



The new Business Licence Act, 2023

Impact on International Business Companies





Overview of the Act

Effective 1 July 2023, the Government of The Commonwealth of The Bahamas repealed and replaced the Business Licence Act, 2010 and its related amendments and regulations with the [Business Licence Act, 2023](#) (the Act) and the [Business Licence Regulations, 2023](#) (the Regulations).

The new Act and Regulations introduced both new reporting requirements and expanded the scope of entities covered under the business licence regime.

A business licence is required for all companies which are conducting business in or from within The Bahamas. The following are not deemed to be a business¹ for the purposes of the Act: an investment fund regulated under the Investment Funds Act, 2019 and a pure equity holding entity².

We outline within this document the key changes and potential impact the new Act and Regulations will have on International Business Companies (“IBCs”).

Requirements to obtain a business licence

Subject to certain business activities which are exempted under section 10 of the Act, all entities which are incorporated or registered under the Companies Act or under the International Business Companies (IBC) Act of The Bahamas, that carry on business in or from within The Bahamas, are required to have a business licence and pay a business licence tax annually based on turnover for the preceding calendar year, and at rates as further outlined below.

The Act newly defines turnover for an IBC as “all revenues recorded by the international business company in its books and records in The Bahamas, whether or not any portion of such revenues is attributable to activities conducted outside The Bahamas”.

Activities of an IBC within The Bahamas

For IBCs where the turnover is earned from activities performed partly within and partly outside of The Bahamas, the Act requires the entity to allocate and apportion the turnover between locally performed activities and activities performed outside The Bahamas for the purposes of calculating the tax payable.

Turnover of an IBC derived from the following activities is considered to be from operations within The Bahamas:

- A. the sale or exploitation of tangible or intangible property that is located or registered in The Bahamas;
- B. the export of goods;
- C. the sale or other provision of goods or services to persons -
 - a. deemed resident for exchange control purposes; or
 - b. who are within The Bahamas at the time that the goods or services are sold or otherwise provided;
- D. professional services, including legal services, architectural services, consultancy services, engineering services, accountancy services and advisory services.

¹“business” includes inter alia a trade, profession, vocation, venture or undertaking and the provision of personal services, or technical and managerial skills, and any adventure or concern in the nature of trade that does not include employment, and which purpose is to create turnover.

² “pure equity holding entity” means a commercial entity that only holds equity participations in other entities and only earns dividends and capital gains.



What rates apply?

Activities within The Bahamas

IBCs that have turnover from activities attributable to operations within The Bahamas are required to pay the following:

Annual Turnover	Annual Tax
Less than \$100,000	Exempt
Greater than \$100,000 but not exceeding \$500,000	0.5% of turnover
Greater than \$500,000 but not exceeding \$5 million	0.75% of turnover
Greater than \$5 million	1.25% of turnover

Activities outside The Bahamas

IBCs that have turnover from activities attributable to operations outside The Bahamas are required to pay the following:

Annual Turnover	Annual Tax
Less than \$1 million	\$2,500
Greater than \$1 million	0.25% of turnover up to a maximum tax of \$100,000

Reporting requirements

The Regulations specifies the relevant documents which must accompany the application for renewal of business licence. The required documents, based on the turnover of the entity, are to be submitted no later than 31 March of the business licence year. In the initial year of the new Act, businesses will be able to file for an extension for the submission of the relevant documents without penalty up to 30 June 2024.

Turnover less than \$250,000

No submissions are required where turnover is less than \$250,000.

Turnover greater than \$250,000 but less than \$5,000,000

As part of its renewal application, all businesses, including IBCs, with turnover greater than \$250,000 and less than \$5 million are now required to submit a Business Licence Return and an independent practitioner’s report on turnover issued by a licensee of The Bahamas Institute of Chartered Accountants (“BICA”) in accordance with the International Standard on Review Engagements 2400 (Revised) - *Engagements to review historical financial statements* (ISRE 2400 (Revised)).

Turnover greater than \$5,000,000*

As part of its renewal application, all businesses, including IBCs, with turnover greater than \$5 million are now required to submit audited financial statements for the previous fiscal year prepared under a recognised accounting framework (i.e. IFRS or US GAAP) and a Business Licence Return audited by an independent accountant licensed by BICA. The independent auditors report on the financial statements and the Business Licence Return are required to be submitted.

*Note, however, that IBCs and financial services entities that do not have domestic operations and which are paying the maximum tax of \$100,000 may submit audited financial statements prepared by an independent auditor from another jurisdiction and do not have to provide an audited business licence return.

When is business license tax due?



Business licences expire on 31 December of each year. Every licensee on or before 31 January of the succeeding year must file and submit an application for renewal of the licence and on or before 31 March the licensee must file and submit the Business Licence Return and related reports and pay any unpaid tax for the prior year. Notwithstanding the expiration of a licence on 31 December, a business shall not, for three months after such expiration, be treated as being unlicensed.

Where the business does not file for its business licence, or does not file within the above timelines, the following fees or penalties will apply:

Offence	Fixed penalty
Failure to apply for or renew a business licence or carrying on business without a business licence	Maximum \$100,000
Late payment of tax	10% of the tax liability
Interest rate per annum on payments made 30 days or more after the due date.	5% of the tax liability

Directors are jointly and severally liable together with the company to settle the company's tax obligation, along with interest and penalties in relation to such tax.

Want to learn more

For further information surrounding the new Business Licence Act and Regulations, or should you like to further discuss the impact these new regulations have on your business, contact our team below.

Let's talk



Prince A. Rahming

Tax Leader

prince.a.rahming@pwc.com



Rochelle Sealy

**Tax & Legal Services
Director**

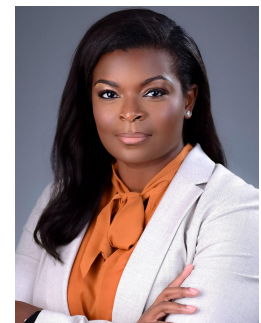
rochelle.sealy@pwc.com



**Carlton
Cartwright Jr.**

Assurance Partner

carlton.cartwright@pwc.com



**Kara
Culmer-Wilson**

Assurance Director

kara.culmer-wilson@pwc.com



pwc.com/bs

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