

July 16th, 2018

Economic Empowerment Zone (EEZ) Payroll Tax Relief

Scope, Details, and Procedures

Purpose

In order to encourage and attract businesses to start up or relocate to an EEZ the BEDC has developed a process for a relief on the employer's portion of Payroll Tax for newly established businesses in a zone.

The purpose of this initiative is to attract new businesses to start-up in an EEZ or existing businesses to relocate to an EEZ to assist with the regeneration and growth of the EEZs. It also allows start-ups an opportunity to grow and thrive over a 2-year period while giving them breathing space to grow the business financially through reduced overhead costs. The relief also incentivises existing businesses to be attracted to an EEZ while growing the economic base in those zones.

Applicable Legislation

Section 5, Class C (j) of the Payroll Tax Rates Act 1995 is applicable as follows.

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| (j) an employer who establishes a business which is located in an Economic Empowerment Zone (designated under section 2A of the Economic Development Act 1968), which business is registered by the Bermuda Economic Development Corporation under section 4(1)(c) of the Bermuda Economic Development Corporation Act 1980; provided that no such employer shall, by virtue of this paragraph, be chargeable to tax at this rate for a period exceeding nine tax periods beginning, and including, the tax period in which the business is established. | 0.0% |
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The employer portion of the payroll tax on gross taxable remuneration is 0%.

Eligible Applicants

Any new business or relocated business that establishes a physical presence in one of the 3 Economic Empowerment Zones after the zone's establishment date as per the relevant order. Further, the business must be registered with the Bermuda Economic Development Corporation.

Existing Economic Empowerment Zones

There are currently 3 Economic Empowerment Zones in Bermuda as follows:

- 1) The North East Hamilton EEZ - established by the Economic Development (Designation of Economic Empowerment Zone) (North East Hamilton) Order 2007 on June 18th, 2007.
- 2) The Somerset EEZ - established by the Economic Development (Designation of Economic Empowerment Zone) (Somerset) Order 2011 on March 29th, 2011.
- 3) The St. George's EEZ - established by the Economic Development (Designation of Economic Empowerment Zone) (St. George's) Order 2011 on March 29th, 2011.

Relief Details

- A concessionary Payroll Tax rate of 0% will be offered to newly established businesses in an EEZ on the Employer portion of the payroll tax
- The concession is available up to a maximum of 9 tax periods including the period in which the business established in an EEZ

Once the business location is established in an EEZ:

1. The business registers with the BEDC as required under section 4(1)(c) of the Bermuda Economic Development Corporation Act 1980.
2. The business applies to BEDC for an EEZ Payroll Tax Relief Letter. To obtain it, the business must provide:
 - a. A fully completed application form;
 - b. A copy of a valid ID;
 - c. A copy of the signed lease agreement that certifies the business' location in the EEZ and lease commencement date;
 - d. A copy of a utility bill (or similar document) showing the name and address of the EEZ business since operating;
 - e. The list of employees (and associated posts) employed with the business;
 - f. The Employer Social Insurance ID Letter from the Department of Social Insurance with the associated Social Insurance numbers for each new employee;
 - g. A copy of the Payroll Tax ID Letter from the Office of the Tax Commissioner (OTC). If the business has not yet registered with the OTC, then it will have to do so through this process. If the business is not operating yet, then no letter from the OTC is needed at this point;

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11. Ultimately, it is at the discretion of the BEDC and the OTC, based on the information provided and its own investigations, to determine if the business is eligible to be approved for this relief.
12. Once the approval is given, any changes in employees during the 9 tax periods must be reported to the BEDC.

Growing
Bermuda one
Business at
a time