CONTRIBUTION TO

Domestic Minimum Top-Up Tax ("DMTT") Bill, 2024

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Deputy Prime Minister and
Minister for Tourism Aviation & Investments

On behalf of the Minister of Finance

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I am pleased to preset to this House, Domestic Minimum Top-Up Tax (“DMTT”) Bill, 2024, which is designed to achieve alignment with the Organization for Economic Cooperation Development’s (“OECD”) Global Anti-Base Erosion (“GloBE”) Rules aimed at ensuring a global minimum level of income tax for large multinational enterprises (“MNEs”).

This Bill seeks to introduce an effective tax rate of 15 percent for in-scope multinational enterprises (“MNEs) operating in The Bahamas that have annual consolidated revenue of or above 750 million Euros or approximately $818 million. At this threshold very few Bahamian owned and operated businesses would be impacted.

In addition, with the passage of this Bill, The Bahamas would be allowed to retain tax revenues on profits of these entities that would otherwise be subjected to top-up tax in another jurisdiction under the OECD’s Income Inclusion Rule (“IIR”) or the Under Taxed Profit Rule (“UTPR”). As a matter of policy this Administration has already stated that the lionshare of revenue from this bill would be dedicated to debt reduction and reducing the cost of living for ordinary Bahamians.

In line with the options permitted by the EU Pillar Two directive, the draft DMTT Bill provides for the introduction of a tax that is intended to be a “qualified domestic minimum top-up tax (“QDMTT).

This Bill reflects comments received during the public consultation period which was extended by two weeks and ended on the 30 September 2024. During the Debate, the Government side would go through this Bill in detail and provide an analysis of the policy considerations which went into this Bill.

TAX INCENTIVE LEGISLATION

The Consultation Paper foreshadowed the government's intention to introduce some form of incentives to reduce the cost of doing business in The Bahamas. These incentives will be laid out in a companion piece of legislation.

These incentives would when introduce would impact all businesses not just businesses which qualify for the DMTT. In this respect the Government within this year and prior to any tax becoming payable under the DMTT would introduce a legislation that will lay out the framework for such incentives in a manner that will qualify under the GloBe Rules. This proposed Bill because of its impact on all businesses would require public consultation.

In the consultation process with the DMTT, several respondents suggested that any new incentive regime be aligned with attracting new business development in key economic activity, namely, headquarters, tourism, finance, technology and energy. And, in this regard, consideration could also be given to incentives associated with employment, capital expenditures, training, local content spend, research & development costs, the creative industry, and extra-territorial turnover.

The Government acknowledges the importance of developing this new regime, which would need to apply broadly across businesses in The Bahamas. Consequently, the view was taken that a separate Bill be crafted to reflect the final position of the government and submitted for consideration during the mid-year budget exercise.

CONCLUSION

The Government having completed the public consultation process and engaged with international agencies, inclusive of the OECD, and we are of the considered view that the DMTT Bill as drafted is consistent with the OECD GloBe Model Rules and meets the requirements to be a Qualified Domestic Minimum Top-up Tax and in respect of which the QDMTT Safe Harbour can be applied.