ABIC Members' Proposals on Qualified Refundable Tax Credits

1. OECD Taxation Guidance & Jurisdictional Risks

- **Uncertainty in Tax Regimes:** There's increasing complexity in the tax landscape, particularly around the OECD's recommendations and U.S. tax policies. Bermuda's competitiveness as a domicile for property and casualty companies is being questioned, requiring swift action to stay ahead.
- **Jurisdictional Risks:** Reduced tax benefits and shorter transition periods (from 10 to 2 years) have already impacted Bermuda's appeal, with potential for increased scrutiny from major countries such as France and Germany. There is a significant risk of challenges if tax incentives are seen as non-compliant.
- **Strategic Adjustments:** Bermuda must maintain a tax regime that accommodates international standards while maintaining flexibility, with broad-based benefits for various sectors. Efforts are needed to develop a tax system that is acceptable to European countries and does not jeopardize the island's international business attractiveness.

2. Taxation & Economic Strategy

- **Corporate Income Tax (CIT):** The introduction of CIT brings significant complexity. Initial benefits for corporate taxpayers are being reduced, and the transition period has been shortened. Further, the tax policy must balance government revenue needs and business competitiveness. There are concerns that government will spend CIT tax revenue that is meant to be in the reserve account, by transferring money into the government's consolidated fund, when those funds could be needed for refunds during loss years. This must be addressed.

- **Incentives for Workforce Development:** Proposed initiatives include payroll tax relief, healthcare cost management, and incentives for workforce development. This approach aims to reduce business costs while encouraging economic development and job creation for both Bermudians and guest workers.
- **Long-Term Strategy:** There is a need to maintain and enhance Bermuda's position as a competitive international business hub. A gradual implementation of tax policies, including dial-up and dial-down incentives, is recommended to achieve this.

3. Infrastructure Investment & Development

- **Investment Focus:** There is a growing need for investment in residential and commercial real estate projects, particularly in Hamilton. However, developers are wary of the high construction costs and thin profit margins. Granting tax credits for corporate investment in real estate may encourage companies to invest in Bermuda real estate, and help the government achieve its aims of addressing the housing challenges in Bermuda, increasing the availability of residential units in the city of Hamilton, and increasing the Bermuda workforce population.
- **Tax Credits for Infrastructure:** Proposals include offering tax credits for infrastructure investment, particularly in residential real estate and urban revitalization. Companies could be incentivized to pre-sell residential units to finance developments.
- **Strategic Development Areas:** Focus on revitalizing the City of Hamilton and promoting partnerships between international businesses and local developers to create a sustainable investment environment.

4. Workforce Development & Education Initiatives

- **Job Creation:** Companies should be encouraged to create entry-level positions, particularly for high school graduates, with tax credits offered for new job creation. These incentives would help increase jobs within the insurance/reinsurance sector and diversify job opportunities beyond traditional sectors like insurance. Tax credits should also be given to companies who hire interns (whether they be Summer interns or at other times during the year), for the cost of those interns.
- **Educational Support:** Expanding ABIC's Education Awards and encouraging companies to increase their scholarship contributions could support a broader educational development program.
- **Skills Training:** Developing sector-specific training programs, particularly in hospitality, healthcare, and other industries, will help address Bermuda's skills gap. Companies could be incentivized to invest in these programs.

- ***Diversity, Equity and Inclusion (DEI) initiatives:*** Companies should be encouraged to have DEI programmes, and tax credits granted to companies that have DEI initiatives, strategies, and employees whose responsibility it is to advance DEI initiatives, with the support of the board and CEO.

5. Sustainability & Innovation

- **ESG Compliance & Sustainability:** Tax credits for companies that meet Environmental, Social, and Governance (ESG) standards are suggested, such as renewable energy and energy-efficient building modifications/installations.
- **Innovation & R&D:** Proposals include offering R&D tax credits and fostering Bermuda's role as a hub for innovation and technology, particularly in collaboration with local educational institutions.
- **Green Infrastructure:** Support for companies investing in green technologies, such as off-grid energy solutions and energy-efficient infrastructure, would align with Bermuda's sustainability goals.

6. Advertising & Marketing

- **Incentives for Advertising Spend:** Based on the U.S. film industry's tax credit model, Bermuda could explore offering tax credits for companies' advertising expenditure, particularly for locally created content. This could encourage the growth of local media and production industries.
- **Focus on Local Content:** The aim is to increase local production by offering credits for advertisements and media projects that promote Bermuda's creative economy.

7. Community Involvement & Philanthropy

- **Corporate Social Responsibility (CSR):** Tax credits could be offered for corporate donations to local charities and community development projects. This would help sustain the philanthropic culture while enhancing Bermuda's business reputation.
- **Philanthropy Incentives:** The focus would be on encouraging long-term, impactful community support rather than short-term donations. A tiered credit system based on contribution impact could be developed to incentivize meaningful engagement.

8. International Tax Adjustments & Pillar 2

- **Tax Reform Alignment:** The international tax landscape is evolving, and countries are increasingly focused on implementing global minimum taxes. Bermuda must align its policies with international standards while maintaining its competitive edge.
- **Pillar 2 Compliance:** The implementation of Pillar 2, which aims to ensure that multinationals pay a minimum level of tax, may affect Bermuda's tax incentives. However, flexibility and strategic adaptation to these changes are necessary for ongoing business success.

9. Staffing & Stakeholder Engagement

- **Tax Agency Staffing:** The tax agency is facing delays in recruiting risking staffing shortages which could affect the timely implementation of tax policies. Efforts to expedite recruitment and ensure the agency has the expertise needed to handle the tax landscape are critical.
- **Ongoing Engagement:** ABIC should continue engaging with stakeholders to gather input on tax incentives, workforce development, infrastructure investment, and sustainability initiatives. This ensures alignment with the needs of the business community and prepares for upcoming tax reforms.

Conclusion:

ABIC members' proposals align with strategic goals to address Bermuda's complex tax environment, promote **workforce development**, and stimulate **sustainable infrastructure** and **innovation**. As Bermuda moves forward, members emphasize the importance of **clear communication**, **broad-based tax incentives**, and **collaborative efforts** between business and government to ensure Bermuda's continued competitiveness on the international stage. ABIC recommends that government not spend tax revenue meant to be held in reserve, so that refunds can be paid if companies have loss years.