

Bermuda Tax Reform Commission Frequently Asked Questions (FAQs)

1. What is the Bermuda Tax Reform Commission?

The Bermuda Tax Reform Commission is an entity appointed by the Minister of Finance to evaluate Bermuda's taxation system comprehensively. It aims to identify areas for improvement and make recommendations for reform to enhance the fairness, efficiency, and competitiveness of Bermuda's tax system.

2. Why was the Bermuda Tax Reform Commission established?

The commission was established in response to concerns about the effectiveness and fairness of Bermuda's tax structure. Its primary goal is to ensure that Bermuda's tax policies support economic growth, attract investment, and maintain the territory's competitiveness in the global market.

3. Who appoints the members of the Bermuda Tax Reform Commission?

Members of the Bermuda Tax Reform Commission are appointed by the Minister of Finance, typically based on their expertise in taxation, economics, finance, and related fields. The appointments are made with the aim of ensuring a diverse and knowledgeable representation within the commission.

4. What is the scope of the Commission's work?

The commission's work encompasses a comprehensive review of Bermuda's existing tax policies across various sectors. This includes examining payroll tax, income tax, corporate tax, property tax (land & rental income tax), customs duties, goods and services tax (GST), and other forms of taxation to identify areas for reform and improvement in order to diversify Bermuda's tax structure.

5. How does the 2023 Bermuda Tax Reform Commission differ than the 2018 Bermuda Tax Reform Commission?

The difference between the 2023 Bermuda Tax Reform Commission and the 2018 Bermuda Tax Reform Commission is based on the changes in their mandates, composition, focus areas, and the context in which they operate. The 2018 commission's mandate was formed under the 2017 Tax Reform Act to examine Bermuda's tax system and determine any measures that may be taken to best enable a system of taxation and revenue collection that is equitable, effective, efficient, competitive and transparent; and to increase public sector revenue yield from 17% of GDP to a minimum of 20%-22% of GDP; and the 2023 Commission's focus is to look at the changes imperative to Bermuda's existing system of domestic taxation to ensure it is in line with the requirements of the Global Minimum Tax while also examining what other changes to our local taxes are needed to ensure Bermuda's economy remains competitive

6. What is the difference between the Bermuda Tax Reform Commission and the International Tax Working Group?

The Bermuda Tax Reform Commission is a broader governmental entity tasked with conducting a comprehensive review of Bermuda's entire taxation system. Its scope encompasses various taxes, including income tax, corporate tax, payroll tax, property tax, customs duties, and other forms of taxation. The International Tax Working Group (ITWG) was established by the Minister of Finance to review recent international tax developments, including the global minimum tax and to make recommendations to Government on the way forward for Bermuda. The ITWG delivered its Report in July 2023 and the Government determined to implement a Corporate Income Tax (CIT) for in scope companies. The ITWG continues to provide technical assistance on policy and legislative matters related to the CIT and international tax matters."

7. What is the OECD Pillar II, Global Minimal Tax and what does it mean?

The primary objective of Organization for Economic Co-operation and Development (OECD) Pillar II is to establish a globally coordinated approach to ensure that multinational enterprises (MNEs) pay a minimum level of tax regardless of where they operate or where their profits are generated. This aims to address concerns about tax avoidance strategies employed by some MNEs to shift profits to low-tax jurisdictions, resulting in significant revenue losses for countries.

8. How does the Commission gather input from the public?

The Commission employs various methods to gather input from the public, including conducting public consultations, stakeholder meetings, town hall meetings, forums, surveys, feedback via the Commission's website, and receiving written submissions. These avenues ensure that diverse perspectives from individuals, businesses, and organizations are considered in the reform process.

9. What types of taxes does the Commission examine?

The commission examines a wide range of taxes, including direct taxes such as income tax and corporate tax, as well as indirect taxes like payroll tax, property tax, and consumption taxes. It evaluates the effectiveness and fairness of each tax type and considers potential reforms to optimize Bermuda's tax system.

10. Does the Commission have the authority to implement tax changes?

While the Commission may make recommendations for tax reforms, the authority to implement these changes ultimately rests with the government. The Commission's role is advisory, and its recommendations are subject to government review and approval before being enacted into law.

11. How long will the commission's work take?

The duration of the Commission's work will last until the end of October 2024

12. What criteria does the Commission use to evaluate tax policies?

The Commission evaluates tax policies based on various criteria and values, including equity, efficiency, simplicity, revenue adequacy, competitiveness, and their impact on economic growth and social welfare. These criteria help assess the effectiveness and fairness of existing policies and inform recommendations for reform.

13. How transparent is the Commission's decision-making process?

The Commission is committed to transparency within privacy and other legislated laws in its decision-making process. It may publish reports and is subject to the 2016 Personal Information Privacy Act. The Commission recognizes that transparency ensures accountability and fosters public trust in the reform process.

14. How does the Commission ensure accountability?

The Commission ensures accountability through regular reporting on its progress, activities, and findings to the Financial Secretary and the Minister of Finance. The Commission will also provide updates to stakeholders and the public to solicit feedback and address concerns, thereby promoting transparency and accountability in its operations.

15. Are there opportunities for public engagement beyond formal consultations?

Yes, the Commission provides various opportunities for public engagement beyond formal consultations. These may include town hall meetings, online forums, social media engagement, and other outreach initiatives aimed at encouraging broad participation and feedback from the public.

16. What happens after the Commission submits its recommendations?

After submitting its recommendations, the government reviews and evaluates them to determine the feasibility and desirability of implementation. This may involve further consultation with stakeholders, legislative action, and the development of implementation plans to enact the proposed reforms.

17. Does the Commission consider international best practices in its work?

Yes, the Commission considers international best practices in taxation and draws insights from tax systems and policies implemented in other jurisdictions, expert tax consultants. By studying global experiences and benchmarks, the Commission can identify innovative approaches and lessons learned to inform Bermuda's tax reform efforts.

18. How does the Commission balance competing interests and priorities in its recommendations?

The Commission seeks to balance competing interests and priorities by conducting thorough analyses, engaging with stakeholders, and considering the potential impacts of proposed reforms. It aims to develop recommendations that optimize overall economic and social welfare while addressing diverse stakeholder concerns.

19. Will the Commission consider the impact of tax reforms on vulnerable populations?

Yes, the Commission considers the impact of tax reforms on vulnerable populations to ensure that reforms promote fairness and social equity. It assesses how proposed reforms may affect different socioeconomic groups and explores measures to mitigate any adverse impacts on vulnerable individuals and communities.

20. What happens if the government rejects the Commission's recommendations?

If the government decides not to implement certain recommendations put forth by the Commission, the government may provide reasons for its decision and explore alternative approaches to address the identified issues. While the Commission's recommendations are influential, the final decision rests with the government, considering various factors such as feasibility, public feedback, and policy priorities.