

June 28th, 2018

First-Time Entrepreneurs Payroll Tax Relief

Scope, Details, and Procedures

The Government of Bermuda has pledged to provide new tax relief for **first-time entrepreneurs** to assist them in **creating new jobs**.

Therefore, **new entrepreneurs** who register and meet the criteria established by the BEDC in the creation of a new business will be **exempt from the employer portion of payroll tax for themselves** (if owner-managed or self-employed) and **any employees** for the **first year of business** (first four quarters in operation).

This programme applies to all new entrepreneurs who establish a new local business in Bermuda after **April 1st, 2018**. The business owner must not have owned a business in Bermuda previously whether with a partner(s) or on his/her own. This relief only applies to small businesses as per the definition in the BEDC Act 1980.

Once the business is established:

1. The business registers with the BEDC as required under section 4(1)(c) of the Bermuda Economic Development Corporation Act 1980.
2. Those businesses who register must meet BEDC's definition of a small business as follows:
 - BEDC defines a small business as Bermudian – owned and managed; operating locally;
 - having an annual gross payroll not exceeding \$500,000; or
 - having annual sales revenues of less than \$1,000,000.
3. The business applies to BEDC for a New Entrepreneurs 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 and lease commencement date;

- d. A copy of a utility bill (or similar document) showing the name and address of the business since operating;
 - e. The list of employees (and associated posts) employed with the business within its first year of operation;
 - 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;
 - h. If an incorporated company, a copy of the Certificate of Incorporation must be submitted;
 - i. If an LLC, a copy of the LLC Agreement must be submitted;
 - j. If an online business, the business must provide the NIC documentation and verification of its first transaction;
 - k. A copy of the business bank account statement for the new business; and
 - l. Any other documents as required that BEDC deems necessary to make an informed decision about the application.
4. BEDC's Officers conduct site visits to the physical business to confirm the business is legitimately operating.
 5. BEDC's Officers will check with the Office of Tax Commissioner; the Department of Social Insurance; the Registrar of Companies to ensure the entrepreneur hasn't owned a previous business and the business is legally registered.
 6. BEDC's Officers, once satisfied with the information provided, makes a recommendation for approval or refusal to BEDC's Executive Director.
 7. BEDC's Executive Director, once satisfied with the information provided, will approve or refuse the application.
 8. Upon approval BEDC's Executive Director issues a Payroll Tax Relief Letter to the attention of the Tax Commissioner for the business and the specified

employees of the business. BEDC will provide the approval letter to the applicant and email a copy of the letter to the OTC.

9. Once BEDC receives all required information and the site visit is completed, the letter can be issued within 5 business days. The letter will only give the tax relief on the employer portion of payroll tax on the remuneration paid to themselves (if owner-managed or self-employed) and any employees for up to 4 tax periods from the commencement of the business.
10. Please note that BEDC does not back date relief, so any tax periods, if missed, from when the business officially opened would be excluded.
11. Any business that started prior to the commencement date of this programme of April 1st, 2018 will be excluded from obtaining the relief. Any tax periods prior to April 1st, 2018 will be excluded.
12. For the first tax period in which the business receives the relief letter, the applicant must file manually taking the letter to the OTC office.
13. 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.