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## Update on Tax Reform Commission

28 September, 2023

Update on Tax Reform Commission



**Mr. Speaker,** I rise today to provide this Honourable House and the public with an update on the significant progress made thus far on the efforts to substantially reform Bermuda's tax system.

**Mr. Speaker,** Honourable Members will recall that in the Progressive Labour Party's 2020 election platform, the Government committed to forming a new Tax Reform Commission to conduct a further review of Bermuda's system of taxation and revenue collection. In December 2020, this honourable house passed the Tax Reform Commission Amendment Act to establish a new commission to make recommendations on tax reform to the Government.

However, in October 2021, a global agreement was reached to make material changes to the global tax system. In particular, it was agreed that a minimum tax would be imposed on large multinational enterprises on a jurisdictional basis. Under the framework, which was agreed by almost 150 countries, such entities would be subject to a 15% tax rate, which would be applied to the profits in every jurisdiction in which they had a corporate footprint.

**Mr. Speaker**, tax transparency and tax compliance are fundamental principles upon which Bermuda has built its reputation as a premier international financial centre. It was recognised that this global minimum tax requirement would primarily impact companies in our international business sector. Therefore, consistent with Bermuda's approach to changes that affect the international business sector, it was determined that it would be prudent to get input from tax experts from industry and other sources. Thus, in January, the Government empanelled an International Tax Working Group consisting of lawyers, accountants and others with corporate tax expertise to examine the best way to implement the new Global Minimum Tax in Bermuda.

**Mr. Speaker**, this working group completed the first phase of their work in July of this year and provided their recommendations to the Government. Having assessed the input provided by the working group, in August, the Government of Bermuda issued a consultation paper on the proposed new corporate income tax regime and launched the initial consultation period for the proposed changes.

**Mr. Speaker**, the feedback from that consultation has been very informative and has greatly assisted the Government in developing the corporate income tax proposal. It is now intended that a second, more comprehensive consultation paper will be issued in the next two weeks, allowing the Government to continue this critical work to meet the international commitment that Bermuda made in 2021.

**Mr. Speaker**, the work of the new Tax Reform Commission is intricately linked with the work being done to develop the Bermuda corporate income tax regime. Therefore, while the consultation and development of the global minimum tax framework continues, the Government has also progressed in its work to empanel the new Tax Reform Commission.

The goal of this new commission will be to review our 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 that Bermuda's economy remains competitive.

**Mr. Speaker**, The new commission will be a highly qualified and diverse team representing all aspects of Bermuda's economy. Similar to the last Tax Reform Commission, the makeup of the seven members of the commission will be as follows:

- A chair of the commission
- Progressive Labour Party representative
- One Bermuda Alliance representative

- Bermuda Trade Union Congress representative
- Local business representative appointed by the Chamber of Commerce
- An international business representative
- One general member

**Mr. Speaker,** I am pleased to advise honourable members that Mr. Darren Johnston has agreed to chair this important commission. Although more information will be provided when the members of the Commission are gazetted, Mr Johnston is the former CEO of PriceWaterhouse Coopers Caribbean Region Ltd., and is currently the Chief Operating Officer of Orbis Investment Management Ltd. Mr. Johnston is ably qualified to lead this important body, and I wish to thank him for agreeing to undertake a task that will have a significant impact on Bermuda's future.

**Mr. Speaker,** I must also express my gratitude for the commitment of our International Tax Working Group, who have continued to provide support throughout this process. The information currently being developed by this body will provide a robust and well-developed foundation for the work to be done by the Tax Reform Commission.

**Mr. Speaker,** Honourable Members and the public should again be reminded that the development of a new Corporate Income Tax regime of the nature and scope being undertaken for Bermuda is exceptionally complex. Therefore, to ensure the required focus is adequately maintained, critical work necessary to develop key aspects of the framework will, at the appropriate stage, be advanced by the Tax Reform Commission. The Tax Reform Commission is expected to begin reviewing the domestic tax framework in light of the proposed Corporate Income Tax in November 2023 with the aim of delivering its recommendations by Mid-2024.

**Mr. Speaker,** the new global tax regime may present an opportunity to increase government revenues. However, as I have said before, the government's policy aim is not to use these new global minimum tax revenues to significantly increase overall Government revenue. This change in global taxation should allow for the reduction of existing taxes that, by their very nature, increase the cost of living and the cost of doing business. For example, additional revenues will likely allow for the reduction or possible elimination of some existing government taxes and customs duties.

**Mr. Speaker,** this Government aims to be as transparent and collaborative as possible throughout this tax reform process, evidenced by the extensive consultation on implementing a corporate income tax regime to meet international standards. That approach will continue throughout the tax reform process that the Tax Reform Commission will undertake.

**Mr. Speaker,** in closing, I would like to thank all the stakeholders who have been involved throughout this process thus far; your input has greatly assisted the development of the proposals.

Finally, I wish to encourage all members of the public and the business community to participate in this process as we start our journey toward the most fundamental tax reform in Bermuda's modern history.

**Mr. Speaker**, this historic opportunity for change will allow Bermuda to implement meaningful reforms that will significantly reduce the cost of living and the cost of doing business, leading to future economic prosperity and economic security for Bermuda.

Thank you, **Mr. Speaker**.

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