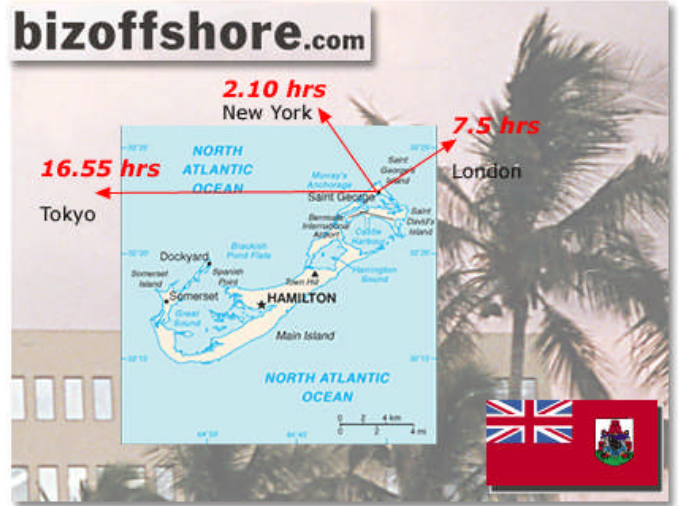


Bermuda

Overview

Bermuda is one of the few remaining British colonies – now called “Overseas Territories”.

With a tiny geographic area and a population of just 65,000, Bermuda has evolved into a highly successful OFC, specializing as a domicile for insurance and reinsurance companies (especially property cat) and including captive insurers, offshore funds (including hedge funds), and global holding companies. Banking is not so well developed (by design).



Current time

(World Time Server)

"Quo Fata Ferunt" – wherever the fates take us

Online News Sources

- [The Royal Gazette](#)
- [The Bermuda Sun](#)
- [Bermuda Online](#)

Quincentennial

In 1505, some five hundred years ago, Spanish explorer, Juan de Bermudez, discovered an isolated archipelago in the Atlantic and gave it his name. One hundred years later, British Admiral, Sir George Somers, was shipwrecked on the shores of Bermuda. Bermuda was settled permanently in 1609 by English colonists headed for Virginia (shipwrecked again). Tourism to the island to escape North American winters developed in the 19th Century. Tourism continues to be important to the island's economy, although international business has overtaken it in recent years.

Business Environment

The insurance and reinsurance industry is the largest element of Bermuda's international business sector. The insurance sector ranges from the global companies headquartered on the Island (such as Ace and XL Capital) to the smaller captive insurance companies that have been Bermuda's core

insurance business for the past 40 years. There are over 1,500 captive insurance companies on the Island.

Bermuda has also developed a strong presence in the offshore fund and hedge fund sectors, but it is a long way behind the Cayman Islands in terms of fund incorporations. There are around 1,000 funds incorporated in Bermuda. On the other hand, Bermuda has a well developed group of specialist hedge fund administrators on the Island - so more funds are administered than are incorporated in Bermuda.

Bermuda has also attracted a small number of high profile global holding companies, including Accenture. Some of these have been formed by an onshore company which redomiciles to Bermuda by way of an "inversion" in order to reduce its global effective rate of taxation. Prominent examples of inversions include Tyco International (which merged into ADT, a UK security company that had earlier redomiciled into Bermuda) and Ingersoll-Rand. However, after Stanley Tools decided to abort its plans to redomicile in Bermuda, under intense media publicity, inversions become a political issue in the US and now subsequent changes to the US corporate tax code actively discourage them.

The principal forms of business entity operating in Bermuda are companies (local or exempted), partnerships, and trusts. Exempt companies are defined as exempted from the Bermuda law that restricts foreign ownership in local companies to 40% of the issued share capital. In return for the exemption from the 60/40 rule, exempted companies may only do business from Bermuda and cannot do business within Bermuda (unless they obtain special permission). There are currently around 12,800 exempted companies incorporated in Bermuda and this number has been growing steadily over the last 10 years (contrast this with the BVI which has over 10 times that number of IBCs).

Registered companies require a minimum of one shareholder. Bearer shares are not permitted. The beneficial ownership of the company must be revealed to the Registrar of Companies in confidence. Bank references must be provided for beneficial owners. Meetings of directors and of shareholders may be held off the island. A register of directors and officers must be maintained. A minimum issued capital of US\$12,000 is required in the case of exempted companies. If the company is not conducting insurance business, there is no minimum amount for paid-up capital. The company must maintain a registered office address within Bermuda, must appoint a Bermuda resident company secretary, and must also appoint at least two resident directors so a quorum can be formed in Bermuda.

Bermuda has a mutual legal assistance treaty with the US regarding assistance in the prevention of tax fraud and the evasion of taxes. The US-Bermuda treaty contains a special exception to the exchange of information rules. The exception applies to information protected by local bank confidentiality laws and allows the information to be withheld if such information is sought solely for civil tax purposes. If criminal tax charges are brought by the US or Bermuda, the exception does not apply.

The Bermuda Monetary Authority is responsible for the licensing and regulation of insurance companies, banks, deposit companies, trusts and investment businesses, the issue and redemption of notes and coins, and the vetting of individuals and entities setting up corporate entities in Bermuda.

Bermuda was not on the Financial Action Task Force's blacklist as 'non-cooperative' in preventing money laundering. In May 2000 Bermuda signed a letter of commitment with the Organisation for Economic Co-operation and Development agreeing to exchange information with overseas authorities in criminal tax matters by 31 December 2003 and in civil tax matters by 31 December 2005.

Taxes

Bermuda does not tax profits, dividends, or income. There is no capital gains tax or gift tax. Bermuda exempted and permit companies (those registered in another jurisdiction, but doing business from Bermuda) receive an undertaking from the government that they will not be subject to tax or duty on profits or income capital, gains or appreciations and that no inheritance tax or estate duty will be payable on shares debentures or other obligations of the company. The current exemption extends until 2016 but may be extended at the discretion of parliament. Exempted companies, exempted partnerships, and overseas companies pay no stamp duty except on the transfer of Bermuda property. Companies providing corporate services locally are taxed at a rate of 4% of the total revenue earned.

In addition to company fees, all companies pay payroll tax on a tiered basis up to a maximum of 13.5%, with the employer allowed to recover a total of 4.75% from each employee in Bermuda. Businesses get a \$2,400 annual payroll credit per employee applied to payroll prior to tax calculation for companies with total payrolls over \$200,000. Payroll tax extends up to a \$250,000 cap per person after which no tax is paid. In the 05/06 Budget the government proposes a new tiered structure for small companies. The existing lowest threshold of \$100,000 will be increased to \$200,000 but the applicable rate will remain at 7.25 per cent. Two new thresholds of \$500,000 and \$1 million will be introduced with tax rates of 10.75 per cent and 12.75 per cent respectively. The highest tax rate of 13.5 per cent will apply to payrolls in excess of \$1 million and other entities that are subject to the standard rate.

Stamp duty, layered at 5% (on amounts between US\$50,000 to US\$200,000), 10% (US\$200,000 to US\$1 million), and 15% (amounts above US\$1 million), is payable on a deceased's estate. The value of shares in an exempted company would not be included the calculations for stamp duty on the deceased's estate unless the dead person was ordinarily resident in Bermuda.

The US and Bermuda entered into a tax convention in 1986 covering the taxation of insurance enterprises and an article relating to the mutual assistance in tax matters (see above). Under the treaty, insurance profits are not taxable in the other country unless the profits of the enterprise are

attributable to a permanent establishment in the other country. Link: Office of the Tax Commissioner: Guide to Taxes

Stock Exchange

The Bermuda Stock Exchange (BSX) is a fully-electronic market with over 300 listed equities, funds, debt issues and depositary programs. The BSX operates two markets: a domestic market for Bermuda's local companies and a market for international securities (whether issued by Bermuda-incorporated exempted companies or by non-Bermudian issuers). The BSX allows crossing trades in which a trading member handles both sides of the trade. Local companies are listed on either the main board or a small cap section. International companies may make a secondary listing in the international companies section or a primary listing on the mezzanine market, where the issue and trading of securities is restricted to 'qualified investors'.

Key Contacts

The Registrar of Companies

Government Administration Building

30 Parliament Street

Hamilton HM 12

Bermuda

Tel: (441) 295 5151

Fax: (441) 292 6640

Internet: www.roc.bdagov.bm

Bermuda Monetary Authority

Burnaby House

26 Burnaby Street

Hamilton HM 11

Tel: (441) 295-5278

Fax: (441) 292-7471

E-mail: info@bma.bm

Internet: www.bma.bm

Bermuda Stock Exchange

3 F. Washington Mall

Church Street

Hamilton, Bermuda

Mail: PO Box HM 1369

Hamilton HMFx

Tel: (441) 292 7212

Fax: (441) 292 7619

E-mail: info@bsx.com

Internet: www.bsx.com

Bermuda Laws Online

All of Bermuda's laws are available online at [Bermuda Laws Online](#)

The Bermuda Government has a portal web site: www.gov.bm

Key Stats

Country name: Bermuda. Formerly Somers Islands.

Constitutional Status: British overseas territory

Population: 64,935 (July 2004 est.)

Capital: Hamilton

Currency: Bermuda dollar, pegged at BD\$1 to US\$1

Legal system: Based on the British common law system with variations. Bermuda has magistrate courts, and a Supreme Court consisting of the high court and the court of appeals. Final appeal rests with the UK Privy Council in London.

Government: Representative parliamentary democracy with internal self-government. The British monarch is the head of state represented by a UK-appointed governor who is responsible for defence and internal security. Parliament is made up of a lower 36-member House of Assembly and an 11-member Senate. House of Assembly members are directly elected for five years from single-seat constituencies. The governor appoints the Senate on the advice of the government and opposition parties. The premier is chosen from the majority party and appoints a cabinet of no more than 14 members.

Executive: Governor: Sir John Vereker (since April 2002).

Premier: Alex Scott (since July 2004)

Cabinet: nominated by the premier, appointed by the governor

Political parties:

Progressive Labour Party (leader Alex Scott)

United Bermuda Party (leader Grant Gibbons)

National Liberal Party (leader Dessaline Waldron)

Elections:

In the elections held 24 July 2003 the Progressive Labour Party (PLP) received 51.6% of the vote and holds 22 seats while the United Bermuda Party (UBP) won 48% of the vote and holds 14 seats.

Time: GMT minus 5 hours

Special Public holidays:

24 May (Bermuda Day)

Last weekend in July - Emancipation Day (Cup Match) and Somers Day (Cup Match).

Participation in International Organisations: Caricom (associate), ICFTU, Interpol (subbureau), IOC, UPU, WCO, Egmont Group, Caribbean Financial Action Task Force

Economic overview

Bermuda enjoys one of the highest per capita incomes in the world, equal to that of the US (\$36,000). Its economy is primarily based on providing financial services for international business and luxury facilities for tourists. The effects of 11 September 2001 have had both positive and negative ramifications for Bermuda. On the positive side, a number of new reinsurance companies have located on the island, contributing to the expansion of an already robust international business sector. On the negative side, Bermuda's tourism industry - which derives over 80% of its visitors from the US - was severely hit as American tourists chose not to travel. Tourism rebounded somewhat in 2002-04.

The island has fostered a niche specialisation in insurance and reinsurance companies.

Gross domestic product: purchasing power parity - \$2.33 billion (2003 est.). 3% real growth (2004 est.)

Budget: *revenues*: \$738 million

expenditures: \$665 million

Industry:

Tourism, international business (especially insurance and reinsurance and related services), and financial services.

Inflation rate: 3.6% annual rate (2004 est.)

Labour force: 37,472 jobs of which an estimated 19.5% are held by non-Bermudians. Official unemployment is minimal. (5%)

Financial year: April-March

Restaurant Guides

We recommend:

- Ascots - Phone 295-9644. Royal Palms Hotel, 24 Rosemont Avenue, HM 06
- Aqua - Phone 236-2332. At Ariel Sands Beach Club Resort & Spa, South Road

- Fresco's - Phone 295-5058. 2 Chancery Lane off Front Street
- L'Oriente - Phone 296-4477. 32 Bermudiana Road, HM 11. Oriental/fusion cuisine
- Monte Carlo - Phone 295-5442. 9-11 Victoria Street
- Primavera - Phone 295-2167. 69 Pitt's Bay Road, HM 08
- Omakase Sushi Bar (upstairs at Primavera)