

Legal 500

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Bahamas

Tax

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This country-specific Q&A provides an overview of tax laws and regulations applicable in Bahamas.

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Bahamas: Tax

1. How often is tax law amended and what is the process?

Taxes imposed within The Bahamas include business licence tax, stamp duty, customs and excise duties, value added tax ("VAT") and real property taxes. Additionally, employed and self-employed persons must make a contribution to the National Insurance Board on their wages up to the insurable wage ceiling, as determined from time to time. There is no personal income tax, inheritance tax or wealth tax in The Bahamas. Also, except for domestic minimum top-up tax ("DMTT") imposed on entities in large multinational enterprise ("MNE") groups with global revenues of 750 million euros and above, there is no corporate income tax.

Generally, taxing legislation is amended annually as part of the annual national budget process of the Government. Taxes are increased or decreased to increase the revenues of the Government or provide incentives to spur growth in the economy.

The process for the enactment or amendment of tax legislation commences with the approval by Cabinet of the national budget and the legislative measures required to facilitate the budget. The various pieces of legislation necessary to facilitate the budget, whether new or amendments to existing legislation (the "Bills") are then drafted by legislative drafters in the Office of the Attorney General and approved by Cabinet to be tabled in Parliament. The Bills must be introduced into the House of Assembly by a Minister for a first reading. There is usually a debate where arguments are made in support of and opposition to any Bill. A second reading follows, and if a majority of Members of Parliament are in favour of the Bill, there is a third reading and it is passed by the House of Assembly and thereafter goes to the Senate for consideration. Upon acceptance by the Senate, it goes to the Governor General to be signed, that is assented to, which makes the Bill an official Act of Parliament. The Act is then published in the Official Gazette at which point it becomes law. If the legislation does not provide for a specific date on which it comes into force, or for it coming into force at a later date to be appointed, it will come into force on the date of assent.

2. What are the principal administrative

obligations of a taxpayer, i.e. regarding the filing of tax returns and the maintenance of records?

All persons engaging in gainful employment, employers and self-insured persons must register with the National Insurance Board before or as soon as possible after commencing work. Contributions must be paid monthly by the 15th day of the month following the month they were due.

Property owners are required to declare their property to the Department of Inland Revenue ("DIR") for inclusion in the assessment lists, and to file annual returns by 31st December of any changes in usage, ownership of the property or any other material changes that are relevant to the preparation of accurate assessment lists. Where the usage of a property classified as owner-occupied is changed, the return is required to be filed within 14 days of the change of use. The DIR issues notices of assessment for all property liable for taxes by 15th October for the next calendar year. Property owners are required to pay the annual tax by 31st March. However, late fees are not assessed until 31st December.

Every business that operates in or from within The Bahamas is required to have a business licence. The three categories are: occasional licences, temporary licences and annual licences. Businesses are required to apply to be licensed before commencing operations. Annual licences are exempt from taxes in the first year of operation of the business. Licensees are required to apply for the renewal of an annual licence by 31st January of the next year and pay the applicable tax by 31st March. The annual tax is first estimated based on the turnover of the business from the previous year, and then adjusted upon renewal in the next year when the actual turnover is known. Renewal filings for businesses with turnover of \$250,000 and above are required to be accompanied by a statement of turnover issued by an independent practitioner licensed by the Bahamas Institute of Chartered Accountants. For businesses with annual turnover between \$250,000 and \$5 million, a report on the business turnover in accordance with International Standards on Review Engagements is required. An audit of the financial statements is required for businesses with turnover of \$5 million or more. Businesses must retain reliable accounting records for a period of five (5) years.

Bahamian constituent entities in MNE Groups within scope of Pillar Two are required to file returns within 15 months after the last day of the Fiscal Year. However, within the Transition Year, returns are due within 18 months after the last day of the Fiscal Year. To prevent double taxation, DMTT payments may be applied towards taxes payable for a business licence.

Businesses in The Bahamas providing a taxable supply of \$100,000.00 or more must register for VAT. In some instances, for example, electronic commerce, hotels, and foreign homeowners who provide vacation home rentals, registration is required regardless of turnover. A VAT registrant must file a VAT return indicating the total taxable and exempt supplies made and received during the tax period and must pay the applicable VAT within 21 days (or 14 days for large taxpayers) of the end of the tax period. A tax period is typically three (3) months. Payment is also required to be made within the prescribed time for filing. Businesses must maintain accounting records for a minimum of 5 years.

There are no substantial procedural obligations for customs duties and stamp duties. These taxes are payable shortly after an event (i.e., for customs duties, upon importation of goods, and for stamp duty, within six months of closing of a transaction which is subject to stamp duty).

3. Who are the key tax authorities? How do they engage with taxpayers and how are tax issues resolved?

The key tax authorities are the DIR, which administers domestic taxes, and the Department of Customs, which is responsible for border taxes and fees. Taxpayers are generally able to file an objection against most decisions of the tax authority, which is an internal review of the decision. Taxpayers that are still dissatisfied may appeal the decision to the Tax Appeal Commission and thereafter the Supreme Court.

4. Are tax disputes heard by a court, tribunal or body independent of the tax authority? How long do such proceedings generally take?

Tax appeals are first adjudicated by the Tax Appeal Commission, which is a body established under the Tax Appeal Commission Act, 2020 ("TAC Act"). The Tax Appeal Commission is currently comprised of four members and is independent of the tax authority. They hear appeals against decisions of the DIR, Comptroller of Customs and the Procurement Board. The Tax Appeal

Commission is required under section 23(1) of the TAC Act to hear appeals within 180 days of the filing of the notice of appeal. However, decisions have historically been delivered within 6 months of the completion of the hearing.

5. What are the typical deadlines for the payment of taxes? Do special rules apply to disputed amounts of tax?

The dates and frequency of tax payments vary depending on the tax. Some taxes, such as national insurance and real property tax, are payable on a specific date (i.e., the 15th day of the month and by 31st March, respectively). Other taxes are payable on, or within a specified time after, the happening of an event (upon importation of goods in the case of customs duties, within six months of closing of a transaction in the case of stamp duty or VAT charged on real property transactions). VAT on other taxable supplies is payable within 21 days after the end of the applicable tax period, or 14 days in the case of large taxpayers. Business licence taxes are payable by the 31st March of each year, although licensees may apply for approval to pay in quarterly installments. DMTT payments are due within 15 months after the last day of the Fiscal Year. However, payments in the Transition Year are due within 18 months after the last day of the Fiscal Year.

Tax assessments that are in dispute are required to be paid or secured by the taxpayer pending completion of the appeal process, unless the requirement is waived by the tax authority. The assessed amount may only be waived in the case of real property tax.

6. Are tax authorities subject to a duty of confidentiality in respect of taxpayer data?

Taxpayer data is recognised and treated as highly confidential. The VAT Act and the Business Licence Act specifically provide for the confidentiality of all taxpayer information and prescribes the circumstances in which and purposes for which such information may be disclosed. Further, the DIR issued a Taxpayer's Charter, which acknowledges the taxpayer's right to privacy and confidentiality of all information in its possession. Additionally, the Data Protection (Privacy of Personal Information) Act ("DPA") regulates data controllers and data processors in their collection, processing, storage, use and disclosure of personal data relating to individuals, and safeguards against disclosure. The DPA requires data controllers to take appropriate security measures against unauthorised access to, and alteration,

disclosure or destruction of personal data.

7. Is this jurisdiction a signatory (or does it propose to become a signatory) to the Common Reporting Standard? Does it maintain (or intend to maintain) a public register of beneficial ownership?

The Bahamas is a signatory to the multilateral competent authority agreement on the automatic exchange of financial account information and the Automatic Exchange of Financial Account Information Act, 2016 was passed to domesticate its provisions. There is a register of beneficial ownership, which is not public but is searchable by the Attorney General. The Register of Beneficial Ownership Act, 2018 was enacted to establish this secure search system of databases managed by registered agents who hold beneficial ownership information under the Companies Act and the International Business Companies Act.

8. What are the tests for determining residence of business entities (including transparent entities)?

At common law, the primary tax residency test is that an entity resides where its real business is carried on. An entity may evidence its residence with:-

1. a tax identification number or tax residence certificate issued by a foreign jurisdiction;
2. an official receipt or statement issued by a foreign tax authority;
3. certification by the entity that the majority of meetings of the Board of Directors or controlling persons of a non-corporate entity, in any financial year, took place in the foreign jurisdiction; and
4. the ordinary residence of the majority of the Board of Directors or controlling persons.

For the purposes of DMTT and Pillar Two, an entity is deemed to be a tax resident in The Bahamas if it is incorporated, created, or organized in The Bahamas or if its place of effective management is The Bahamas.

9. Do tax authorities in this jurisdiction target cross border transactions within an international group? If so, how?

Provisions of the Multinational Entities Financial Reporting Act, 2018 ("the MEFR Act") provide for the policing of cross border transactions in the form of

country-by-country reporting of profit or losses for entities incorporated or resident within The Bahamas. These requirements apply to multinational entities groups, which the MEFR Act defines as a group of two or more enterprises with their tax residences in different jurisdictions or which includes an enterprise that is resident for tax purposes in one jurisdiction and is subject to tax with respect to the business carried out through a permanent establishment in another jurisdiction and which has total consolidated group revenues of USD\$850,000,000.00 during the fiscal year immediately preceding the reporting fiscal year. Only the ultimate parent of an MNE Group that is resident in The Bahamas must file the country-by-country report.

10. Is there a controlled foreign corporation (CFC) regime or equivalent?

There is no CFC regime or equivalent in The Bahamas.

11. Is there a transfer pricing regime? Is there a "thin capitalization" regime? Is there a "safe harbour" or is it possible to obtain an advance pricing agreement?

There are no thin capitalisation rules in The Bahamas. There are no specific transfer pricing methods approved in legislation in The Bahamas. It is not possible to obtain an advance pricing agreement.

12. Is there a general anti-avoidance rule (GAAR) and, if so, how is it enforced by tax authorities (e.g. in negotiations, litigation)?

There is no general anti-avoidance rule in The Bahamas. However, there are anti-avoidance provisions in most of the tax legislation. They are not often relied on by the tax authorities and as such it is not a commonly litigated issue in The Bahamas.

13. Is there a digital services tax? If so, is there an intention to withdraw or amend it once a multilateral solution is in place?

There is no digital services tax in The Bahamas.

However, all businesses that provide telecommunications services or electronic commerce for the use, enjoyment, benefit or advantage of persons within The Bahamas must register for and charge VAT on the supply of those services. This obligation is applicable regardless of

whether the business is domiciled within or outside The Bahamas and regardless of the turnover derived from the activity.

The VAT Act defines "telecommunication services" as services relating to the transmission, emission or reception of signals, writing, images and sounds or information of any nature by wire, radio, optical or other electromagnetic systems, including the provision of access to global information networks, and the related transfer or assignment of the right to use capacity for such access, transmission, emission or reception. The term "electronic commerce" includes business transactions taking place through the electronic transmission of data over communications networks such as the internet.

Examples of telecommunication services and electronic commerce include, but are not limited to websites, web-hosting, distance maintenance of programmes and equipment; software and the updating of software; images, text and information, and databases available; political, cultural, artistic, sporting, scientific, and entertainment broadcasts and events; and distance teaching.

14. Have any of the OECD BEPS recommendations, including the BEPS 2.0 two-pillar approach been implemented or are any planned to be implemented?

The Government of The Bahamas issued a press statement on 1st July, 2021 expressing its support for the proposals of the G20/OECD Inclusive Framework on Base Erosion and Profit Shifting to reform the global taxation system geared at addressing the tax challenges arising from the digitalization of the global economy. However, the government has lodged reservations particular to The Bahamas.

Nevertheless, the statement confirmed the Bahamas' support for the Inclusive Framework's two tier reform proposal (referred to as Pillar One and Pillar Two) as it is considered consistent with the stated Bahamas policy objectives of tax fairness and equity. The Bahamas views these measures as a viable option for ensuring that small jurisdictions benefit from any effort to tax entities operating within their jurisdiction.

In November 2024 the Domestic Minimum Top-up Tax Act ("DMTT Act") was passed by Parliament in The Bahamas. The DMTT Act implements a DMTT that is consistent with the OECD/G20 Global Anti-base Erosion Model Rules (Pillar Two) ("GloBE Rules") (i.e. a qualified

DMTT). The DMTT, therefore, proposes to impose an effective rate of 15% on the profits of The Bahamas entities of MNE groups with global revenues of 750 million euros and above ("entities within scope of Pillar Two"). The DMTT Act incorporates the GloBE Rules in a Schedule to the DMTT Act. The Bahamas has not indicated an intention to implement an Income Inclusion Rule or an Under-taxed Profits Rule at this time.

15. How has the OECD BEPS program impacted tax policies?

The Bahamas enacted several pieces of legislation in response to the European Union's inter-governmental Code of Conduct Group (Business Taxation) guidance for determining substance when considering whether a tax measure is harmful or 'fair' and the OECD's Base Erosion Profit Shifting (BEPS) Project.

The Bahamas enacted the Multinational Entities Financial Reporting Act, 2018 on 1 January 2018. This Act provides for country-by-country reporting of profits or losses attributed to entities incorporated or resident within The Bahamas that are a part of a multinational entities group which generates an annual combined turnover in excess of US\$850,000,000.00.

Following this The Bahamas enacted the Register of Beneficial Ownership Act, 2018 which came into force on 20 December, 2018. This Act provides for the establishment of a secure search system of databases managed by registered agents which hold beneficial ownership information on entities incorporated, registered, or continued in accordance with the Companies Act or the International Business Companies Act. It is important to note that the secure search system does not create a public Register of Beneficial Ownership but is searchable by the Attorney General of The Bahamas.

On 31 December 2018, The Bahamas enacted the Removal of Preferential Exemptions Act, 2018, ending the practice of ring-fencing. Ring-fencing occurs when a jurisdiction has a preferential tax regime that is available to certain groups of taxpayers and unavailable to other groups of taxpayers. This preferential regime is usually unavailable to domestic taxpayers, or taxpayers that operate in the domestic economy. Prior to the Act, entities incorporated, registered, or otherwise established in The Bahamas under the International Business Companies Act, the Exempted Limited Partnership Act, the Investment Condominiums Act, 2014 and the Executive Entities Act, 2011, were exempt from certain taxes such as business licence tax and stamp tax if they

operated exclusively outside of The Bahamas. This exemption was not available to companies that operated within The Bahamas.

The Bahamas also enacted the Commercial Entities (Substance Requirements) Act, 2018 on 31 December, 2018 in response to BEPS. The Commercial Entities (Substance Requirements) Act, 2018 was subsequently repealed and replaced by the Commercial Entities (Substance Requirements) Act, 2023. This Act requires entities incorporated, registered or continued under Bahamian law to demonstrate economic substance in The Bahamas if they are engaged in a relevant activity. A relevant activity is (a) banking business; (b) insurance business; (c) fund management business; (d) financing and leasing business; (e) headquarters business; (f) distribution and service centres business; (g) shipping business; (h) commercial use of intellectual property; or (i) as a holding company engaged, or where one or more of its subsidiaries is engaged in one of the activities listed under paragraphs (a) to (h).

16. Does the tax system broadly follow the OECD Model i.e. does it have taxation of: a) business profits, b) employment income and pensions, c) VAT (or other indirect tax), d) savings income and royalties, e) income from land, f) capital gains, g) stamp and/or capital duties? If so, what are the current rates and how are they applied?

There is no taxation of business profits (except for DMTT on entities within scope of Pillar Two), employment income and pensions, savings income, royalties, income from land (except for VAT), capital gains, or capital duties. Taxation in The Bahamas is by way of VAT, stamp duties, import duties, real property taxes and business licence taxes.

The main VAT rates are a standard rate of 10%, a reduced rate of 5% and a zero rate, which are flat rates. Real property transactions are, however, graduated and range from 0% to 10%. The rates of stamp duty vary. Business licence taxes are graduated for most industries but are charged as a flat rate for some other industries.

Some of the current rates are as follows:

BUSINESS LICENCE –

for a business with annual turnover greater than \$100,000.00 but not exceeding \$500,000.00 – 0.5% of turnover;

for a business with annual turnover greater than

\$500,000 but not exceeding \$5 million – 0.75% of turnover;

for a business with annual turnover greater than \$5 million – 1.25% of turnover.

VAT

- on most goods and services – 10%
- on unprepared foods, baby and adult diapers, feminine hygiene products, medicines and medical supplies – 5%
- Every long-term lease or transfer of an interest in a long-term lease – 5% where the value does not exceed \$100,000 and 10% where the value exceeds \$100,000
- A mortgage or transfer of mortgage of real property – 1% of mortgage or transfer of mortgage amount
- on every deed of conveyance, assignment or transfer of real property to a Bahamian company or other Bahamian entity – 2.5% where the value does not exceed \$100,000 and 10% where the value exceeds \$100,000
- Deed of conveyance, assignment or transfer of real property to a foreign person – 10%
- every deed of conveyance, assignment or transfer of real property to a Bahamian individual:
 - 5% where the value does not exceed \$100,000;
 - 4% where the value exceeds \$100,000 but does not exceed \$300,000;
 - 6% where the value exceeds \$300,000 but does not exceed \$500,000;
 - 8% where the value exceeds \$500,000 but does not exceed \$700,000;
 - 9% where the value exceeds \$700,000 but does not exceed \$1,000,000;
 - 10% where the value exceeds \$1,000,000

Real Property Tax (paid annually)

- Owner-occupied residential property on the part of the value up to \$300,000 – 0%
- Owner-occupied residential property on the part of the value over \$300,000 to \$500,000 – 0.625%
- Owner-occupied residential property on the part of the value over \$500,000 – 1%
- Foreigner owned unimproved property valued at up to \$7,000 – 100
- Foreigner owned unimproved property on the part of the value which exceeds \$7,000 – 2%
- Non owner-occupied residential property valued up to \$75,000 – 300
- Non owner-occupied residential property valued over \$75,000 – 0.625%
- Commercial property on the part of the value up to

\$500,000 – 0.75%

- Commercial property on the part of the value over \$500,000 to \$2,000,000 – 1%
- Commercial property on the part of the value which exceeds \$2,000,000.00 – 1.5%.

Stamp Duty (a one-time payment on transactions)

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- An assignment, transfer, exchange of personality
 - Up to \$100,000 – 2.5% of the value
 - Over \$100,000 – 10% of the value
- A transaction comprising the sale of a business insofar as that transaction involves the sale of property other than land (save for cash and deposit accounts) the rate payable is 6% of the consideration attributable to property other than land.
- A mortgage or charge of personality – 1% of the secured amount.

17. Is business tax levied on, broadly, the revenue profits of a business computed in accordance with accounting principles?

In order to conduct business activities in or from within The Bahamas a business licence is required. This licence carries with it a business licence tax which is charged as a percentage of the business' turnover. Historically, the definition of turnover diverged from the principles of commercial accountancy. However, as a result of amendments made to the Business Licence Act the basis upon which business licence tax is charged is closer to generally accepted principles of commercial accounting.

Currently, "turnover" means total revenues in money and money's worth accruing to a person from his business activities within The Bahamas during the year of assessment, without any deductions whatsoever. There are, however, several express inclusions and exclusions to turnover.

The express inclusions, which are not exhaustive, are

- a. all cash, credit sales and commissions;
- b. the gross amounts receivable as compensation for personal services;
- c. the gross receipts derived from trade, business, commerce or sales;
- d. the total value proceeding or accruing from the sale of tangible or intangible property or service, or both including all deposits and progress payments received in relation to such sale;

- e. the gross receipts by reason of the investment of the capital of any business engaged in by the taxable person, including rentals, royalties, fees, reimbursed costs or expenses;
- f. in relation to an international business company, 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;
- g. the gross premiums payable to an insurer under an insurance contract;
- h. revenue accruing from proprietary trading;
- i. revenue accruing from operations as a family office;
- j. any other emoluments however designated, including all interest, carrying charges, fees or other like income, however denominated, derived by a taxable person from repetitive carrying of accounts, in the regular course and conduct of his business, and extension of credit in connection with the sale of any tangible or intangible property or service.

The express exclusions are –

- a. output tax collected by a business;
- b. the sale of capital assets, including real property unless such sale is in the ordinary course of the business;
- c. in relation to an insurer, commissions derived from reinsurance business, where tax is paid on the total reinsurance premium;
- d. in relation to an agent, an amount received for or on behalf of a principal in an agency relationship except, where the principal is a non-resident;
- e. an amount received on items sold by an auctioneer, where the auctioneer has no title or any interest in the goods sold, except for the auctioneer fee or commission;
- f. subject to rules issued by the Secretary, a gratuity charged as part of the price of services provided in hotels and restaurants where—

(i) the gratuity is calculated on the price of the service exclusive of VAT; and

(ii) the amounts collected are paid in full to eligible employees in accordance with rules issued by the Secretary;

- g. revenue accruing from certain transactions between members of a group;
- h. revenue derived from services provided by a business to an entity where—

(i) the ultimate beneficial owner of 90% of the shares or

equivalent ownership interest in both the business and the entity is the same person; and

(ii) the entity is not a business;

- i. revenue derived from investment in government securities; and
- j. any other exclusion as the Minister may by order allow."

Most businesses are subject to business licence tax at the following rates, charged on the annual turnover:

- On annual turnover between \$100,000 to \$500,000 – 0.5%;
- On annual turnover over \$500,000 to \$5,000,000 – 0.75%;
- On annual turnover over \$5,000,000 – 1.25%.

There are special business licence rates for certain sectors. Where the business is a financial service entity the following rates apply –

Type of Financial Service Entities	Annual Tax
Authorised Dealers	2.25% of total revenues net of interest expenses
Authorised Dealers under the Bank and Trust Companies Regulations Act, 2020	the greater of \$10,000 and 1.25% of turnover but up to a maximum of \$100,000
Other Public Banks and Trust Companies	the greater of \$25,000 and 1% of turnover but up to a maximum of \$100,000
Non-bank Money Transmission Businesses (MTBs)	the greater of \$10,000 and 1.25% of turnover but up to a maximum of \$100,000
Insurers under the Insurance Act	Tax at regular business rates on revenues other than gross premiums. Tax at 2.25% of gross premiums collected by the Insurance Commission and paid to the Secretary in accordance with the Insurance Act (Ch. 347).
Persons required to be registered or licensed under the Carbon Credit Trading Act, 2022 (No. 36 of 2022), the Digital Assets and Registered Exchanges Act, 2020 (No. 28 of 2020), the Investment Funds Act, 2019 (No. 2 of 2019) or the Securities Industry Act	2.25% of turnover from operations in the domestic market
Moneylenders	The greater of \$2,500 and 0.25% of turnover up to a maximum of \$100,000 from operations outside of the domestic market
Other financial services entities	2.25% of turnover
	the greater of \$2,500 and 1.25% of turnover but up to a maximum of \$100,000

A licensed telecommunication service must pay a business licence tax equal to 1.25% of its turnover.

An international business company is required to pay tax on revenue that is attributable to operations within The Bahamas at regular rates based on the nature of its activities and the amount of its local revenues. Business licence tax is payable on revenue that is attributable to operations outside The Bahamas as follows:

- i. \$2,500, where the revenue attributable to activities outside The Bahamas does not exceed one million dollars;
- ii. 25% up to a maximum of \$100,000, where the revenue attributable to activities outside The Bahamas exceeds one million dollars.

Where the turnover of a business consists partly or wholly of revenues derived from proprietary trading, business licence tax is charged as follows:

- a. the greater of \$15,000 or 0.25% of revenues derived from proprietary trading up to a maximum of \$100,000;

- b. on revenues derived from activities other than proprietary trading, a tax at the applicable rates in the Schedule based on the nature of the business and the amount of such revenues.

Family offices pay business licence tax of the greater of \$10,000 and 0.25% of turnover up to a maximum of \$100,000.

18. Are common business vehicles such as companies, partnerships and trusts recognised as taxable entities or are they tax transparent?

Yes. Different types of entities are recognized as taxable. However, as business licence tax is charged on turnover, there is no concept of a "transparent" entity for tax purposes.

19. Is liability to business taxation based on tax residence or registration? If so, what are the tests?

A business is liable for taxes under the Business Licence Act if the business is conducted either in or from within The Bahamas. The Department of Inland Revenue has issued guidance indicating that the following activities are considered to be conducting business in or from within The Bahamas:

- Business revenue recorded in the books and records of an IBC as having been earned from activity in or from within The Bahamas
- Included entities (other than those that are pure equity holding entities) involved in relevant activities under the Commercial Entities (Substance Requirements) Act which are required to have substantial economic presence in The Bahamas
- Operational mind and management of a business being conducted in The Bahamas
- The existence of operations at a permanent establishment/fixed place of business
- Performance of personal services within The Bahamas
- A Financial Services Entity (i.e. a business that is subject to paying a licensing fee and regulated with the Central Bank of The Bahamas or the Securities Commission ("SCB"), an insurer, a co-operative credit union, a Carbon Credit Trading Act registrant.

Entities within scope of Pillar Two are liable for DMTT based on location. An entity is located in The Bahamas based on tax residence or if it is a branch or other place of business in The Bahamas that is a permanent

establishment of a non-resident entity. An entity is deemed to be a tax resident in The Bahamas if it is incorporated, created, or organized in The Bahamas or if its place of effective management is The Bahamas.

20. Are there any favourable taxation regimes for particular areas (e.g. enterprise zones) or sectors (e.g. financial services)?

The Economic Empowerment Zone Act, 2018 was passed in order to promote the development of Bahamian communities through the granting of certain exemptions and fiscal incentives for the renovation and restoration of property and the encouragement of businesses in areas designated as economic empowerment zones. Businesses located in those zones area are eligible to apply for exemptions from:

- Business licence taxes;
- Customs duties; and
- Excise Taxes.

Once an application is approved, a certificate of trade will be issued which is valid for one year. In order to take advantage of this regime, applicants must have a valid business licence in good standing.

Additionally, certain islands within The Bahamas enjoy special tax regimes that allow exemptions from certain taxes. In Grand Bahama, the City of Freeport is exempt from paying excise taxes, stamp duties and most customs duties until 2054 due to the Hawksbill Creek Agreement ("Hawksbill"), an agreement incorporated into legislation that allows for free trade within the city of Freeport. Exemptions from real property tax and taxes on earnings which have expired under Hawksbill have been continued under the Grand Bahama Port Area Investment Incentives Act, 2016 for entities listed in the Schedule to the Act. Entities not listed in the Schedule may apply for exemptions if they are making an investment that involves a new or expanded development in the City of Freeport. Additionally, the Family Islands Development Act, 2008 allows for certain islands within The Bahamas to be granted concessions with respect to customs duty and excise tax on certain imports with a view to encouraging development in those islands.

In July 2025, the Business Development Incentives Programme Act, 2025 was enacted to allow businesses with annual turnover greater than \$50 million that engage in qualifying investment activities to be eligible to receive financial incentives. Qualifying investment activities include capital investment in a plant or equipment, research and innovative activities, training and

development of staff located in The Bahamas, higher levels of full-time staff in The Bahamas, and decarbonization measures. The award of a financial incentive will result in a credit that may be used to offset taxes under the Business Licence Act or the DMTT Act. Credits not used in the period specified in the award are refundable in cash.

21. Are there any special tax regimes for intellectual property, such as patent box?

There is no tax on intellectual property in The Bahamas.

22. Is fiscal consolidation permitted? Are groups of companies recognised for tax purposes and, if so, are there any jurisdictional limitations on what can constitute a tax group? Is there a group contribution system or can losses otherwise be relieved across group companies?

Groupings are permitted for VAT purposes. A VAT grouping allows a group of entities to apply to be treated as a single taxable entity.

Registration for the VAT grouping can be made in the name of the "representative member" under whose Tax Identification Number (TIN) the VAT return for the Group will be filed, and this can be any entity within the group. The representative member is responsible for paying the VAT and any repayment will be sent to the representative member. However, all entities belonging to a group will be jointly and severally liable for VAT debts.

The following can form a VAT group:

- A trust and a beneficiary of that trust;
- A partnership or company limited by shares and a member of such partnership or company who owns 25% or more of the rights to its income or capital;
- A shareholder and a company limited by shares, and the shareholder together with other persons related to the shareholder who control 25% or more of the voting power or own 25% or more of the rights to dividends or capital.
- Two or more companies, and a third person who either alone or with other related persons controls 25% or more of the rights to dividends or capital, or the voting rights in the companies.
- The non-resident branch or home office of a company operating in The Bahamas and the resident branch or home office of the same company in The Bahamas.

Where a business is registered as a part of a group under

the VAT Act, its business licence tax rate will be based on the combined turnover of all of the members of the group. The Business Licence Act outlines which transactions must be included in the calculation of group turnover and which transactions may be excluded. The Business Licence Act provides that each member of the group is jointly and severally liable where a member of the group contravenes or fails to comply with a provision or requirement of that Act.

23. Are there any withholding taxes?

There are no withholding taxes in The Bahamas. However, 1.5% stamp duty is charged on all funds remitted or transferred out of The Bahamas.

24. Are there any environmental taxes payable by businesses?

While there is an environmental levy charged on certain items that are imported into The Bahamas, there is no environmental tax charged broadly in the country.

25. Is dividend income received from resident and/or non-resident companies taxable?

There is no tax on dividends in The Bahamas, except where the dividends are received by a business that operates in or from within The Bahamas and is therefore included in the turnover of the receiving business. However, 5% stamp duty is payable on funds of BS\$500,000 or more representing dividends, which are converted from Bahamian dollars into a foreign currency and thereafter remitted or transferred out of The Bahamas.

26. What are the advantages and disadvantages offered by your jurisdiction to an international group seeking to relocate activities?

Advantages

The advantages of re-locating to The Bahamas are that both residents and foreigners pay no taxes on personal income, succession, inheritance, gifts, and capital gains. There is also no corporate income tax, except for MNE groups within scope of Pillar Two. The government derives most of its revenue from VAT, real property taxes, stamp duties, import duties and business licence taxes.

MNE groups that are within scope of Pillar Two can benefit from incentives that are expected to meet the requirements of qualified refundable tax credits consistent with the GloBE Rules.

Further, The Bahamas has a robust business supportive legal framework with a focus on economic growth and development and compliance with international agreements promoted by organisations such as the OECD. Through this legal framework, security and protection are available to investors, making The Bahamas an attractive country in which to conduct business.

Investors have options when considering the type of entity to establish for their business. Persons wishing to incorporate in The Bahamas may decide to incorporate a domestic company under the Companies Act, 1992, or an IBC under the International Business Companies Act, 2000. The Bahamas also recognizes sole proprietorships, foreign companies, limited liability companies, companies limited by guarantee, partnerships, limited exempted partnerships and companies with segregated accounts amongst other types of entities. To incorporate a company in The Bahamas is relatively quick, as there is a turnaround time of 1 – 3 business days.

Another advantage is that The Bahamas dollar is pegged to the US dollar, providing stability, ease and a level of certainty with respect to repatriation of profits.

The Bahamas has enacted stringent anti-money laundering (AML) laws and privacy laws in an effort to deter criminal activity, protect the business environment, and comply with international organisations and standards.

Challenges

Certain industries are reserved for Bahamians and therefore foreign investment in these areas is prohibited. Some of the reserved areas include wholesale and retail operations, domestic advertising and public relations firms, domestic newspapers and magazine publications, security services, auto and appliance service operations, public ground transportation, cabotage, and the domestic gaming industry.

Non-Bahamian participation in any commercial activity requires the prior approval of the National Economic Council.

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