

Removal of Preferential Exemptions Act 2018

The Removal of Preferential Exemptions Act, 2018 (the “Act”) provides for the removal of tax concessions that were previously afforded to international entities. The intent of the Bahamian Government is to ensure that the Country is compliant with tax practices on a global level, thereby demonstrating to the international community that The Bahamas renounces harmful tax practices such as “ring-fencing”. The introduction of the Act guarantees that any preferential treatment that was geared towards international companies is now removed, thereby placing local companies and international companies on an even playing field.

The Act will apply to a company or entity whose operations are intended to be carried on exclusively outside The Bahamas or a company or entity that is not authorized to operate within The Bahamas. A company or entity in this context will include companies incorporated, registered or continued pursuant to the following Bahamian legislation: the International Business Companies Act (“IBC Act”); the Exempted Limited Partnership Act; the Investment Condominium Act; and the Executive Entities Act.

Every company to which the Act shall apply will be subject to pay applicable taxes moving forward. For example, companies incorporated under the IBC Act will now be required to pay Stamp Duty on transactions, (such as share transfers with no change in ultimate beneficial ownership), which they were previously exempted from having to pay for a period of twenty (20) years.

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Additionally, companies incorporated under both the Companies Act and the IBC Act will now be required to pay valued-based business licence fees. The percentage of business licence fees will be calculated based on the value of positively rated taxable supplies made in the relevant year by the company, at a rate between 0% and 2.5%, to be determined. Alternatively, financial institutions, such as trust companies, banks, insurance companies, investment advisers, etc., will be exempt from paying business licence fees when renewing or applying for the first time, commencing in 2020. However, financial institutions will be required to pay other fees, such as registration fees ranging between \$2,250.00 and \$250,000.00, in lieu of a business licence fee.

The Act has provided a transitional period in relation to companies incorporated prior to the 31st December, 2018, for a period of three (3) years to continue to benefit from the previous exemptions. Companies incorporated after the 31st December, 2018 will no longer be exempt from the applicable taxes incurred.

Please contact the below for additional information

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