



# Business in The Bahamas




The Bahamas is ranked by the World Bank as a high income developing nation. It is a regulated free market economy with tourism and financial services as the dominant industries in the country.

The Bahamas is the richest country in the West Indies and is ranked 14th in North America for nominal GDP.



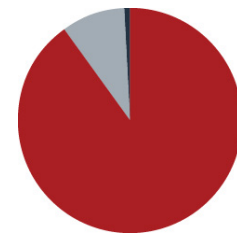
## Population

 = 100 thousand

414,550



## GDP Breakdown by Sector



- Services (79.4%)
- Industry (8.24%)
- Agriculture (0.57%)

## Currency

Bahamian Dollar (B\$)

## Foreign Direct Investment

1.25 million (USD)

## GDP Growth (2022)

14.4%

## Business Climate

### Intellectual Property

The principal IP rights that are recognised in The Bahamas include patents, trademarks, registered designs, unregistered designs, and copyright.

### Banking System

The Bahamas is one of the financial centres of the Caribbean, with approximately 400 banks registered in the country. Financial services produce some 15 percent of GDP with the country's legislation and regulatory structure, comparatively high-skilled workforce, and stable government attracting some of the most prestigious financial institutions from around the globe. The banking community of the Bahamas is supervised by the Central Bank of the Bahamas, which attempts to maintain a regulatory environment conducive to investment opportunities, while ensuring high standards of conduct, as developed by the Basil Committee on Banking Supervision.

## International Trade

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### Trade Regulations, Customs & Standards

The primary requirements of importing into or exporting from The Bahamas are proof of authorisation for processing, proof of value of the goods (invoices or receipts), and proof of freight charges (bill of lading or freight Invoice), depending on the purpose of the importation. All relevant customs documentation for declarations is also required.

### Trade Agreements

The Bahamas is the only country in the region that does not belong to a free trade agreement or a customs union. It has been a member of CARICOM since 1983, but does not participate in the group's single market and economy arrangements.

### Foreign Trade Zones

The Bahamas' main export partner is the United States, accounting for around 72 percent of total exports. Others include Canada, Germany, France, the Netherlands, Nigeria, Turks and Caicos Islands, Mexico, and the United Kingdom.

### Foreign Direct Investment Policy

Government approvals are required for a non-Bahamian investor to conduct business in The Bahamas. Applications can be made to the (i) Bahamas Investment Authority (the administrative arm of the National Economic Council), through the office of the Director of Investments in the Office of the Prime Minister; (ii) Exchange Control Department of the Central Bank of The Bahamas and (iii) Grand Bahama Port Authority, for business to be conducted in the Freeport, Grand Bahama area.

There are no restrictions on foreign shareholders or on the acquisition of shares, except for obtaining the requisite approvals. Specific approval must be obtained to acquire Bahamian real estate. Under National Investment Policy guidelines, certain areas are reserved for Bahamian citizens (for example, public transport, wholesale and retail operations and commercial fishing).

In other industries, non-Bahamian participation is encouraged (for example, tourist resorts, marinas, banking and other financial services, and e-commerce).

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## Tax Regime

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### Residence and Basis

The concept of tax residence does not exist in The Bahamas. There is no tax on the income of employees.

### Business Tax

A person or entity that both conducts business in The Bahamas and is licensed to carry on business with Bahamian residents is subject to business licence tax. This is charged on a business's Bahamian source turnover, not its worldwide turnover. Different rates apply to certain special categories of business.

### Individual Tax/Income Tax

Citizens of the Bahamas do not pay taxes on income, inheritance, gifts, or capital gains. The Bahamian government uses revenue from sources like VAT and stamp taxes. There are strict laws prohibiting illicit financial activity, such as money laundering.

### VAT (Value Added Tax)

Certain businesses must register for VAT, collect VAT from their customers and pay it to the Department of Inland Revenue.

These are businesses meeting any one of the following criteria: (i) a turnover in The Bahamas of more than USD 100,000 a year; (ii) holding a temporary business licence; or (iii) domiciled in or outside The Bahamas, to the extent they provide, directly or through an agent, telecoms services or e-commerce to persons for use, enjoyment, benefit or advantage in The Bahamas.

VAT is payable within 21 days of the end of the applicable tax period. The tax period for businesses with a turnover of (i) More than USD five million a year is one month, or (ii) less than USD five million a year is three months. VAT returns can be filed online using the online Central Revenue Administration system.

### Tax Rates

The standard rate of VAT for most goods and services is 10%. Some goods and services are zero-rated, i.e. a 0% rate of VAT applies to them, and some are exempt.

### Tax Incentives

The Bahamas levies no taxes on capital gains, corporate earnings, personal income, sales, inheritance, or dividends. This tax freedom is available to all resident corporations, partnerships, individuals, and trusts.

## Establishing a Business

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### Corporate Structures

The main business structures are as follows:

- International business companies (IBCs) incorporated under the International Business Companies Act 2000
- Companies incorporated under the Companies Act 1992
- General partnerships organised under the Partnership Act 1904
- Exempted Limited Partnerships formed under the Exempted Limited Partnership Act 1995

Trusts can also be created in The Bahamas.

IBCs are most commonly used by non-Bahamian investors. The main reasons for using IBCs are their ease of incorporation, flexible corporate structure, and fewer corporate governance requirements.

### Regulation on Business

There is no public filing of accounts. An IBC must keep reliable accounting records that (i) correctly explain all transactions; (ii) enable the financial position of the IBC to be determined with reasonable accuracy at any time; (iii) enable financial statements to be prepared and (iv) include supporting documents. The records must be kept for at least five years from the date a transaction occurred. An IBC must keep at its registered office a declaration stating that it is maintaining reliable accounting records, and that such accounting records will be made available to its registered agent.

## Employment Affairs

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### Work Permits

Foreign employees require a work permit to work in The Bahamas. Foreign employees are not uncommon in The Bahamas. However, there are rules to ensure that employment is only offered to non-Bahamians when there are no suitably qualified Bahamians to fill the position. Employers who employ illegal immigrants are subject to fines and prosecution.

### Employment for Foreign Individuals

If a foreign person is granted a work permit, they are also granted the right to reside in The Bahamas. However, a separate application for residency is required for a spouse or child of that person. This is generally granted with the spouse or child expressly not having the right to work.

### Social Security

Every employee must be registered with the National Insurance Board and make national insurance contributions, similar to a social security system. National insurance contributions are made by both the employer and employee. They are determined based on the insurable wage for the employee. The maximum insurable wage is USD 710 per week or USD 3,077 per month. The rate paid on the insurable wage by the employee is 3.9%.

### Termination of Employment

Under the Employment Act 2001 (EA), employees can be terminated without cause, and at any time, if they are given a minimum notice period (or pay in lieu of notice) and severance. This statutory position can be varied by express terms in an employment contract, which can set out specific requirements and procedures for dismissals.

## Contact Us

### Higgs & Johnson, The Bahamas

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