, increasing expenses for the fiscal year by an amount equal to the excess of—

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- 1 the market value of the stock-based compensation on the exercise date; over
 - 2 the value of any consideration received by the Bermuda Entity in exchange for the stock-based compensation, regardless of whether such consideration was received during the fiscal year or another fiscal year;
- (B) long-term compensation awards, excluding any long-term compensation awards comprised of stock-based compensation, which had a vesting date during the fiscal year, increasing expenses for the fiscal year by an amount equal to the excess of—
- 1 the market value of the long-term compensation awards on the vesting date; over
 - 2 the value of any consideration received by the Bermuda Entity in exchange for the long-term compensation awards, regardless of whether such consideration was received during the fiscal year or another fiscal year;
- (e) with respect to paragraph (d), the long-term compensation award or other stock-based compensation provided does not need to be issued by the Bermuda Entity that incurred the relevant expense;
- (f) to the extent that—
- (i) an expense amount determined in accordance with this section is included in the determination of qualifying expenses of a Bermuda Entity for a fiscal year;
 - (ii) it is subsequently determined that the expense amount described in subparagraph (i) was overstated, such that an adjustment is made to correct the overstatement in the applicable financial statements or the applicable consolidated financial statements for the fiscal year in which the expense was originally recognised or another fiscal year; and
 - (iii) in the fiscal year in which the adjustment described in subparagraph (ii) is made, the adjustment does not reduce expenses reported in the profit and loss statement or is otherwise recorded in the applicable financial statements or the applicable consolidated financial statements, as the case may be, in a manner which does not result in a reduction in expenses determined in accordance with this section and is not subject to the application of subsection (2)(b),

then the expenses of the Bermuda Entity for the fiscal year in which the adjustment described in subparagraph (ii) is made shall be reduced by the amount of the adjustment, provided that such reduction shall not exceed the expense amount previously included in the determination of qualifying expenses as described in subparagraph (i).

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- (3) For the purposes of subsection (1)(b)—
- (a) expenses incurred by a Bermuda Entity with respect to transactions between the Bermuda Entity and—
 - (i) another Bermuda Entity within the same group shall not be taken into account in computing the expenses of the Bermuda Entity; and
 - (ii) any other entity which is a member of the same group shall be taken into account in computing the expenses of the Bermuda Entity and any consolidated adjustments which result in the elimination of the expenses in the profit and loss statement of the applicable consolidated financial statements shall be disregarded, provided that with respect to a Bermuda Permanent Establishment whose main entity is not a Bermuda Entity, this subparagraph shall apply to the main entity and subparagraph (i) shall apply to the Bermuda Permanent Establishment; and
 - (b) to the extent that the amount of expenses incurred by a Bermuda Entity with respect to a transaction described in subsection (3)(a)(ii) exceed the amount that would be determined in accordance with the arm's length principle, the expenses of the Bermuda Entity for the fiscal year shall be reduced by the amount of such excess.

PART 3

SUBSTANCE-BASED TAX CREDIT

Accrued substance-based tax credit benefit

6 (1) The accrued substance-based tax credit benefit of a Qualifying Bermuda Group Entity member of a Qualifying Bermuda Group for a fiscal year shall be equal to the sum of—

- (a) the job-based benefit component; and
- (b) the expense-based benefit component,

for the fiscal year.

(2) For the purposes of subsection (1), a Qualifying Bermuda Group is a Bermuda Group which—

- (a) includes at least one Bermuda Entity which is registered as an insurer by the Bermuda Monetary Authority under the Insurance Act 1978 during the fiscal year; and
- (b) derives more than 50% of its aggregate gross revenues for the fiscal year from—
 - (i) Bermuda Entities described in paragraph (a); and

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- (ii) allocations of gross revenues from investment holding entities to Bermuda Entities described in paragraph (a).
- (3) The requirement in subsection (2)(b) shall be met to the extent that—
 - (a) the sum of—
 - (i) the aggregate revenues earned for the fiscal year by all Bermuda Entity members of the Bermuda Group; and
 - (ii) the aggregate of all gross revenue allocations described in subsection (2)(b)(ii) for the fiscal year; exceeds
 - (b) 50% of the sum of—
 - (i) the aggregate revenues earned for the fiscal year by all Bermuda Entity members of the Bermuda Group; and
 - (ii) the aggregate of all gross revenue allocations described in subsection (2)(b)(ii) for the fiscal year.
- (4) For the purposes of subsection (2)(b)(ii)—
 - (a) gross revenues of an investment holding entity shall be allocated to the owners of the investment holding entity in accordance with their ownership interests;
 - (b) an investment holding entity shall be an entity that meets the following criteria—
 - (i) it is a member of the same group as one or more Bermuda Entities described in subsection (2)(a);
 - (ii) ownership interests in the investment holding entity are held by one or more Bermuda Entities described in subsection (2)(a), either directly or through a chain of one or more other investment holding entities;
 - (iii) it is designed to hold or pool assets (which may be financial and non-financial);
 - (iv) it is primarily designed to generate investment income or gains; and
 - (v) owners have a right to return from the assets of the entity or income earned on those assets, based on the contributions made by those owners.
- (5) For the purposes of subsections (2) through (4), the revenues of an entity which is a member of a group (including, for this purpose, a Bermuda Permanent Establishment whose main entity is a member of a group) for a fiscal year shall be determined as follows—
 - (a) revenues for the fiscal year shall be the gross revenues determined for the entity for the purposes of preparing the profit and loss statement and

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the statement of other comprehensive income and loss in the applicable consolidated financial statements for the fiscal year;

- (b) to the extent that the applicable financial accounting standard allows or requires that revenues are presented on a net basis (including, without limitation, where revenues attributable to insurance premiums are presented net of insurance premiums ceded to reinsurers, or where gross investment gains are presented net of gross investment losses), revenues shall be determined for the purposes of this subsection prior to any such netting;
- (c) the revenues of a main entity for a fiscal year shall be allocated to a Bermuda Permanent Establishment through which the business of the main entity is wholly or partly carried out in an amount equal to—
 - (i) the revenues determined for the purposes of preparing the profit and loss statement for the fiscal year in the separate financial statements of the Bermuda Permanent Establishment prepared in accordance with the applicable financial accounting standard used in the preparation of the applicable consolidated financial statements; or
 - (ii) if the Bermuda Permanent Establishment did not prepare separate financial statements which meet the requirements of subparagraph (i), the revenues which would have been determined for the purposes of preparing the profit and loss statement for the fiscal year if the Bermuda Permanent Establishment had prepared separate financial statements in accordance with the applicable financial accounting standard used in the preparation of the applicable consolidated financial statements;
- (d) revenues of a Bermuda Entity which are attributable to insurance premiums earned with respect to a transaction between the Bermuda Entity and another entity within the same group (other than a Bermuda Entity) shall be taken into account in computing the revenues of the Bermuda Entity and any consolidated adjustments which result in the elimination of such revenues in the applicable consolidated financial statements shall be disregarded.

Job-based benefit component

7 The job-based benefit component of a Qualifying Bermuda Group Entity for a fiscal year shall be equal to—

- (a) the eligible payroll expenses of the Qualifying Bermuda Group Entity for the fiscal year, as determined in accordance with section 8(1); multiplied by
- (b) the job-based benefit factor (as described in section 15) of the Qualifying Bermuda Group for the fiscal year.

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Eligible payroll expenses

8 (1) The eligible payroll expenses of a Qualifying Bermuda Group Entity for a fiscal year shall be equal to—

- (a) the sum of—
 - (i) with respect to each eligible employee (other than an eligible employee with respect to whom section 13 applies) who has a Bermuda workdays percentage in excess of 50% for the fiscal year, the payroll expenses incurred by the Qualifying Bermuda Group Entity for the fiscal year with respect to the eligible employee, excluding any payroll expenses incurred with respect to long-term compensation awards described in section 11(3)(a);
 - (ii) with respect to each eligible employee (other than an eligible employee with respect to whom section 13 applies) who has a Bermuda workdays percentage of 50% or less for the fiscal year, the product of—
 - (A) the payroll expenses incurred by the Qualifying Bermuda Group Entity for the fiscal year with respect to the eligible employee, excluding any payroll expenses incurred with respect to long-term compensation awards described in section 11(3)(a); and
 - (B) the Bermuda workdays percentage of the eligible employee for the fiscal year;
 - (iii) with respect to each eligible employee for whom section 13 applies and who has a Bermuda workdays percentage in excess of 50% for the fiscal year, the aggregate payroll expenses incurred with respect to the eligible employee for the fiscal year, as determined pursuant to section 13(2);
 - (iv) with respect to each eligible employee for whom section 13 applies and who has a Bermuda workdays percentage of 50% or less for the fiscal year, the product of—
 - (A) the aggregate payroll expenses incurred with respect to the eligible employee for the fiscal year, as determined pursuant to section 13(2); and
 - (B) the Bermuda workdays percentage of the eligible employee for the fiscal year;
 - (v) with respect to each long-term compensation award of an eligible employee (other than an eligible employee with respect to whom section 13 applies) which has an allocation percentage, as determined in accordance with section 11(1)(b), in excess of 50% for the fiscal year, the payroll expenses incurred by the Qualifying Bermuda Group Entity for the fiscal year with respect to the long-term compensation award;

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- (vi) with respect to each long-term compensation award of an eligible employee (other than an eligible employee with respect to whom section 13 applies) which has an allocation percentage, as determined in accordance with section 11(1)(b), of 50% or less for the fiscal year, the product of—
 - (A) the payroll expenses incurred by the Qualifying Bermuda Group Entity for the fiscal year with respect to the long-term compensation award; and
 - (B) the allocation percentage determined in accordance with section 11(1)(b);
- (vii) with respect to each long-term compensation award of an eligible employee for whom section 13 applies and which has an allocation percentage, as determined in accordance with section 11(1)(b), in excess of 50% for the fiscal year, the aggregate payroll expenses incurred with respect to the long-term compensation award for the fiscal year, as determined pursuant to section 13(4); and
- (viii) with respect to each long-term compensation award of an eligible employee for whom section 13 applies and which has an allocation percentage, as determined in accordance with section 11(1)(b), of 50% or less for the fiscal year, the product of—
 - (A) the aggregate payroll expenses incurred with respect to the long-term compensation award for the fiscal year, as determined pursuant to section 13(4); and
 - (B) the allocation percentage determined in accordance with section 11(1)(b); reduced by
- (b) the amount of the adjustment, if any, determined in accordance with section 13(7).

(2) No amount of eligible payroll expense may be taken into account more than once by the Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group for a fiscal year or in more than one fiscal year.

(3) The Filing Qualifying Bermuda Group Entity may elect, as an annual election, to disregard, in whole or in part, the eligible payroll expenses of the Qualifying Bermuda Group Entity for the fiscal year.

Payroll expenses

- 9 (1) Payroll expenses shall include expenses incurred by an entity—
- (a) to remunerate an eligible employee, and include salaries and wages, bonuses, stock-based compensation, and allowances;
 - (b) relating to other expenses that provide a direct and separate personal benefit to the eligible employee, such as health insurance and pension contributions;

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- (c) relating to payroll and employment taxes;
- (d) relating to social insurance contributions;
- (e) relating to work permit fees;
- (f) relating to fees paid to a staffing or employment company for services provided by contractors who qualify as eligible employees; and
- (g) relating to fees paid to an entity (other than a Qualifying Bermuda Group Entity) which is a member of the same group as the Qualifying Bermuda Group Entity for services provided by secondees or assignees who qualify as eligible employees,

as adjusted in accordance with subsection (2).

(2) To the extent that an expenditure would have been described in subsection (1) for the fiscal year, but for the fact that the expenditure was capitalised into the carrying value of an asset or liability of the entity (rather than being expensed in the profit and loss statement) in the applicable financial statements or the applicable consolidated financial statements, as the case may be, the Filing Qualifying Bermuda Group Entity may make an annual election to increase the payroll expenses of the entity for the fiscal year by the amount of the capitalised expenditure.

(3) To the extent that an election is made pursuant to subsection (2) with respect to a capitalised expenditure—

- (a) the carrying value of the asset or liability described in subsection (2) shall be adjusted to exclude the amount of the capitalised expenditure; and
- (b) any expenses which are determined by reference to the carrying value of the asset or liability (including, without limitation, depreciation expense) for the fiscal year or any other fiscal year shall, for the purposes of this Act, be determined by reference to the adjusted carrying value determined in accordance with paragraph (a).

Bermuda workdays percentage

10 (1) The Bermuda workdays percentage of an eligible employee for a fiscal year of a Qualifying Bermuda Group shall be equal to the result obtained by dividing—

- (a) the total number of Bermuda workdays of the eligible employee for the fiscal year; by
- (b) the total number of workdays of the eligible employee for the fiscal year.

(2) A day shall be treated as a workday provided that—

- (a) it is a business day; and
- (b) in addition to paragraph (a)—
 - (i) for the purposes of determining—

- (A) the Bermuda workdays percentage to be applied to an eligible employee for the purposes of section 8(1)(a)(i) or (ii), but only to the extent that the eligible employee was engaged in a qualified foreign assignment, as determined in accordance with section 14, on such day;
- (B) the Bermuda workdays percentage to be applied to an eligible employee for the purposes of section 8(1)(a)(iii) or (iv);
- (C) the allocation percentage to be applied to an eligible employee for the purposes of section 8(1)(a)(v) or (vi), but only to the extent that the eligible employee was engaged in a qualified foreign assignment, as determined in accordance with section 14, on such day; or
- (D) the allocation percentage to be applied to an eligible employee for the purposes of section 8(1)(a)(vii) or (viii),

the eligible employee performs at least 3 hours of services on such day for one or more entities which are members of the same group as the Qualifying Bermuda Group; or

(ii) for the purposes of determining—

- (A) the Bermuda workdays percentage to be applied to an eligible employee for the purposes of section 8(1)(a)(i) or (ii), other than as described in paragraph (b)(i)(A); or
- (B) the allocation percentage to be applied to an eligible employee for the purposes of section 8(1)(a)(v) or (vi), other than as described in paragraph (b)(i)(C),

such eligible employee performs at least 3 hours of services on such day for one or more Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group.

(3) Subsection (2)(b) shall not apply to a day on which the eligible employee is—

- (a) engaged in eligible training activities, as determined pursuant to section 12; or
- (b) absent from the workplace due to—
 - (i) sick (or other medical) leave;
 - (ii) maternity or paternity leave; or
 - (iii) bereavement leave,

and is compensated by a Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group with respect to such day.

(4) A Bermuda workday of an eligible employee shall include—

- (a) a business day described in subsection (3)(a);

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- (b) a business day described in subsection (3)(b), provided that the eligible employee was physically present in Bermuda for the entire day;
- (c) a workday described in subsection (2)(b)(i), provided that the eligible employee performs at least 3 hours of services on such day for one or more entities which are members of the same group as the Qualifying Bermuda Group while physically present in Bermuda; and
- (d) a workday described in subsection (2)(b)(ii), provided that the eligible employee performs at least 3 hours of services on such day for one or more Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group while physically present in Bermuda.

(5) No day shall be counted more than once as a workday with respect to an eligible employee.

Long-term compensation awards

11 (1) For the purposes of determining the eligible payroll expenses incurred for a fiscal year with respect to each long-term compensation award of an eligible employee—

- (a) the Bermuda workdays percentage determined in accordance with section 10(1) shall not apply; and
- (b) the allocation percentage to be used for the purposes of section 8(1)(a)(v) through (viii) with respect to the long-term compensation award shall be equal to the result obtained by dividing—
 - (i) the total number of Bermuda workdays of the eligible employee during the workday allocation period described in subsection (2); by
 - (ii) the total number of workdays of the eligible employee during the workday allocation period described in subsection (2).

(2) The workday allocation period with respect to a long-term compensation award shall be the period which—

- (a) begins on the date the long-term compensation award was granted to the eligible employee; and
- (b) ends on the vesting date.

(3) For the purposes of this section—

- (a) a long-term compensation award is a specific item of compensation which is subject to a performance period which exceeds 12 months (including, without limitation, stock-based compensation or other long-term incentive awards which are subject to time-based vesting requirements with a vesting period which exceeds 12 months); and
- (b) with respect to each long-term compensation award—
 - (i) the performance period is the period in which any prescribed service-related conditions (including, without limitation, time-based or

performance-based vesting conditions) are required to be met in order to establish the eligible employee's non-forfeitable ownership rights to the long-term compensation award, as described in the compensation plan or policy pursuant to which the long-term compensation award was issued to the eligible employee;

- (ii) the vesting date shall be the date on which non-forfeitable ownership rights to the long-term compensation award are transferred to the eligible employee.

Eligible training activities

12 An eligible employee shall be engaged in eligible training activities for each business day on which the eligible employee is—

- (a) in attendance at, or participating in, a course, seminar, conference, or other structured training session which is intended for personal or professional development or educational purposes, provided that this paragraph shall only apply to a day on which the eligible employee's attendance exceeds 3 hours;
- (b) employed by a Qualifying Bermuda Group Entity pursuant to an internship programme, provided that this paragraph shall only apply with respect to the first 24 months in which the eligible employee was employed by the Qualifying Bermuda Group Entity pursuant to an internship programme (or, if shorter, a period of 24 months less the number of full months in which the eligible employee was previously employed by another Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group pursuant to an internship programme);
- (c) employed by a Qualifying Bermuda Group Entity during the 12 month period following the date on which the eligible employee first enters the workforce, provided that for this purpose the date on which the eligible employee first enters the workforce shall be the date on which the eligible employee assumes their first full-time or part-time position as an employee, provided that any full-time or part-time position held by the eligible employee—
 - (i) prior to the fiscal year in which the eligible employee attains the age of 22;
 - (ii) during a fiscal year in which the eligible employee was enrolled in a post-secondary degree programme; or
 - (iii) pursuant to an internship programme maintained by a Qualifying Bermuda Group Entity (regardless of whether such Qualifying Bermuda Group Entity is a member of the same Qualifying Bermuda Group as the Qualifying Bermuda Group Entity with respect to which this paragraph is being applied), but only to the extent of the portion of the fiscal year determined in accordance with paragraph (b),

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shall be disregarded for the purposes of determining whether the eligible employee is entering the workforce for the first time; and

- (d) in attendance at such other training activities as the Minister may prescribe by regulations, provided that for the purposes of this subsection, an eligible employee shall only be treated as engaged in eligible training activities on a day when the eligible employee was exempted, or would have been exempted to the extent that their services as an eligible employee were performed wholly or mainly in Bermuda, under Part V of the Bermuda Immigration and Protection Act 1956 from the requirement to hold a work permit.

Multiple employers

13 (1) For the purposes of determining the eligible payroll expenses of an eligible employee of a Qualifying Bermuda Group Entity for a fiscal year, to the extent that the eligible employee was also an employee of another entity or entities (other than a Qualifying Bermuda Group Entity) which were members of the same group as the Qualifying Bermuda Group Entity during—

- (a) the fiscal year, the aggregate payroll expenses incurred with respect to the eligible employee for the purposes of section 8(1)(a)(iii) or (iv) shall be determined in accordance with subsection (2); or
- (b) all or any portion of the period described in section 11(2) with respect to a long-term compensation award of an eligible employee, the aggregate payroll expenses incurred with respect to the long-term compensation award for the fiscal year for the purposes of section 8(1)(a)(vii) or (viii) shall be determined in accordance with subsection (4).

(2) For the purposes of subsection (1)(a), the aggregate payroll expenses shall be equal to the sum of the payroll expenses, excluding any payroll expenses incurred with respect to long-term compensation awards described in section 11(3)(a), which were incurred with respect to the eligible employee for the fiscal year by each—

- (a) Qualifying Bermuda Group Entity; and
- (b) entity or entities (other than a Qualifying Bermuda Group Entity) which are members of the same group as the Qualifying Bermuda Group Entity,

subject to any adjustments required pursuant to subsection (3).

(3) To the extent that an eligible employee to whom subsection (1)(a) applies is employed by more than one Qualifying Bermuda Group Entity member of the same Qualifying Bermuda Group for the fiscal year, then for the purposes of applying section 8(1)(a)(iii) or (iv) to each such Qualifying Bermuda Group Entity for the fiscal year the aggregate payroll expenses incurred with respect to the eligible employee shall be equal to the result obtained by dividing—

- (a) the amount determined pursuant to subsection (1)(a) with respect to the eligible employee prior to consideration of this subparagraph; by

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- (b) the number of Qualifying Bermuda Group Entities which employed the eligible employee for the fiscal year.

(4) For the purposes of subsection (1)(b), the aggregate payroll expenses shall be equal to the sum of the payroll expenses which were incurred with respect to the long-term compensation award for the fiscal year by each—

- (a) Qualifying Bermuda Group Entity; and
- (b) entity or entities (other than a Qualifying Bermuda Group Entity) which are members of the same group as the Qualifying Bermuda Group Entity,

subject to any adjustments required pursuant to subsection (5).

(5) To the extent that an eligible employee to whom subsection (1)(b) applies is employed by more than one Qualifying Bermuda Group Entity member of the same Qualifying Bermuda Group during the period described in section 11(2) with respect to the long-term compensation award, then for the purposes of applying section 8(1)(a)(vii) or (viii) to each such Qualifying Bermuda Group Entity for the fiscal year the aggregate payroll expenses incurred with respect to the long-term compensation award of the eligible employee shall be equal to the result obtained by dividing—

- (a) the amount determined pursuant to subsection (1)(b) with respect to the eligible employee prior to consideration of this subparagraph; by
- (b) the number of Qualifying Bermuda Group Entities which employed the eligible employee for the fiscal year.

(6) For the purposes of subsections (2)(b) and (4)(b), the payroll expenses incurred by each other entity (or entities) shall be determined pursuant to section 5(1) and (2), provided that for this purpose the phrase “Bermuda Entity” shall be replaced everywhere it appears in section 5(1) and (2) by the word “entity”.

(7) The eligible payroll expenses determined in accordance with section 8(1)(a) shall be adjusted as follows—

- (a) to the extent that the amount determined in accordance with section 19(1)(a)(ii) equals or exceeds the amount determined in accordance with section 19(1)(a)(i) for the fiscal year, the amount of the reduction shall be equal to the aggregate of the eligible Bermuda services expense amounts determined in accordance with subsections (8) and (9);
- (b) to the extent that—
 - (i) the amount determined in accordance with section 19(1)(a)(i) exceeds the amount determined in accordance with section 19(1)(a)(ii) for the fiscal year; and
 - (ii) such excess exceeds the aggregate of the eligible Bermuda services expense amounts described in subsections (8) and (9),the amount of the reduction shall be nil; or

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- (c) in all other cases, the amount of the reduction shall be equal to—
 - (i) the aggregate of the eligible Bermuda services expense amounts described in subsections (8) and (9); reduced by
 - (ii) the excess of the amount determined in accordance with section 19(1)(a)(i) over the amount determined in accordance with section 19(1)(a)(ii) for the fiscal year.

(8) To the extent that—

- (a) the expense-based benefit component is claimed with respect to the Qualifying Bermuda Group Entity for the fiscal year; and
- (b) the amount determined in accordance with section 19(1)(a) for the purposes of computing the expense-based benefit component for the fiscal year includes an eligible Bermuda services expense amount incurred by the Qualifying Bermuda Group Entity—
 - (i) in connection with the receipt of an eligible service from an entity described in subsections (2)(b) or (4)(b); and
 - (ii) in the case where such eligible service was performed by the eligible employee with respect to which this section is being applied,

then such eligible Bermuda services expense amount shall be included in the computation of the adjustment to eligible payroll expenses described in subsection (7).

(9) To the extent that—

- (a) the expense-based benefit component is claimed with respect to the Qualifying Bermuda Group Entity for any portion of one or more prior fiscal years which fall within the period described in section 11(2) with respect to a long-term compensation award;
- (b) the amount determined in accordance with section 19(1)(a) for the purposes of computing the expense-based benefit component for any of the fiscal years described in paragraph (a) includes an eligible Bermuda services expense amount incurred by the Qualifying Bermuda Group Entity—
 - (i) in connection with the receipt of an eligible service from an entity described in subsection (4)(b);
 - (ii) where such eligible service was performed by the eligible employee with respect to which this subsection is being applied; and
 - (iii) where payroll expenses incurred with respect to the long-term compensation award were factored into the determination of the eligible Bermuda services expense amount as described in subsection (11)(b),

then such eligible Bermuda services expense amount, reduced by any portion of such amount which has previously resulted in an adjustment to eligible payroll expenses

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pursuant to the application of subsection (7) in a prior year, shall be included in the computation of the adjustment to eligible payroll expenses described in subsection (7).

(10) No payroll expense incurred by the group with respect to an eligible employee shall be taken into account more than once for the purposes of this Part.

(11) To the extent that a payroll expense incurred by a group with respect to an eligible employee—

- (a) is included in the determination of eligible payroll expenses and the job-based benefit component of a Qualifying Bermuda Group Entity member of the group; and
- (b) has been factored, directly or indirectly, into the determination of eligible Bermuda expenses and the expense-based benefit component of one or more Qualifying Bermuda Group Entity members of the group as may be the case if, without limitation—
 - (i) the Qualifying Bermuda Group Entity is charged an expense by an entity (other than a Qualifying Bermuda Group Entity) which is a member of the same group, in connection with an eligible service delivered by such other entity; and
 - (ii) such other entity determined the expense to be charged to the Qualifying Bermuda Group Entity by reference to payroll expenses incurred by the other entity with respect to the eligible employee (provided that, for this purpose, expenses shall also include expenses incurred by the other entity with respect to long-term compensation awards and other stock-based compensation prior to consideration of any adjustments made pursuant to section 5(2)(d)),

then, to the extent that adjustments have not already been made with respect to such payroll expense in accordance with subsection (7), appropriate adjustments shall be made to ensure that the payroll expense is not taken into account, directly or indirectly, more than once for the purposes of this Part.

Qualified foreign assignment

14 An eligible employee shall be regarded as engaged in a qualified foreign assignment on each day—

- (a) which falls within a period of 60 months following the date described in section 12(c); and
- (b) on which the eligible employee is—
 - (i) exempted, or would have been exempted to the extent that their services as an eligible employee were performed wholly or mainly in Bermuda, under Part V of the Bermuda Immigration and Protection Act 1956 from the requirement to hold a work permit; and

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- (ii) performing services in a location outside of Bermuda for an entity which is a member of the same group as the Qualifying Bermuda Group Entity,

provided that this subsection shall only apply with respect to the first 12 months in which the eligible employee was performing services as described in paragraph (b)(ii).

Job-based benefit factor

15 The job-based benefit factor of a Qualifying Bermuda Group for a fiscal year shall be equal to the product of—

- (a) the headcount factor (as construed under section 16);
- (b) the Bermuda employment and training factor (as construed under section 17);
- (c) the employment growth factor (as construed under section 18); and
- (d) the transition factor (as construed under section 21),

with the result expressed as a percentage.

Headcount factor

16 (1) The headcount factor shall be determined based on the aggregate number of full-time eligible employees of the Qualifying Bermuda Group for a fiscal year.

(2) To the extent that the aggregate number of full-time eligible employees of the Qualifying Bermuda Group for a fiscal year is—

- (a) less than 20, the headcount factor of the Qualifying Bermuda Group for the fiscal year shall be 0%;
- (b) 20 or more but less than 40, the headcount factor of the Qualifying Bermuda Group for the fiscal year shall be 20%;
- (c) 40 or more but less than 60, the headcount factor of the Qualifying Bermuda Group for the fiscal year shall be 25%;
- (d) 60 or more but less than 80, the headcount factor of the Qualifying Bermuda Group for the fiscal year shall be 30%;
- (e) 80 or more but less than 100, the headcount factor of the Qualifying Bermuda Group for the fiscal year shall be 35%;
- (f) 100 or more but less than 125, the headcount factor of the Qualifying Bermuda Group for the fiscal year shall be 40%;
- (g) 125 or more but less than 150, the headcount factor of the Qualifying Bermuda Group for the fiscal year shall be 45%; and
- (h) 150 or more, the headcount factor of the Qualifying Bermuda Group for the fiscal year shall be 50%.

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(3) For the purposes of subsection (1), the aggregate number of full-time eligible employees of the Qualifying Bermuda Group for the fiscal year shall be equal to the sum of—

- (a) with respect to each eligible employee of a Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group who had a Bermuda workdays percentage in excess of 50% for the fiscal year, the full-time equivalent factor determined with respect to the eligible employee for the fiscal year; and
- (b) with respect to each eligible employee of a Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group who had a Bermuda workdays percentage of 50% or less for the fiscal year, the product of—
 - (i) the Bermuda workdays percentage of the eligible employee for the fiscal year; and
 - (ii) the full-time equivalent factor determined with respect to the eligible employee for the fiscal year.

(4) The full-time equivalent factor for an eligible employee for the fiscal year shall be—

- (a) in the case of an eligible employee who has an agreement with one or more Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group which establishes the standard working hours of the eligible employee with respect to the fiscal year, the product of—
 - (i) the result obtained by dividing—
 - (A) the lesser of—
 - 1 the standard working hours of the eligible employee for the fiscal year established by the agreement for the fiscal year; and
 - 2 1,540; by
 - (B) 1,540; and
 - (ii) the result obtained by dividing—
 - (A) the lesser of—
 - 1 the number of months (including a portion of a month) in which the eligible employee was employed by one or more Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group during the fiscal year; and
 - 2 12; by
 - (B) 12;
- (b) in the case of an eligible employee who is not described in paragraph (a), the product of—

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- (i) the result obtained by dividing—
 - (A) the lesser of—
 - 1 the number of hours of service provided by the eligible employee to Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group during the fiscal year; and
 - 2 1,540; by
 - (B) 1,540; and
 - (ii) the result obtained by dividing—
 - (A) the lesser of—
 - 1 the number of months (including a portion of a month) in which the eligible employee was an eligible employee of one or more Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group during the fiscal year; and
 - 2 12; by
 - (B) 12.
- (5) For the purposes of subsection (4)—
- (a) to the extent that an eligible employee had one or more agreements which established different standard working hours for the eligible employee for portions of the fiscal year, subsection (4)(a) shall be applied separately to each such portion of the fiscal year and the results obtained by such separate applications of subsection (4)(a) shall be added together to obtain an aggregate full-time equivalent factor for the eligible employee for the fiscal year, provided that for this purpose—
 - (i) the aggregate of the amounts determined pursuant to subsection (4)(a)(i)(A) for each separate application of paragraph (4)(a) for the fiscal year shall not exceed 1,540; and
 - (ii) the aggregate of the amounts determined pursuant to subsection (4)(a)(ii)(A) for each separate application of subsection (4)(a) for the fiscal year shall not exceed 12;
 - (b) to the extent that an eligible employee had an agreement for only a portion of the period during which the eligible employee was an eligible employee of one or more Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group during the fiscal year, such that the eligible employee is described in subsection (4)(a) and (b) for the fiscal year, subsection (4)(a) and (b) shall be applied separately to such portions of the fiscal year and the results obtained by such separate applications of subsection (4)(a) and (b) shall be added together to obtain an aggregate full-time equivalent factor for the eligible employee for the fiscal year, provided that for this purpose—

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- (i) the aggregate of the amounts determined pursuant to subsection (4)(a)(i)(A) and (b)(i)(A) for each separate application of subsection (4)(a) and (b) for the fiscal year shall not exceed 1,540; and
- (ii) the aggregate of the amounts determined pursuant to subsection (4)(a)(ii)(A) and (b)(ii)(A) for each separate application of subsection (4)(a) and (b) for the fiscal year shall not exceed 12.

(6) The Filing Qualifying Bermuda Group Entity may make an annual election to disregard one or more eligible employees for the purposes of this section.

Bermuda employment and training factor

17 (1) The Bermuda employment and training factor of a Qualifying Bermuda Group for a fiscal year shall be determined—

- (a) first, by computing the percentage determined by dividing—
 - (i) the eligible payroll expenses incurred by all Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group for the fiscal year with respect to eligible employees who were exempted, or would have been exempted to the extent that their services as an eligible employee were performed wholly or mainly in Bermuda, under Part V of the Bermuda Immigration and Protection Act 1956 from the requirement to hold a work permit at any time during such fiscal year; by
 - (ii) the eligible payroll expenses incurred by all Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group for the fiscal year with respect to all eligible employees;
- (b) second, by multiplying the amount determined in paragraph (a) by the sum of—
 - (i) 50%, and
 - (ii) the training percentage determined in accordance with subsection (2); and
- (c) third, by adding 100% to the amount determined in paragraph (b) and rounding the result to the nearest one-hundredth of a percent.

(2) The training percentage of the Qualifying Bermuda Group for a fiscal year shall be determined—

- (a) first, by computing the training-related eligible payroll expenses incurred with respect to each eligible employee of a Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group for the fiscal year, which shall be equal to the product of—
 - (i) the eligible payroll expenses determined in accordance with section 8 with respect to the eligible employee for the fiscal year; and
 - (ii) the result obtained by dividing—

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- (A) the number of days described in section 10(3)(a) with respect to the eligible employee for the fiscal year; by
- (B) the number of days described in section 10(4) with respect to the eligible employee for the fiscal year;
- (b) second, by aggregating the training-related eligible payroll expenses determined in accordance with paragraph (a) with respect to all eligible employees of Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group for the fiscal year;
- (c) third, by dividing—
 - (i) the amount determined in paragraph (b); by
 - (ii) the amount described in subsection (1)(a)(i); and
- (d) fourth, by multiplying the amount determined in paragraph (c) by 25% and rounding the result to the nearest one-hundredth of a percent.
- (3) At the election of the Filing Qualifying Bermuda Group Entity—
 - (a) the Bermuda employment and training factor described in subsection (1) shall be deemed to be 100% for the fiscal year;
 - (b) the training percentage described in subsection (2) shall be deemed to be 0% for the fiscal year,

provided that the elections described in paragraphs (a) and (b) shall be annual elections.

Employment growth factor

18 (1) The employment growth factor of a Qualifying Bermuda Group for a fiscal year shall be equal to the amount determined by dividing—

- (a) the amount determined in accordance with section 16(3) for the fiscal year; by
- (b) the amount which would have been determined in accordance with section 16(3) if such section had been applied to the immediately preceding fiscal year, provided that for this purpose—
 - (i) section 16(6) shall be disregarded; and
 - (ii) the Qualifying Bermuda Group shall be deemed to have met the requirements of section 6(2) for such preceding fiscal year,

with the result specified as a percentage, provided that the amount determined in accordance with this subsection shall not exceed 200%.

- (2) For the purposes of subsection (1)—
 - (a) to the extent that—

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- (i) there were no Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group during the immediately preceding fiscal year; or
- (ii) the amount determined in accordance with subsection (1)(b) is nil,
the employment growth factor of the Qualifying Bermuda Group for the fiscal year shall be deemed to be 200%;
- (b) subsection (1)(b) shall apply even if the immediately preceding fiscal year began prior to 1 January 2025;
- (c) to the extent that a Qualifying Bermuda Group Entity becomes or ceases to be a member of the Qualifying Bermuda Group during the fiscal year due to the transfer of a direct or indirect ownership interest in the Qualifying Bermuda Group Entity—
 - (i) the amount determined in accordance with subsection (1)(b) for a Qualifying Bermuda Group which disposed of the Qualifying Bermuda Group Entity shall be reduced by the number of full-time eligible employees of the Qualifying Bermuda Group Entity as determined for the portion of the fiscal year preceding the transfer date, provided that for this purpose the determination of the number of full-time eligible employee shall be made by replacing each reference to 1,540 in section 16(4) with the product of 1,540 and the result obtained by dividing—
 - (A) the number of days during the fiscal year in which the Qualifying Bermuda Group Entity was a member of the disposing Qualifying Bermuda Group; by
 - (B) the total number of days during the fiscal year of the disposing Qualifying Bermuda Group; and
 - (ii) the amount determined in accordance with subsection (1)(b) for a Qualifying Bermuda Group which acquired the Qualifying Bermuda Group Entity shall be increased by the number of full-time eligible employees of the Qualifying Bermuda Group Entity as determined for the portion of the fiscal year following the transfer date, provided that for this purpose the determination of the number of full-time eligible employee shall be made by replacing each reference to 1,540 in section 16(4) with the product of 1,540 and the result obtained by dividing—
 - (A) the number of days during the fiscal year in which the Qualifying Bermuda Group Entity was a member of the acquiring Qualifying Bermuda Group; by
 - (B) the total number of days during the fiscal year of the acquiring Qualifying Bermuda Group.

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Expense-based benefit component

19 (1) The expense-based benefit component of a Qualifying Bermuda Group Entity for a fiscal year shall be equal to the product of—

- (a) the lesser of—
 - (i) the eligible Bermuda expenses (as defined in subsection (2)) incurred by the Qualifying Bermuda Group Entity for the fiscal year; and
 - (ii) the product of the amount described in subparagraph (i) for the Qualifying Bermuda Group Entity and the result obtained by dividing—
 - (A) the product of—
 - 1 the sum of the amounts described in section 8(1) with respect to each Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group for the fiscal year; and
 - 2 25%; by
 - (B) the sum of the amounts described in subparagraph (i) with respect to each Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group for the fiscal year; and
- (b) the product of—
 - (i) the expense-based benefit factor of the Qualifying Bermuda Group for the fiscal year; and
 - (ii) the transition factor,

with the result expressed as a percentage.

(2) For the purposes of subsection (1)(a)(i)—

- (a) eligible Bermuda expenses shall include the following expenses incurred by the Qualifying Bermuda Group Entity for the fiscal year—
 - (i) Bermuda business premises Expenses;
 - (ii) Bermuda tangible asset-related expenses;
 - (iii) eligible Bermuda service expenses;
 - (iv) eligible training expenses; and
 - (v) other eligible Bermuda expenses,

provided that no portion of any such expenses may be taken into account more than once for the purposes of determining eligible Bermuda expenses for the fiscal year;
- (b) eligible Bermuda expenses shall not include—
 - (i) payroll expenses; or

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- (ii) charitable expenses; and
 - (c) the Filing Qualifying Bermuda Group Entity may elect to disregard, in whole or in part, any expenses for the purposes of determining the eligible Bermuda expenses of a Qualifying Bermuda Group Entity for the fiscal year, and the election under this paragraph is an annual election.
- (3) For the purposes of subsection (2)(a)(i)—
 - (a) Bermuda business premises expenses of a Qualifying Bermuda Group Entity for a fiscal year shall include business premises expenses determined in accordance with—
 - (i) paragraph (b); or
 - (ii) at the election of the Filing Qualifying Bermuda Group Entity, paragraph (c),

which are attributable to business premises which are located in Bermuda, and which are comprised of real property owned or leased by the Qualifying Bermuda Group Entity, including any fixtures or improvements to such property, provided that for this purpose business premises shall not include property held for sale, investment, or lease (other than property held for lease to other Qualifying Bermuda Group Entity members of the same Qualifying Bermuda Group);
 - (b) business premises expenses shall include the following expenses incurred by a Qualifying Bermuda Group Entity for the fiscal year—
 - (i) lease expenses (including service fees or charges);
 - (ii) expenses related to the depreciation or impairment of property;
 - (iii) property taxes;
 - (iv) utilities;
 - (v) cleaning, landscaping, maintenance, and repairs; and
 - (vi) insurance;
 - (c) the Filing Qualifying Bermuda Group Entity may make an annual election to—
 - (i) disregard paragraph (b) with respect to a Qualifying Bermuda Group Entity, such that none of the expenses described therein shall be included in the determination of eligible Bermuda expenses of the Qualifying Bermuda Group Entity for the fiscal year; and
 - (ii) determine business premises expenses of the Qualifying Bermuda Group Entity for the fiscal year based on the product of—
 - (A) the total square footage of the business premises owned or leased by the Qualifying Bermuda Group Entity; and

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(B) a rate of \$100 per square foot,

provided that to the extent that the business premises were only owned or leased by the Qualifying Bermuda Group Entity for a portion of the fiscal year, the rate described in clause (B) shall be multiplied by the result obtained by dividing the number of days in the fiscal year on which the business premises were owned or leased by the Qualifying Bermuda Group Entity by the total number of days in the fiscal year.

(4) Bermuda tangible asset-related expenses shall include expenses incurred by a Qualifying Bermuda Group Entity with respect to tangible assets (other than tangible assets described in subsection (3)(a)) which—

- (a) were acquired or leased by the Qualifying Bermuda Group Entity from a Bermuda Entity, provided that the Bermuda Entity is not a member of the same Qualifying Bermuda Group as the acquiring Qualifying Bermuda Group Entity; and
- (b) were located in Bermuda for more than 50% of the time during the fiscal year (or, if shorter, more than 50% of the time during the fiscal year in which the tangible assets was owned or leased by one or more members of the Qualifying Bermuda Group of which the Qualifying Bermuda Group Entity is a member).

(5) The eligible Bermuda service expenses of a Qualifying Bermuda Group Entity for a fiscal year shall be equal to the aggregate of each eligible Bermuda service expense amount incurred by the Qualifying Bermuda Group Entity for the fiscal year, and for this purpose—

- (a) with respect to each eligible service expense amount incurred by the Qualifying Bermuda Group Entity for the fiscal year, the eligible Bermuda service expense amount shall be equal to the product of—
 - (i) the eligible service expense amount; and
 - (ii) the Bermuda service element related to the eligible service with respect to which the eligible service expense amount was incurred, as determined in accordance with paragraph (d);
- (b) for the purposes of paragraph (a)(i)—
 - (i) an eligible service expense amount is an amount of expense which was incurred by the Qualifying Bermuda Group Entity in connection with the receipt of an eligible service;
 - (ii) an eligible service expense amount shall not include an amount of expense incurred with respect to services rendered by a Qualifying Bermuda Group Entity member of the same Qualifying Bermuda Group as the Qualifying Bermuda Group Entity which received the services;

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- (iii) to the extent that an expenditure would have met the requirements to be treated as an eligible service expense amount for the fiscal year, but for the fact that the expenditure was capitalised into the carrying value of an asset or liability of the Qualifying Bermuda Group Entity (rather than being expensed in the profit and loss statement) in the applicable financial statements or the applicable consolidated financial statements, as the case may be, the Filing Qualifying Bermuda Group Entity may make an annual election to increase the eligible service expense amount of the Qualifying Bermuda Group Entity for the fiscal year by the amount of the capitalised expenditure;
- (iv) to the extent that an election is made pursuant to subparagraph (iii) with respect to a capitalised expenditure—
 - (A) the carrying value of the asset or liability described in subparagraph (iii) shall be adjusted to exclude the amount of the capitalised expenditure; and
 - (B) any expenses which are determined by reference to the carrying value of the asset or liability (including, without limitation, depreciation expense) for the fiscal year or any other fiscal year shall, for the purposes of this Act, be determined by reference to the adjusted carrying value determined in accordance with clause (A);
- (c) for the purposes of paragraph (b), eligible services shall include—
 - (i) professional services (including, but not limited to, accounting, actuarial, audit, consulting, tax, legal, marketing, human resources, and corporate services);
 - (ii) investment management and related advisory services;
 - (iii) management, administrative, and outsourcing services;
 - (iv) information technology services (including, but not limited to, infrastructure and cloud management services, cybersecurity services, and other IT support services);
 - (v) insurance-specific services, including managing general agent (or similar) services, claims handling services, and brokerage services; and
 - (vi) services rendered by a director of the Qualifying Bermuda Group Entity;
- (d) the Bermuda service element related to an eligible service shall be equal to the proportion of the eligible service which was performed by individuals (including officers, employees, or contractors of the service provider, where the service provider is an entity) who were physically

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present in Bermuda at the time of the performance of such service, provided that for this purpose—

- (i) such proportion of the eligible service shall be determined in accordance with such methods and subject to such requirements as the Minister may prescribe by regulations; and
- (ii) to the extent that the conditions described in subparagraph (i) are not met with respect to an eligible service for the fiscal year, the proportion of the eligible service performed by individuals who were physically present in Bermuda at the time of the performance of the service shall be deemed to be nil for the fiscal year.

(6) For the purposes of subsection (2)(a)(iv), eligible training expenses of a Qualifying Bermuda Group Entity for a fiscal year shall include—

- (a) expenses incurred in connection with attendance at, or participation in, courses, seminars, conferences, or other structured training sessions in (or from) Bermuda during the fiscal year by eligible employees of the Qualifying Bermuda Group Entity;
- (b) with respect to eligible employees of the Qualifying Bermuda Group Entity who are exempted, or would have been exempted to the extent that their services as an eligible employee were performed wholly or mainly in Bermuda, under Part V of the Bermuda Immigration and Protection Act 1956 from the requirement to hold a work permit at any time during such fiscal year—
 - (i) expenses incurred in connection with attendance at, or participation in, courses, seminars, conferences, or other structured training sessions by the eligible employee during the fiscal year, including travel, accommodation, and related expenses to the extent that such training activities are undertaken outside of Bermuda;
 - (ii) travel, accommodation, and related expenses incurred during the fiscal year with respect to an eligible employee who is performing services in a location outside of Bermuda for an entity which is a member of the same group as the Qualifying Bermuda Group Entity, provided that this subparagraph shall only apply to expenses incurred during any period determined in accordance with section 12(b) or (c); and
 - (iii) travel, accommodation, and related expenses incurred during the fiscal year with respect to an eligible employee who is on a qualified foreign assignment as determined in accordance with section 14;
- (c) expenses incurred for the fiscal year in connection with scholarships awarded by the Qualifying Bermuda Group Entity to individuals who are exempted, or would have been exempted to the extent they were an eligible employee of the Qualifying Bermuda Group Entity and provided services to the Qualifying Bermuda Group Entity which were performed

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wholly or mainly in Bermuda, under Part V of the Bermuda Immigration and Protection Act 1956 from the requirement to hold a work permit at any time during such fiscal year;

- (d) expenses incurred for the fiscal year in connection with such other training activities as the Minister may prescribe by regulations.

(7) Other eligible Bermuda expenses shall include expenses incurred by a Qualifying Bermuda Group Entity for the fiscal year in connection with—

- (a) accommodations, meals, and ground transportation in Bermuda;
- (b) fees paid to the Bermuda Monetary Authority and the Registrar of Companies, provided that for this purpose fees shall not include penalties assessed by either organisation; and
- (c) dues related to memberships in industry or trade associations, but only to the extent that such associations are organised or incorporated as Bermuda Entities.

(8) For the purposes of subsection (7)(b), “Registrar of Companies” means the Registrar of Companies appointed under section 3 of the Companies Act 1981.

Expense-based benefit factor

20 (1) For the purposes of section 19(1)(b)(i), the expense-based benefit factor shall be—

- (a) 0% with respect to the first \$1,000,000 of eligible Bermuda expenses incurred by the Qualifying Bermuda Group for the fiscal year;
- (b) 10% with respect to the next \$1,500,000 of eligible Bermuda expenses incurred by the Qualifying Bermuda Group for the fiscal year;
- (c) 20% with respect to the next \$2,500,000 of eligible Bermuda expenses incurred by the Qualifying Bermuda Group for the fiscal year;
- (d) 30% with respect to the next \$5,000,000 of eligible Bermuda expenses incurred by the Qualifying Bermuda Group for the fiscal year;
- (e) 40% with respect to the next \$5,000,000 of eligible Bermuda expenses incurred by the Qualifying Bermuda Group for the fiscal year; and
- (f) 50% with respect to eligible Bermuda expenses in excess of \$15,000,000 incurred by the Qualifying Bermuda Group for the fiscal year.

(2) For the purposes of subsection (1), the eligible Bermuda expenses of the Qualifying Bermuda Group for the fiscal year shall be equal to the aggregate of the amounts determined in accordance with section 19(1)(a) with respect to each Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group for the fiscal year.

Transition factor

21 The transition factor of a Qualifying Bermuda Group for a fiscal year shall be—

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- (a) 50% with respect to fiscal years beginning on or after 1 January 2025 but prior to 1 January 2026;
- (b) 75% with respect to fiscal years beginning on or after 1 January 2026 but prior to 1 January 2027; and
- (c) 100% with respect to fiscal years beginning on or after 1 January 2027.

Opening tax credit carryforward of a Qualifying Bermuda Group Entity

22 (1) The total opening tax credit carryforward amount of a Qualifying Bermuda Group Entity in respect of its substance based tax credit for the fiscal year shall be equal to the total closing tax credit carryforward amount, if any, of the Qualifying Bermuda Group Entity as determined in accordance with section 27(2) at the end of the immediately preceding fiscal year, but only to the extent that the Qualifying Bermuda Group Entity was required to apply section 27(2) for such immediately preceding fiscal year.

(2) The total opening tax credit carryforward amount described in subsection (1) shall be allocated between the preceding benefit periods of the Qualifying Bermuda Group Entity.

(3) The allocation of the total opening tax credit carryforward amount for the fiscal year shall be determined by advancing, in each case by one benefit period, the benefit period allocations determined in accordance with section 27(3) at the end of the immediately preceding fiscal year.

(4) For the purposes of subsections (2) and (3)—

- (a) the total closing tax credit carryforward amount allocated to the second preceding benefit period pursuant to the application of section 27(3)(a) for the immediately preceding fiscal year shall become the total opening tax credit carryforward amount allocated to the third preceding benefit period for the purposes of applying section 23(3)(a) for the fiscal year;
- (b) the total closing tax credit carryforward amount allocated to the first preceding benefit period pursuant to the application of section 27(3)(b) for the immediately preceding fiscal year shall become the total opening tax credit carryforward amount allocated to the second preceding benefit period for the purposes of applying section 23(3)(b) for the fiscal year; and
- (c) the total closing tax credit carryforward amount allocated to the immediately preceding fiscal year pursuant to the application of section 27(3)(c) for the immediately preceding fiscal year shall become the total opening tax credit carryforward amount allocated to the first preceding benefit period for the purposes of applying section 23(3)(c) for the fiscal year.

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Opening tax credit carryforward of a Qualifying Bermuda Group

23 (1) The total opening tax credit carryforward amount of a Qualifying Bermuda Group in respect of its substance-based tax credit for a fiscal year shall be equal to the aggregate of the total opening tax credit carryforward amounts, if any, determined in accordance with section 22(1) for each Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group for the fiscal year.

(2) The total opening tax credit carryforward amount described in subsection (1) shall be allocated to each preceding benefit period of the Qualifying Bermuda Group.

(3) For the purposes of subsection (2), the total opening tax credit carryforward amount of the Qualifying Bermuda Group for the fiscal year shall be allocated to—

- (a) the third preceding benefit period in an amount equal to the aggregate of the amounts allocated to the third preceding benefit period for each Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group in accordance with section 22(4)(a) for the fiscal year;
- (b) the second preceding benefit period in an amount equal to the aggregate of the amounts allocated to the second preceding benefit period for each Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group in accordance with section 22(4)(b) for the fiscal year; and
- (c) the first preceding benefit period in an amount equal to the aggregate of the amounts allocated to the first preceding benefit period for each Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group in accordance with section 22(4)(c) for the fiscal year.

Distributable substance-based tax credit benefit of a Qualifying Bermuda Group

24 (1) The distributable substance-based tax credit benefit of the Qualifying Bermuda Group for the fiscal year shall be equal to the lesser of—

- (a) the available tax credit benefit determined in accordance with subsection (2) for the fiscal year; and
- (b) the distributable tax credit benefit limitation determined in accordance with subsection (4) for the fiscal year.

(2) The available tax credit benefit for the fiscal year shall be equal to the sum of—

- (a) the accrued substance-based tax credit benefit of the Qualifying Bermuda Group determined in accordance with subsection (3) for the fiscal year; and
- (b) the total opening tax credit carryforward of the Qualifying Bermuda Group determined in accordance with section 23(1) for the fiscal year.

(3) The accrued substance-based tax credit benefit of the Qualifying Bermuda Group for a fiscal year shall be equal to the aggregate of all accrued substance-based tax credit benefits determined in accordance with section 6(1) for each Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group.

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(4) The distributable tax credit benefit limitation for the fiscal year shall be equal to the greater of—

- (a) the product of—
 - (i) the Aggregate Bermuda Tax Charge determined in accordance with subsection (5) for the fiscal year; and
 - (ii) the distributable benefit factor determined in accordance with subsection (6) for the fiscal year; and
- (b) the amount described in section 23(3)(a) for the fiscal year.

(5) The Aggregate Bermuda Tax Charge of the Qualifying Bermuda Group for the fiscal year shall be equal to the sum of—

- (a) the CIT charge of the Qualifying Bermuda Group for the fiscal year; and
- (b) the sum of with respect to each payroll tax period which falls—
 - (i) entirely within the fiscal year of the Qualifying Bermuda Group, the aggregate of the payroll tax charges incurred by each Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group for such payroll tax period; and
 - (ii) partly within and partly without the fiscal year of the Qualifying Bermuda Group, an amount equal to the product of—
 - (A) the aggregate payroll tax charges incurred by each Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group for the payroll tax period; and
 - (B) the result obtained by dividing—
 - 1 the number of days in the payroll tax period which fall within the fiscal year of the Qualifying Bermuda Group; by
 - 2 the total number of days in the payroll tax period.

(6) The distributable benefit factor shall be—

- (a) 25% with respect to fiscal years beginning on or after 1 January 2025 but before 1 January 2026;
- (b) 50% with respect to fiscal years beginning on or after 1 January 2026 but before 1 January 2027;
- (c) 75% with respect to fiscal years beginning on or after 1 January 2027 but before 1 January 2028;
- (d) 100% with respect to fiscal years beginning on or after 1 January 2028.

Closing tax credit carryforward of a Qualifying Bermuda Group

25 (1) The total closing tax credit carryforward amount of a Qualifying Bermuda Group for a fiscal year shall be equal to the excess, if any, of—

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- (a) the amount described in section 24(1)(a); over
- (b) the amount described in section 24(1)(b),

for the fiscal year.

(2) The total closing tax credit carryforward amount, if any, determined in accordance with subsection (1) shall be allocated between the preceding benefit periods of the Qualifying Bermuda Group and, for this purpose, the total closing tax credit carryforward amount of the Qualifying Bermuda Group for the fiscal year shall be allocated to—

- (a) the second preceding benefit period of the Qualifying Bermuda Group, to the extent of the result obtained by—
 - (i) adding the portion of the total opening tax credit carryforward of the Qualifying Bermuda Group which was allocated to the second preceding benefit period in accordance with section 23(3)(b); and
 - (ii) subtracting the lesser of—
 - (A) the amount determined in accordance with section 24(4) for the fiscal year, reduced by the amount determined in accordance with section 23(3)(a); and
 - (B) the amount described in subparagraph (a)(i);
- (b) the first preceding benefit period of the Qualifying Bermuda Group, to the extent of the result obtained by—
 - (i) adding the portion of the total opening tax credit carryforward of the Qualifying Bermuda Group which was allocated to the first preceding benefit period in accordance with section 23(3)(c); and
 - (ii) subtracting the lesser of—
 - (A) the amount determined in accordance with section 24(4) for the fiscal year, reduced by the amount determined in accordance with section 23(3)(a) and subsection (2)(a)(ii) of this section for the fiscal year; and
 - (B) the amount described in paragraph (b)(i); and
- (c) the fiscal year of the Qualifying Bermuda Group, to the extent of the result obtained by—
 - (i) adding the amount determined in accordance with section 24(3) for the fiscal year; and
 - (ii) subtracting the amount determined in accordance with section 24(4) for the fiscal year, reduced by the amount determined in accordance with section 23(3)(a) and subsection (2)(a)(ii) and (b)(ii) of this section for the fiscal year.

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Distributable substance-based tax credit benefit of a Qualifying Bermuda Group Entity

26 (1) The distributable substance-based tax credit benefit of a Qualifying Bermuda Group Entity for a fiscal year shall be determined in accordance with—

- (a) subsection (2), to the extent that the amount described in section 24(1)(b) equals or exceeds the amount described in section 24(1)(a) for the fiscal year; or
- (b) subsection (3), to the extent that the amount described in section 24(1)(a) exceeds the amount described in section 24(1)(b) for the fiscal year.

(2) For the purposes of subsection (1)(a), the distributable substance-based tax credit benefit of a Qualifying Bermuda Group Entity for the fiscal year shall be equal to the sum of—

- (a) the accrued substance-based tax credit benefit determined in accordance with section 6(1) for the Qualifying Bermuda Group Entity for the fiscal year; and
- (b) the total opening tax credit carryforward amount determined in accordance with section 22(1) for the Qualifying Bermuda Group Entity for the fiscal year.

(3) For the purposes of subsection (1)(b), the distributable substance-based tax credit benefit of a Qualifying Bermuda Group Entity for the fiscal year shall be equal to the sum of—

- (a) the product of—
 - (i) the amount determined in accordance with section 23(3)(a) for the fiscal year; and
 - (ii) the result obtained by dividing—
 - (A) the amount determined in accordance with section 22(4)(a) for the fiscal year; by
 - (B) the amount determined in accordance with section 23(3)(a) for the fiscal year;
- (b) the product of—
 - (i) the lesser of the amounts determined for the fiscal year in accordance with—
 - (A) section 25(2)(a)(ii)(A); and
 - (B) section 25(2)(a)(ii)(B); and
 - (ii) the result obtained by dividing—
 - (A) the amount determined in accordance with section 22(4)(b) for the fiscal year; by

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- (B) the amount determined in accordance with section 23(3)(b) for the fiscal year;
- (c) the product of—
 - (i) the lesser of the amounts determined for the fiscal year in accordance with—
 - (A) section 25(2)(b)(ii)(A); and
 - (B) section 25(2)(b)(ii)(B); and
 - (ii) the result obtained by dividing—
 - (A) the amount determined in accordance with section 22(4)(c) for the fiscal year; by
 - (B) the amount determined in accordance with section 23(3)(c) for the fiscal year; and
- (d) the product of—
 - (i) the amount determined in accordance with section 25(2)(c)(ii) for the fiscal year; and
 - (ii) the result obtained by dividing—
 - (A) the accrued substance-based tax credit benefit of the Qualifying Bermuda Group Entity as determined in accordance with section 6(1) for the fiscal year; by
 - (B) the accrued substance-based tax credit benefit of the Qualifying Bermuda Group as determined in accordance with section 24(3) for the fiscal year.

Closing tax credit carryforward of a Qualifying Bermuda Group Entity

27 (1) To the extent that a total closing tax credit carryforward amount is determined with respect to a Qualifying Bermuda Group in accordance with section 25(1)—

- (a) the total closing tax credit carryforward amount of each Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group shall be determined in accordance with subsection (2); and
- (b) the total closing tax credit carryforward amount of a Qualifying Bermuda Group Entity determined in accordance with subsection (2) shall be allocated to preceding benefit periods in accordance with subsection (3).

(2) The total closing tax credit carryforward amount of a Qualifying Bermuda Group Entity for the fiscal year shall be equal to—

- (a) the sum of—

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- (i) the total opening tax credit carryforward amount of the Qualifying Bermuda Group Entity determined in accordance with section 22(1) for the fiscal year; and
 - (ii) the accrued substance-based tax credit benefit of the Qualifying Bermuda Group Entity determined in accordance with section 6(1) for the fiscal year; less
 - (b) the amount described in section 26(3) for the fiscal year.
- (3) The total closing tax credit carryforward amount described in subsection (2) shall be allocated between the preceding benefit periods of the Qualifying Bermuda Group Entity and, for this purpose, the total closing tax credit carryforward amount allocated to the—
- (a) second preceding benefit period of the Qualifying Bermuda Group Entity shall be equal to the product of—
 - (i) the total closing tax credit carryforward amount of the Qualifying Bermuda Group allocated to the second preceding benefit period in accordance with section 25(2)(a) for the fiscal year; and
 - (ii) the result obtained by dividing—
 - (A) the amount determined in accordance with section 22(4)(b) for the fiscal year; by
 - (B) the amount determined in accordance with section 23(3)(b) for the fiscal year;
 - (b) first preceding benefit period of the Qualifying Bermuda Group Entity shall be equal to the product of—
 - (i) the total closing tax credit carryforward amount of the Qualifying Bermuda Group allocated to the first preceding benefit period in accordance with section 25(2)(b) for the fiscal year; and
 - (ii) the result obtained by dividing—
 - (A) the amount determined in accordance with section 22(4)(c) for the fiscal year; by
 - (B) the amount determined in accordance with section 23(3)(c) for the fiscal year; and
 - (c) the fiscal year of the Qualifying Bermuda Group Entity shall be equal to the product of—
 - (i) the total closing tax credit carryforward amount of the Qualifying Bermuda Group allocated to the fiscal year in accordance with section 25(2)(c); and
 - (ii) the result obtained by dividing—

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- (A) the accrued substance-based tax credit benefit of the Qualifying Bermuda Group Entity as determined in accordance with section 6(1) for the fiscal year; by
- (B) the accrued substance-based tax credit benefit of the Qualifying Bermuda Group as determined in accordance with section 24(3) for the fiscal year.

PART 4

COMMUNITY DEVELOPMENT TAX CREDIT

Community development tax credit benefit

28 (1) The community development tax credit benefit of a Qualifying Bermuda Group Entity member of a Qualifying Bermuda Group for a fiscal year shall be equal to the product of—

- (a) the eligible charitable expenses incurred by the Qualifying Bermuda Group Entity for the fiscal year; and
 - (b) 25%.
- (2) For the purposes of subsection (1)—
- (a) a Bermuda Group shall be regarded as a Qualifying Bermuda Group for a fiscal year to the extent that the aggregate eligible charitable expenses incurred by all Bermuda Entity members of the Bermuda Group for—
 - (i) the fiscal year;
 - (ii) the first preceding fiscal year; and
 - (iii) the second preceding fiscal year,equals or exceeds \$300,000, provided that for this purpose the fiscal years described in subparagraphs (ii) and (iii) may include fiscal years which begin before 1 January 2025;
 - (b) a charity shall not be regarded as a Qualifying Bermuda Group Entity;
 - (c) eligible charitable expenses shall mean charitable expenses incurred by the Qualifying Bermuda Group Entity for a fiscal year with respect to charitable contributions made to one or more eligible Bermuda charities, provided that—
 - (i) to the extent that any expenses determined in accordance with section 5(1) for the fiscal year were incurred with respect to charitable contributions which were not paid to eligible Bermuda charities on or before the last day of the third month following the end of the fiscal year, such expenses—

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- (A) shall not be included in the determination of eligible charitable expenses for the fiscal year in which the expenses were recognised for the purposes of section 5(1); and
 - (B) shall be included in the determination of eligible charitable expenses in the fiscal year (or years) in which the charitable contributions are paid to eligible Bermuda charities;
 - (ii) eligible charitable expenses shall only include charitable expenses which were incurred with respect to charitable contributions which have been (or will be) made in cash;
 - (iii) charitable expenses shall only be regarded as eligible charitable expenses to the extent that the Qualifying Bermuda Group Entity has received acknowledgment from the eligible Bermuda charity, in such form and manner as the Minister may prescribe by regulations, that—
 - (A) the criteria in subsection (3) were met by the eligible Bermuda charity at the time the contribution was received (or will be met as a result of the contribution); and
 - (B) at least 75% of the charitable contribution shall be utilised by the eligible Bermuda charity for a Bermuda-based charitable purpose; and
 - (iv) the Filing Qualifying Bermuda Group Entity may elect, as an annual election, to disregard, in whole or in part, the charitable expenses incurred by a Qualifying Bermuda Group Entity for the fiscal year.
- (3) For the purposes of this part, a charity shall be regarded as an eligible Bermuda charity to the extent that the charity is registered under the Charities Act 2014 and is required under that Act or regulations made thereunder to file audited financial statements.

PART 5

UTILITIES INFRASTRUCTURE TAX CREDIT

Utilities infrastructure tax credit benefit of a Qualifying Bermuda Group Entity

29 (1) The utilities infrastructure tax credit benefit of a Qualifying Bermuda Group Entity member of a Qualifying Bermuda Group for a fiscal year shall be equal to the product of—

- (a) the utilities infrastructure tax credit benefit of the Qualifying Bermuda Group, as determined pursuant to section 30(1) for the fiscal year; and
- (b) the pro rata share of the Qualifying Bermuda Group Entity, as determined in accordance with subsection (2) for the fiscal year.

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(2) The pro rata share of the Qualifying Bermuda Group Entity for the fiscal year shall be equal to the sum of—

- (a) the product of—
 - (i) the result obtained by dividing—
 - (A) the amount described in section 30(1)(b)(i) for the fiscal year; by
 - (B) the amount described in section 30(1)(b) for the fiscal year; and
 - (ii) the result obtained by dividing—
 - (A) the eligible payroll expenses described in section 8(1) for the Qualifying Bermuda Group Entity for the fiscal year; by
 - (B) the amount described in section 31(1)(a) for the fiscal year; and
- (b) the product of—
 - (i) the result obtained by dividing—
 - (A) the amount described in section 30(1)(b)(ii) for the fiscal year; by
 - (B) the amount described in section 30(1)(b) for the fiscal year; and
 - (ii) the result obtained by dividing—
 - (A) the eligible carrying value of tangible assets of the Qualifying Bermuda Group Entity determined in accordance with section 32(2)(b) for the fiscal year; by
 - (B) the amount described in section 32(1)(a) for the fiscal year,

with the result expressed as a percentage rounded to the nearest one-hundredth of a percent, provided that the aggregate pro rata share of all Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group shall not exceed 100% for a fiscal year.

Utilities infrastructure tax credit benefit of a Qualifying Bermuda Group

30 (1) The utilities infrastructure tax credit benefit of a Qualifying Bermuda Group for a fiscal year shall be equal to the lesser of—

- (a) the CIT charge, if any, of the Qualifying Bermuda Group for the fiscal year; and
- (b) the sum of—
 - (i) the payroll-based benefit component determined in accordance with section 31(1); and
 - (ii) the tangible asset-based benefit component determined in accordance with section 32(1),

for the Qualifying Bermuda Group for the fiscal year.

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(2) For the purposes of subsection (1), a Qualifying Bermuda Group is a Bermuda Group which includes at least one Bermuda Entity which is licensed or has received a permit under—

- (a) the Electronic Communications Act 2011;
- (b) the Electricity Act 2016;
- (c) the Submarine Communications Cables Act 2020; or
- (d) the Fuels Act 2022.

Payroll-based benefit component

31 (1) The payroll-based benefit component of a Qualifying Bermuda Group for the purposes of the utilities infrastructure tax credit shall be equal to the product of—

- (a) the eligible payroll expenses of the Qualifying Bermuda Group for the fiscal year; and
- (b) the payroll benefit factor of the Qualifying Bermuda Group for the fiscal year.

(2) For the purposes of paragraph (1)(a), the eligible payroll expenses of the Qualifying Bermuda Group shall be equal to the aggregate of the eligible payroll expenses described in section 8(1) for each Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group for the fiscal year, provided that no portion of the eligible payroll expenses may be taken into account more than once by the Qualifying Bermuda Group for the fiscal year.

(3) For the purposes of paragraph (1)(b), the payroll benefit factor shall be—

- (a) 9.6% for fiscal years beginning on or after 1 January 2025 but prior to 1 January 2026;
- (b) 9.4% for fiscal years beginning on or after 1 January 2026 but prior to 1 January 2027;
- (c) 9.2% for fiscal years beginning on or after 1 January 2027 but prior to 1 January 2028;
- (d) 9.0% for fiscal years beginning on or after 1 January 2028 but prior to 1 January 2029;
- (e) 8.2% for fiscal years beginning on or after 1 January 2029 but prior to 1 January 2030;
- (f) 7.4% for fiscal years beginning on or after 1 January 2030 but prior to 1 January 2031;
- (g) 6.6% for fiscal years beginning on or after 1 January 2031 but prior to 1 January 2032;
- (h) 5.8% for fiscal years beginning on or after 1 January 2032 but prior to 1 January 2033;

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- (i) 5.0% for fiscal years beginning on or after 1 January 2033.

Tangible asset-based benefit component

32 (1) The tangible asset-based benefit component of a Qualifying Bermuda Group for the purposes of the utilities infrastructure tax credit shall be equal to the product of—

- (a) the eligible carrying value of tangible assets of the Qualifying Bermuda Group for the fiscal year; and
 - (b) the tangible assets benefit factor of the Qualifying Bermuda Group for the fiscal year.
- (2) For the purposes of paragraph (1)(a)—
- (a) the eligible carrying value of tangible assets of the Qualifying Bermuda Group shall be equal to the sum of the eligible carrying value of tangible assets determined in accordance with paragraph (b) for each Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group for the fiscal year, provided that no portion of the eligible carrying value of a tangible asset may be taken into account more than once by the Qualifying Bermuda Group for the fiscal year;
 - (b) the eligible carrying value of tangible assets of a Qualifying Bermuda Group Entity for the fiscal year shall be equal to the sum of—
 - (i) with respect to each tangible asset which was located in Bermuda for more than 50% of the time during the fiscal year (or, if shorter, the time during the fiscal year in which the tangible asset was owned by one or more members of the Qualifying Bermuda Group of which the Qualifying Bermuda Group Entity is a member), the product of—
 - (A) the average carrying value of the tangible asset for the fiscal year; and
 - (B) 100%; and
 - (ii) with respect to each tangible asset which was located in Bermuda for 50% or less of the time during the fiscal year (or, if shorter, the time during the fiscal year in which the tangible asset was owned by one or more members of the Qualifying Bermuda Group of which the Qualifying Bermuda Group Entity is a member), the product of—
 - (A) the average carrying value of the tangible asset for the fiscal year, and
 - (B) the result obtained by dividing—
 - 1 the number of days during the fiscal year in which the tangible asset was located in Bermuda; by
 - 2 the total number of days during the fiscal year (or, if less, the total number of days during the fiscal year in which the tangible asset was owned by one or more members of the

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Qualifying Bermuda Group of which the Qualifying Bermuda Group Entity is a member).

(3) The average carrying value of a tangible asset of a Qualifying Bermuda Group Entity for a fiscal year shall be equal to the simple average of the carrying values of the tangible asset on the first and last day of the fiscal year as recorded in the applicable financial statements or the applicable consolidated financial statements, as the case may be.

(4) For the purposes of subsection (3)—

- (a) the carrying value of a tangible asset shall be the value, net of accumulated depreciation or amortisation, recorded in the applicable financial statements or the applicable consolidated financial statements, as the case may be, provided that—
 - (i) the carrying value of the tangible asset shall be determined after taking into account any consolidating elimination entries recognised in the applicable consolidated financial statements as a result of—
 - (A) a transfer of the tangible asset between members of the Qualifying Bermuda Group, or
 - (B) a leasing arrangement between members of the Qualifying Bermuda Group;
 - (ii) the carrying value of the tangible asset shall be determined prior to consideration of any increase in the carrying value which is attributable to a revaluation of the tangible asset for financial statement purposes; and
 - (iii) the carrying value of the tangible asset shall be determined after taking into account any purchase accounting adjustments recognised for financial statement purposes;
- (b) to the extent that an asset is—
 - (i) acquired during the fiscal year, its carrying value on the first day of the fiscal year shall be zero; or
 - (ii) disposed of during the fiscal year, its carrying value on the last day of the fiscal year shall be zero; and
- (c) the Filing Qualifying Bermuda Group Entity may elect to disregard, in whole or in part, the carrying value of tangible assets of a Qualifying Bermuda Group Entity for the fiscal year, and such election shall be taken to be an annual election.

(5) For the purposes of paragraph (1)(b), the tangible assets benefit factor shall be—

- (a) 7.6% for fiscal years beginning on or after 1 January 2025 but prior to 1 January 2026;

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- (b) 7.4% for fiscal years beginning on or after 1 January 2026 but prior to 1 January 2027;
- (c) 7.2% for fiscal years beginning on or after 1 January 2027 but prior to 1 January 2028;
- (d) 7.0% for fiscal years beginning on or after 1 January 2028 but prior to 1 January 2029;
- (e) 6.6% for fiscal years beginning on or after 1 January 2029 but prior to 1 January 2030;
- (f) 6.2% for fiscal years beginning on or after 1 January 2030 but prior to 1 January 2031;
- (g) 5.8% for fiscal years beginning on or after 1 January 2031 but prior to 1 January 2032;
- (h) 5.4% for fiscal years beginning on or after 1 January 2032 but prior to 1 January 2033;
- (i) 5.0% for fiscal years beginning on or after 1 January 2033.

PART 6

CORPORATE RESTRUCTURING AND FINAL REQUIREMENTS

Corporate restructuring

33 To the extent that a Bermuda Entity is described in—

- (a) section 5(1)(a); or
- (b) section 5(1)(b) with respect to any one specific group,

for only a portion of a fiscal year, including (but not limited to) where such circumstances arise due to a transfer of any direct or indirect ownership interest in the Bermuda Entity during the fiscal year, the provisions of this Act shall be applied separately to such portion of the fiscal year in the same manner as if such portion was a fiscal year.

Conversion of foreign currency

34 (1) To the extent that the applicable financial statements or the applicable consolidated financial statements, as the case may be, are presented in a currency other than the Bermuda dollar or the U.S. dollar—

- (a) the total accrued tax credit benefit and the distributable tax credit benefit of the Qualifying Bermuda Group Entity for the fiscal year shall initially be calculated in such other currency; and
- (b) the amount described in paragraph (a) shall then be converted into U.S. dollars;

(2) For the purposes of paragraph (1)(b)—

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- (a) the methodology; and
- (b) the official exchange rate,

for converting the amount described in paragraph (1)(a) into U.S. dollars shall be as the Minister may prescribe by regulations.

(3) The distributable tax credit benefit included in the determination of adjusted tax payments for the fiscal year in accordance with section 4(1)(a) shall be denominated in U.S. dollars, and payments determined in accordance with section 4(1)(b) shall be made in U.S. dollars provided that, upon request, the Agency may at its discretion make such payments in Bermuda dollars.

Accrual against tax refund reserve fund

35 (1) For the purposes of the Corporate Income Tax Act 2023 or regulations made thereunder, in relation to the tax refund reserve fund, the total accrued tax credit benefit of a Qualifying Bermuda Group BCE for a fiscal year is a tax credit benefit that is required to be accrued in the tax refund reserve fund.

(2) For the purposes of subsection (1), the total accrued tax credit benefit of a Qualifying Bermuda Group BCE for a fiscal year shall be equal to the sum of—

- (a) the accrued substance-based tax credit benefit;
- (b) the community development tax credit benefit; and
- (c) the utilities infrastructure tax credit benefit,

for the Qualifying Bermuda Group BCE for the fiscal year, provided that to the extent that section 36(2) applies with respect to the Qualifying Bermuda Group BCE for the fiscal year, such sum shall be adjusted in accordance with section 36(4).

Requirement to file claim

36 (1) To the extent that a Filing Qualifying Bermuda Group Entity is eligible to claim a tax credit benefit on behalf of a Qualifying Bermuda Group Entity for a fiscal year pursuant to section 3, the tax credit benefit shall only be allowed to the Qualifying Bermuda Group Entity to the extent that the Filing Qualifying Bermuda Group Entity claims the tax credit benefit on a form filed in such manner and subject to such requirements as the Minister may prescribe by regulations.

(2) Notwithstanding subsection (1), to the extent that—

- (a) a Filing Qualifying Bermuda Group Entity is eligible to claim a tax credit benefit on behalf of a Qualifying Bermuda Group Entity for a fiscal year pursuant to section 3; and
- (b) the Filing Qualifying Bermuda Group Entity claims the tax credit benefit on a form filed after any relevant due date,

then subsection (3) shall apply.

(3) To the extent that this subsection applies, each of—

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- (a) the distributable tax credit benefit; and
- (b) the amount determined in accordance with section 27(3)(c),

determined for a Qualifying Bermuda Group Entity for the fiscal year shall be adjusted by applying the late filing adjustment factor to each such amount.

(4) The late filing adjustment factor to be applied to the amounts described in subsection (3) or section 35(2) for a Qualifying Bermuda Group Entity for the fiscal year shall be—

- (a) 95%, to the extent that the form referred to in subsection (2) was filed—
 - (i) after the relevant due date; and
 - (ii) on or before the last day of the first month following the date described in paragraph (a)(i);
- (b) 75%, to the extent that the form was filed—
 - (i) after the date described in paragraph (a)(ii); and
 - (ii) on or before the last day of the sixth month following the date described in paragraph (a)(i);
- (c) 50%, to the extent that the form was filed—
 - (i) after the date described in paragraph (b)(ii); and
 - (ii) on or before the last day of the twelfth month following the date described in paragraph (a)(i);
- (d) 25%, to the extent that the form was filed—
 - (i) after the date described in paragraph (c)(ii); and
 - (ii) on or before the last day of the eighteenth month following the date described in paragraph (a)(i);
- (e) 0%, to the extent that the form was filed after the date described in paragraph (d)(ii).

PART 7

CIVIL PENALTIES AND APPEALS

Interpretation for Part 7

37 In this Part—

“substantial authority” means authority from one or more of the following sources—

- (a) this Act or any regulations made thereunder;
- (b) decisions of the Court;

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- (c) determinations by the Agency;
- (d) official guidance or "frequently asked questions" issued in relation to any of the foregoing,

where the authority is sufficient to give rise to more than a reasonable basis for the treatment, but does not necessarily establish that the treatment is correct on the balance of probabilities;

"substantial overstatement" means an overstatement which exceeds 20% of the distributable tax credit benefit which should have been reported had the overstatement not occurred;

"overstatement" means the circumstances where the amount of the distributable tax credit benefit shown on the Bermuda Tax Credit Claim Form for the fiscal year, together with any adjustments shown on a qualified amended Bermuda Tax Credit Claim Form for the fiscal year, is more than the amount of the distributable tax credit benefit that the Filing Qualifying Bermuda Group Entity ought to have reported on such Bermuda Tax Credit Claim Form.

Failure to accurately state the tax credit benefit

38 (1) To the extent that there is an overstatement of the distributable tax credit benefit claimed on any form with respect to a Qualifying Bermuda Group Entity and such overstatement is attributable to—

- (a) negligence;
- (b) careless, reckless or intentional disregard of the provisions of this Act (or any related regulations); or
- (c) a substantial overstatement,

then the Agency shall impose a civil penalty of up to 20% of the amount of such overstatement on the Filing Qualifying Bermuda Group Entity of the Qualifying Bermuda Group.

(2) The amount of any overstatement shall be deemed reduced by that portion of the overstatement which is attributable to—

- (a) the treatment of any item by the Qualifying Bermuda Group Entity if there is or was substantial authority for such treatment; or
- (b) any item if the relevant facts affecting the item's treatment are adequately disclosed in the relevant form for the fiscal year, provided that—
 - (i) disclosure with respect to a recurring item must be made for each fiscal year in which the item is taken into account; and
 - (ii) an item shall only be adequately disclosed if it is disclosed in the manner as the Minister may prescribe by regulations and disclosed with sufficient detail and clarity so as to enable the Agency to make a

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reasonably informed and accurate assessment of the nature, scope and effect of the item disclosed.

(3) The Agency shall not impose a civil penalty under this section on all or portion of an overstatement if there was reasonable cause for it and the Filing Qualifying Bermuda Group Entity acted in good faith with respect to such overstatement.

(4) In assessing whether or not a Filing Qualifying Bermuda Group Entity had reasonable cause and acted in good faith for the purposes of this section, the Agency shall, notwithstanding section 40, take into account, if disclosed to the Agency, any advice the Filing Qualifying Bermuda Group Entity received from professional advisors qualified to advise upon this Act and any related laws or guidance.

Interest to be chargeable

39 To the extent that the distributable tax credit benefit claimed with respect to a Qualifying Bermuda Group NBCE is determined to have been overstated, interest shall be chargeable in respect of such overstatement at the rates and in the manner as the Minister may prescribe by regulations.

Power to impose civil penalties

40 (1) The Agency may, where it deems appropriate, impose the civil penalties prescribed by this Part.

(2) Civil penalties under this Part shall be imposed on Qualifying Bermuda Group Entities, and where a penalty is imposed on a Qualifying Bermuda Group Entity, each other Qualifying Bermuda Group Entity that is a member of the same Qualifying Bermuda Group shall be jointly and severally liable for the penalty.

(3) The Agency shall, upon having considered the conduct of the Qualifying Bermuda Group as provided in subsection (4), decide—

- (a) whether an overstatement requiring the imposition of a civil penalty under this Part has occurred; and
- (b) the amount of the penalty to be imposed (in circumstances where a maximum penalty is specified).

(4) The Agency shall, for the purposes of subsection (3) and in addition to such further criteria prescribed in this Part, consider the conduct of the Qualifying Bermuda Group, including—

- (a) whether or not any relevant guidance was followed;
- (b) the amount of the overstatement (if any) in a distributable tax credit benefit which results from the conduct which is the subject of the penalty; and
- (c) whether or not responses were received in respect of any enquiries by the Agency together with the content and timeliness of such responses.

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(5) A civil penalty imposed shall not relieve any person from their obligation to repay any overstatement of a distributable tax credit benefit claimed (including any interest thereon).

(6) Multiple penalties may be imposed where the circumstances give rise to multiple overstatements.

(7) Subject to subsections (8) and (9), the Agency may impose a penalty against a Qualifying Bermuda Group Entity referred to in subsection (2) by way of written notice, which notice shall—

- (a) provide that a penalty shall be due and payable as of the date of such notice; and
- (b) notwithstanding subsection (2), not be required to be addressed to each member of the Qualifying Bermuda Group to be valid.

(8) The Agency must, prior to imposing a penalty under subsection (7), issue a warning notice to the Qualifying Bermuda Group Entity against whom such penalty is proposed, and such warning notice shall—

- (a) indicate the offence for which a penalty is proposed and the reasons the Agency has determined to impose such penalty;
- (b) indicate the proposed amount of the penalty;
- (c) state that if a penalty is imposed each other Qualifying Bermuda Group Entity that is a member of the same Qualifying Bermuda Group shall be jointly and severally liable for the penalty; and
- (d) state that the affected Qualifying Bermuda Group Entity has 28 days from the date of the warning notice to respond in writing to the warning notice.

(9) Following the expiry of the 28 day response period provided for in subsection (8), the Agency shall issue a decision notice in respect of any warning notice, and a decision notice shall confirm whether or not a penalty has been imposed and, if it has been imposed, the amount of such penalty.

(10) A civil penalty imposed pursuant to this Part may be recovered by the Agency as a debt.

Appeal to Supreme Court

41 (1) A person who is aggrieved by any decision of the Minister or Agency made under this Act or regulations made thereunder may appeal to the Supreme Court against the decision.

(2) On any appeal under this section, the Court may make such order, including an order for costs, as it thinks just.

(3) Section 62 of the Supreme Court Act 1905 shall be deemed to extend to the making of rules under that section to regulate the practice and procedure on an appeal under this section.

PART 8
MISCELLANEOUS

Regulations and guidance

42 (1) The Minister may make such regulations as are necessary or expedient to give effect to the provisions of this Act, including for any transitional, incidental, supplementary or consequential provisions.

(2) The negative resolution procedure shall apply to regulations made under this section.

(3) The Minister may from time-to-time issue guidance on the application of any part of this Act.

Consequential amendments

43 The Schedule has effect with respect to the consequential amendments to—

- (a) the Public Treasury (Administration and Payments) Act 1969 (the Act) in relation to section 12A inserted into the Act under section 2 of the Public Treasury (Administration and Payments) Amendment Act 2023; and
- (b) the Taxes Management Act 1976 (the Act) in relation to section 18A inserted into the Act under section 3(3) of the Public Treasury (Administration and Payments) Amendment Act 2023.

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SCHEDULE

(section 43)

CONSEQUENTIAL AMENDMENTS

Amends Public Treasury (Administration and Payments) Act 1969

1 (1) Section 12A of the Public Treasury (Administration and Payments) Act 1969 is amended by inserting, after subsection (2), the following new subsection—

“(2A) Notwithstanding subsection (2)—

- (a) the refund of an overpayment pursuant to the Corporate Income Tax Act 2023 or regulations made thereunder shall, subject to there being insufficient sums standing to the credit of the tax refund reserve fund established pursuant to section 50A of Corporate Income Tax Act 2023 to pay such overpayment refund, be made out of the Consolidated Fund; and
- (b) the payment of tax credit benefits pursuant to the Tax Credits Act 2025 (where such benefits are not distributed in the form of an overpayment pursuant to the Corporate Income Tax Act 2023 and regulations made thereunder) shall be made out of the Consolidated Fund in accordance with the Tax Credits Act 2025 and regulations made thereunder.”.

(2) Section 12A of the Public Treasury (Administration and Payments) Act 1969 is amended in subsection (4) by repealing the definition of “rebate” and substituting the following—

“ “rebate” means a full or partial payment of an amount equal to any taxes, fees or duty paid by a person under any law in accordance with the entitlement to the rebate accorded under the applicable law and shall include, for these purposes—

- (a) any refund of an overpayment pursuant to the Corporate Income Tax Act 2023 or regulations made thereunder; or
- (b) the payment of any tax credit benefit pursuant to the Tax Credits Act 2025 or any regulations made thereunder.”.

Amends Taxes Management Act 1976

2 Section 18A of the Taxes Management Act 1976 is amended by—

- (a) numbering the current section as subsection (1); and
- (b) inserting, after subsection (1), the following new subsection—

“(2) Subsection (1) shall not apply where—

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- (a) the payment of a tax credit benefit is authorised pursuant to the Tax Credits Act 2025 or regulations made thereunder; or
- (b) the refund of an overpayment is authorised pursuant to the Corporate Income Tax Act 2023 or regulations made thereunder.”.

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EXPLANATORY MEMORANDUM

This Bill seeks to provide tax credit so as to incentivise industries that are instrumental in the growth and development of the Bermuda economy to invest in their on-island operations; to encourage such investment where it results in increased employment in Bermuda and increased job opportunities for Bermudians; to further encourage such investment where it results in increased expenditure on domestic goods and services and thereby benefits the wider local Bermuda economy; and, lastly, to recognise and encourage charitable contributions where such charitable contributions represent a meaningful contribution to the community.

Clause 1 provides a citation for the Bill.

Clause 2 provides definitions for specific terms used in the Bill.

Clause 3 establishes the concept of tax credits in Bermuda law and provides for their application to be with effect from 1 January 2025. The clause provides that a Filing Qualifying Bermuda Group Entity shall be eligible to claim tax credit benefits on behalf of Qualifying Bermuda Group Entities as from the effective date.

Clause 4 provides the methods by which distributable tax credit benefits are ultimately applied for the benefit of each type of Qualifying Bermuda Group Entity. The clause further provides that tax credits applicable to a Qualifying Bermuda Group BCE shall be included in the determination of its adjusted tax payments, whereas tax credits applicable to a Qualifying Bermuda Group NBCE shall be paid directly to the Filing Qualifying Bermuda Group Entity representing the tax credit recipient.

Clause 5 provides for the expenses used in calculation of tax credits and tax credit benefits. It is required under this clause that the expenses must be derived from the applicable financial statements for the fiscal year of a Bermuda Entity which is not a member of a group, and from the applicable consolidated financial statements for the fiscal year of a Bermuda Entity which is a member of a group. The clause further provides for how expenses should be calculated when there are adjustments to expenses that are made by virtue of financial accounting rules.

Clause 6 defines the accrued substance-based tax credit benefit, which is available to a group which derives at least 50% of its gross revenues from insurers and reinsurers registered under the Insurance Act 1978. The amount of the credit is based upon expenditures on payroll in Bermuda and upon other types of expenditures in Bermuda.

Clause 7 provides for the job-based benefit component of a Qualifying Bermuda Group Entity and sets out how the jobs or payroll aspect of the credit is to be calculated. Both employees and contractors are included in the figure as eligible employees.

Clause 8 provides for the calculation of the eligible payroll expenses and requires that no amount of eligible payroll expense may be taken into account more than once by the

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Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group for a fiscal year or in more than one fiscal year.

Clause 9 provides for the expenses incurred by an entity that are to constitute payroll expenses and include expenses to remunerate eligible employees and those relating to payroll, social insurance contributions, work permit fees and other similar expenses.

Clause 10 provides for the calculation of the Bermuda workdays percentage of an eligible employee for a fiscal year of a Qualifying Bermuda Group.

Clause 11 provides for the determination of the eligible payroll expenses incurred for a fiscal year with respect to each long-term compensation award of an eligible employee with the total level of compensation required to include any long-term compensation such as stock awards.

Clause 12 provides for what constitutes eligible training activities for eligible employees.

Clause 13 provides for the determination of the eligible payroll expenses of an eligible employee of a Qualifying Bermuda Group Entity for a fiscal year, in the case where the eligible employee was also an employee of a separate entity or entities during the same fiscal year.

Clause 14 provides for the determination of when an eligible employee is to be regarded as engaged in a qualified foreign assignment. The objective of the clause is to incentivise and promote training of Bermudians overseas even where the expenditures for foreign assignments are not incurred in Bermuda.

Clause 15 provides for the job-based benefit factors that are to be applied to determine the amount of the job-based benefit component in clause 7, with the modified value forming the value of the tax credit. The job-based benefit factors include the headcount factor, the Bermuda employment and training factor, the employment growth factor and the transition factor. The objective in providing for these factors is to promote certain types of employment and training in Bermuda.

Clause 16 provides for the head-count factor, where Qualifying Bermuda Groups with more employees in Bermuda are given a greater factor (i.e. a greater percentage multiple) towards their benefit component. The policy objective is to incentive groups to grow their headcount in Bermuda. The clause further provides rules for calculating headcount when a group may have part time employees.

Clause 17 provides for the Bermuda employment and training factor, which is designed to incentivise the hiring of employees who do not require work permits (i.e. Bermudians, spouses, PRC etc.). This is accomplished by applying an increased factor in favour of such employees.

Clause 18 provides for the employment growth factor, which is designed to incentivise growth in a Qualifying Bermuda Group's headcount while such Group is present in Bermuda. The objective is to incentivise increased year on year hiring or relocation of personnel to Bermuda. Headcount growth is credited as a factor separately from headcount. The clause includes provision to assist new business and for the sale or disposal of businesses.

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Clause 19 provides for the expense-based benefit component of a Qualifying Bermuda Group Entity, which is a separate limb of the substance based credit, as it is calculated using expenditures other than payroll. This is accomplished under clause 13(1) where a cap of essentially 25% of payroll expenses is included on the amount of “non-payroll” expenses that can be used for this credit with the objective being to give greater weight to Bermuda based employment.

Clause 20 provides for the expense-based benefit factor, which is applied to expenditures, with higher expenditures given a higher factor. The objective of the clause is to incentivise increased expenditures in Bermuda and on local service providers.

Clause 21 provides for the transition factor, which applies a cut-back to the total amount of substance based tax credits that will be awarded in the first two years of the system. The objective is to introduce a phasing in of the system given its novelty, to enable analysis of the impact on government revenues during the two year period.

Clause 22 provides for the calculation of the opening tax credit carryforward of a Qualifying Bermuda Group Entity in respect of its substance based tax credit for the fiscal year. The clause provides for the total opening tax credit carryforward amount to be allocated between the preceding benefit periods of the Qualifying Bermuda Group Entity.

Clause 23 provides for the calculation of the opening tax credit carryforward of a Qualifying Bermuda Group in respect of its substance-based tax credit for a fiscal year. The clause provides for the total opening tax credit carryforward amount to be allocated to each preceding benefit period of the Qualifying Bermuda Group.

Clause 24 provides for the calculation of the distributable substance-based tax credit benefit of a Qualifying Bermuda Group.

Clause 25 provides for the calculation of the closing tax credit carryforward of a Qualifying Bermuda Group. The clause provides the total closing tax credit carryforward amount, if any, as calculated, shall be allocated between the preceding benefit periods of the Qualifying Bermuda Group.

Clause 26 provides for the calculation of distributable substance-based tax credit benefit of a Qualifying Bermuda Group Entity.

Clause 27 provides for how the total closing tax credit carryforward amount of each Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group shall be determined and how the total closing tax credit carryforward amount of a Qualifying Bermuda Group Entity shall be determined.

Clause 28 provides for the community development tax credit benefit, which incentivises large charitable donations to Bermuda charities who provide crucial support to the island’s population. The clause provides for an effective rebate or credit of 25% of qualifying donations to groups (which for these purposes includes all groups, not just insurers) who have donated \$300,000 or more over the previous three years (calculated on a rolling basis). The clause requires that only Bermuda registered charities who produce audited financial statements qualify for such donations.

Clause 29 provides for the calculation of the utilities infrastructure tax credit benefit of a Qualifying Bermuda Group Entity member of a Qualifying Bermuda Group for a

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fiscal year. The clause further provides for the calculation of the pro rata share of the Qualifying Bermuda Group Entity for the fiscal year.

Clause 30 provides for the calculation of the utilities infrastructure tax credit benefit of a Qualifying Bermuda Group for a fiscal year. The Qualifying Bermuda Group, for purposes of this clause, includes at least one Bermuda Entity which is licensed or has a received a permit with respect to electricity generation and distribution, digital communications and fuel distribution.

Clause 31 provides for the calculation of the payroll-based benefit component of a Qualifying Bermuda Group for the purposes of the utilities infrastructure tax credit.

Clause 32 provides for the calculation of the tangible asset-based benefit component of a Qualifying Bermuda Group for the purposes of the utilities infrastructure tax credit. This provision is designed to give credit for the value of “hard” or physical assets in Bermuda and provides an offset against corporate income tax liability. The provisions under this clause largely mirror the “substance based income exclusion” rules under the OECD Pillar 2.

Clause 33 provides for how the Act is to apply during times of corporate restructuring with a transfer of any direct or indirect ownership interest in the Bermuda Entity during the fiscal year.

Clause 34 provides for the manner of calculation of the total accrued tax credit benefit and the distributable tax credit benefit of the Qualifying Bermuda Group Entity for the fiscal year where the applicable financial statements or the applicable consolidated financial statements are presented in a currency other than the Bermuda dollar or the U.S. dollar.

Clause 35 provides the calculation of the total accrued tax credit benefit of a Qualifying Bermuda Group BCE for a fiscal year in relation to a tax credit benefit that is required to be accrued against the tax refund reserve fund established under section 50A of the Corporate Income Tax Act 2023.

Clause 36 provides that a Filing Qualifying Bermuda Group Entity is eligible to claim a tax credit benefit on behalf of a Qualifying Bermuda Group Entity for a fiscal year pursuant to clause 3 where the Filing Qualifying Bermuda Group Entity has claimed the tax credit benefit in accordance with such procedure as the Minister may prescribe by regulations.

Clause 37 provides for the interpretation of terms used in Part 7 of the Bill.

Clause 38 provides for the imposition of a civil penalty where there is an overstatement of the distributable tax credit benefit claimed on any form with respect to a Qualifying Bermuda Group Entity. The civil penalty payable for such overstatement shall be up to 20% of the amount of the overstatement with respect to the Filing Qualifying Bermuda Group Entity of the Qualifying Bermuda Group.

Clause 39 provides for interest that is chargeable where the distributable tax credit benefit claimed with respect to a Qualifying Bermuda Group NBCE is determined to have been overstated at a rate as the Minister may prescribe.

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Clause 40 provides power to the Corporate Income Tax Agency to impose civil penalties on Qualifying Bermuda Group Entities with respect to an overstatement of the distributable tax credit benefit reported by a Qualifying Bermuda Group Entity. Where a penalty is imposed on a Qualifying Bermuda Group Entity, each Qualifying Bermuda Group Entity that is a member of the same Qualifying Bermuda Group shall be jointly and severally liable for the penalty.

Clause 41 provides for a right of appeal to the Supreme Court for any person who is aggrieved by any decision of the Minister or Agency made under the Act or regulations.

Clause 42 empowers the Minister to make regulations that are necessary and expedient to give effect to the provisions of the Act and to issue guidance.

Clause 43 provides for consequential amendments to the Public Treasury (Administration and Payments) Act 1969 and the Taxes Management Act 1976.