



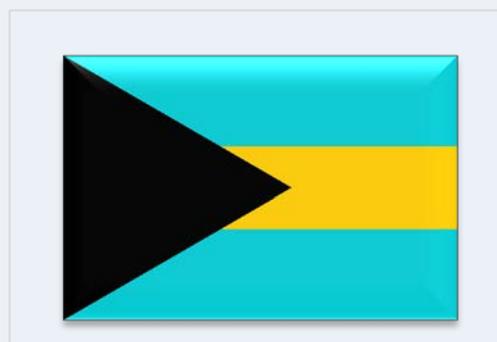
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Country Profile: Bahamas

The Facts

Location	A group of islands in the North Atlantic Ocean
Languages	Official language – English Spoken – English, Creole
Nationality	Bahamian
Religions	Protestant – 67.6% Roman Catholic – 13.5% Other Christian – 15.2% Others – 3.7%
Government	Constitutional Parliamentary Democracy and Commonwealth realm
Head of Government	Prime Minister
Legislature	The Parliament
Constitutional Document	The Constitution of The Commonwealth of The Bahamas
Economy	The Bahamas' economy is strong and stable. The economy is largely dependent on tourism and offshore banking. The Bahamas is a safe tax haven for secure offshore accounts and banking, company formations, brokerage accounts, investment and asset protection
Currency	Bahamian Dollar (BSD)
GDP (2011)	Total – BSD 8.07 billion Per capita – BSD 23,175 Real GDP growth – +2.0%
Population	316,200 (approx.)
Percentage of population	Black – 85% White – 12% Asian and Hispanic – 3%
Area	13,880 km ²
Time zone	EST (UTC -5) EDT (UTC -4)
Public Holidays	National holidays – 10
Climate	Tropical marine



Sources: *The Government of The Bahamas, Central Intelligence Agency, International Monetary Fund*

The Bahamas

A former colony of the United Kingdom, the Bahamas is a chain of islands in the North Atlantic Ocean, Southeast of Florida and Northeast of Cuba. The Caribbean country, known for its beautiful locales, is a favorite amongst tourists. The country offers a slew of investment incentives to foreign investors. Known for its expeditious project approval policies, the Bahamas is also attractive because of its proximity to North America. Easily accessible from major financial centers, the Bahamas offers an outstanding infrastructure for commercial and industrial activity, besides having a large and highly skilled labor force.

The Bahamas Business Climate

The Bahamas is one of the richest countries in the Western Hemisphere in terms of GDP per capita and has a professional community of accountants, international bankers, trustees and legal experts. The country offers a favorable climate for foreign investors interested in investing in the areas of insurance, manufacturing, shipping, import and export trade, as well as tourism development. The country, however, remains a haven for drug smugglers and illegal migrants who wish to enter the United States. According to the 2012 Index of Economic Freedom released by the Heritage Foundation in association with the Wall Street Journal, the Bahamas' economic freedom score is 68, which puts the country at the 46th rank in the world. The country's overall score is the same as last year, with gains in labor and monetary freedom offset by worsened conditions for business freedom and business spending. The country is ranked 9th out of the 29 countries in the South and Central America/Caribbean region, and its overall score is higher than the regional and world average.

The economy of the Bahamas is highly dependent on tourism and offshore banking, with the former accounting for nearly 60% of its GDP. The tourism segment provides employment to nearly 50% of the island group's work force. Although tourism growth witnessed a slowdown after the global recession in 2009, the trend has reversed in the last couple of years. The country's financial and business services segment accounts for 36% of its GDP.

Investment Incentives Available in The Bahamas

The Bahamas remain free from corruption and the overall regulatory system is conducive for entrepreneurial activity. But the country's relatively closed markets remain an area of concern. Let's look at some of the factors that act as an encouragement for investing in the Bahamas:

- **No Taxes:** One of the main attractions for investing in the Bahamas is the absence of taxes. There are no taxes levied on personal income, corporate earnings, capital gains, sales, inheritance or dividends. Tax freedom is available to all resident corporations, partnerships, individuals and trusts.
- **A Stable Currency:** Foreign investors are also attracted by the stability of the Bahamas' economy and its currency. The Bahamian dollar is pegged to the US dollar in the ratio of 1:1 and the two currencies are used interchangeably throughout the island nation.
- **No Custom Duties:** A major incentive for investors comes in the form of relief from customs duties on approved raw materials, equipment and building supplies.
- **No Restrictions on Current Account Transactions:** The Bahamas has no restrictions on current account transactions or repatriation of profits. The country's central bank has delegated the authority to approve allocations of foreign exchange for certain payments to its authorized dealers.
- **Easy Funding and Guarantees:** The Investment Guarantee Agency enables easy funding. The country's associations with several organizations, including the US Government's Overseas Private Investment Corporation or OFIC and the World Bank's Multilateral of Loan, guarantees funds for foreign investors. The Bahamas is also a party to the Convention on the Settlement of Investment Disputes.
- **Easy Work Permits:** The Bahamas authorities provide the necessary work permits for key personnel easily. Also, accelerated consideration for annual or permanent residence is given to major investors and to owners of residences valued in excess of \$500,000. All foreign nationals owning residences in the Bahamas can apply to the Director of Immigrations and get a Home Owners Card. Although this card does not provide residency status for tax purposes, it facilitates entry into the country and entitles the owner and his family to remain for a specific duration.
- **Booming Banking Industry:** The Bahamas is a booming international banking center that is connected to every major market in the world. The country houses over 400 banks and trust companies handling private banking, company registration, captive insurance, real estate portfolios and trust management activities.



Setting Up Business in The Bahamas

All foreign investors looking to invest in the Bahamas have to make the necessary applications to The Bahamas Investment Authority or BIA, the administrative arm of the National Economic Council or NEC, which is a cabinet sub-committee headed by the country's Prime Minister. While the council evaluates foreign investment proposals and decides which projects can proceed, the BIA helps the investor in getting the necessary clearances.

It is the BIA's responsibility to ensure that an approved project gets implemented. The agency coordinates with all other government agencies, acts as a filter, liaison and a troubleshooter. The BIA helps these projects get the necessary clearances or exemptions offered by the Bahamian government. Once approved, the necessary permits, certificate of registration, acquisition documents on purchase or lease of property are issued and recorded. Capital investments must be at a minimum of \$250,000.

Although the BIA plays a key role in getting a business started, immigration issues and matters of exchange control are handled directly by the Immigration Department and the Central Bank of The Bahamas, respectively. Legal advisors of foreign investors should coordinate the securing of relevant permits, licenses and approvals, in addition to the general approval for the investment. Foreign investors can engage a local counsel to assist in the process of establishing a business structure and making the necessary applications for permits and approvals. The fee for such services may depend on the complexity of the proposal.

Investors need to submit details such as their name, address, description of the proposal, time of the business, principals, its proposed location, land or factory space requirements, and proposed start up and completion dates for the project. The proposal also needs to specify the personnel requirements, capital investment, financial arrangements and the environmental impact of the project, if any. Details of concessions being sought should also be provided along with the application.

The approval of a proposal should be followed by an application for a business license. These licenses need to be renewed at the beginning of every calendar year via the payment of the requisite fees.

Types of Business Structure Options Available to Foreign Investors

A wide range of options are available to foreign investors when selecting a structure for doing business in the Bahamas. In the case of a corporate structure, company names have to be approved by the Registrar of Companies. The various business structure options are:

Sole Proprietorship

Investors can choose to be sole proprietors. Although sole proprietors are not registered in The Bahamas, investors need to acquire a business license and a shop license, if appropriate. The investor does not have to pay any fee for commencing business as a sole proprietor but has to get the name of his business registered under the Business Names Act. There are no restrictions relating to capital and there are no taxes applicable on the running of such a business.

Limited Liability Companies

Such a business structure is permitted under Bahamian law and may be incorporated under the Companies Act of 1992 or the International Business Companies Act of 2000.

Two or more persons can incorporate a company under the Companies Act of 1992. They just need to sign a memorandum satisfying the requirements and then submit it to the Registrar, along with the necessary affidavits and declarations. This business structure does not have any restrictions on capital and no taxes are applicable.

Special permission from the Central Bank of the Bahamas is required to incorporate a company under the International Business Companies Act. There is no requirement that a national of the Bahamas or a related state should be a participant, manager or director of the company. Also, there are no restrictions on capitalizations and no tax consequences. An IBC can be established for a limited or an unlimited duration. Unless restricted by its memorandum, an IBC has the capacity and power to undertake any lawful purpose, including the power to dispose of or encumber its assets for the benefit of a third party, without any corporate benefit accruing to it. Such activities include:

- Import and export
- Holding or investment vehicles
- Mutual fund vehicles
- Ownership of ships
- Operating foreign currency accounts in and outside the Bahamas.

An IBC, however, cannot

- Engage in business in the Bahamas or with the residents of the Bahamas
- Own land in Bahamas
- Undertake banking or trust business from the Bahamas
- Carry on the business of insurance or reinsurance
- Carry on the business of providing the registered office of companies.

The IBC business structure is highly advantageous because

- It can be incorporated within 24 hours of filing the necessary papers
- The shares and assets of IBC can be acquired, disposed of or encumbered without any governmental approvals
- An IBC can freely deal with foreign currencies
- They have limited filing requirements
- There is a lot of corporate flexibility with no restrictions on board meetings, minimum authorized share capital or the need for auditors
- Taxes and stamp duties are exempted for a period of 20 years from the date of incorporation

Unlimited Liability Companies

The procedure for incorporation is the same as that for a Limited Liabilities Company and the nature of the shareholder's liability is detailed in the memorandum of association of the company.

Segregated Account Companies

Such companies are registered under the Segregated Account Companies Act of 2004. This type of business structure is generally used by captive insurance and investment funds. This is a company with a series of accounts, with assets linked to one or more of the segregated accounts. This segregation protects the asset associated with one account from claims of creditors of other accounts.

A SAC must be incorporated under the Companies Act or the International Business Companies Act and then registered as a SAC by filing a request with the Registrar of Companies. Written consent of the company's primary regulator and if the company has conducted business prior to registration, the consent of all known creditors must be received. The SAC is required to appoint a Representative to be resident and licensed in The Bahamas. Once the Registrar has approved the application and registration fees have been paid, the company is registered as a SAC and a notice of the registration is published in the Gazette.

Joint Ventures

There are no registration or incorporation requirements for setting up joint ventures in the Bahamas. There is no requirement that a Bahamian or a foreign national be a participant, manager or director in a joint venture. There are no restrictions on capitalization and no special rules for determining an investor's potential liability. Also, there are no tax consequences for participating in a joint venture.

Partnerships – Limited Liability

This type of business structure is governed by the Partnership Limited Liability Act (PLLA). A partnership, with limited liability, may be formed by two or more persons for the transaction of any mercantile, mechanical or manufacturing business within The Bahamas, except banking or insurance.

General Partnerships

There is no requirement that a national of The Bahamas or a related state be a partner in a general partnership arrangement. There are no tax consequences for investors participating in such arrangements.

Undisclosed Partnerships

No specific regulations exist about this type of a business venture. No tax implications are also there.

Subsidiaries/ Branches/ Representative Office

Companies incorporated outside The Bahamas may conduct business in The Bahamas by registering as a foreign company under the Companies Act of 1992. Registration may be affected by deposit of documents with the Registrar of Companies containing particulars of the foreign company.

The Bahamas also allows for establishment of trusts and foundations.



Investment Options in The Bahamas

The Bahamas encourages foreign investment in several areas, such as:

- Aircraft Services
- Agro Industries
- Assembly Industries
- Banking and Financial Services
- Captive Insurance Services
- Condominium Development
- Film and Audio Production
- Food Processing
- Information and Data Processing
- Light Manufacturing for Export
- Mariculture
- Offshore Medical Supplies
- Pharmaceutical Manufacture
- Ship Repair
- Tourist Resorts
- Real Estate Development
- High Tech Services.

The country has, however, reserved several areas for domestic investors, including:

- Advertising and Public Relations
- Auto and Appliance Service Operators
- Bonefish Lodges with 20 or less rooms
- Construction companies
- Distribution of Building Supplies
- Import or Export Commission Agencies
- Newspapers and Magazine Publications
- Cosmetic and Beauty Establishments
- Public Transportation
- Real Estate and Property Management Agencies
- Security Services
- Nightclubs and Restaurants
- Water sport Activities
- Fishing operators
- Wholesale and Retail Operators

Legislations Relating to Investment Incentives in The Bahamas

Various incentives, such as exemptions from custom duties on building materials, equipments and approved raw materials, business licensing fees and real property taxes of periods ranging up to 20 years are provided under various legislations, such as:

- The Hotels Encouragement Act
- The Industries Encouragement Act
- The Bahamas vacation Plan and Time Sharing Act
- The Free Trade Zone Act
- The Hawksbill Creek Agreement
- The Tariff Act
- The Export Manufacturing Industries Encouragement Act
- The Agriculture Manufactories Act
- The Spirits and Beer Manufacturing Act and
- The Family Island Development Act

Termination or Cessation of Business in The Bahamas

There are no Bahamian tax consequences for termination of a business in The Bahamas. The cost of liquidating a business may vary according to the structure and the complexity of the process. The liquidator of a company will be constrained to follow statutory requirements for satisfying creditor claims, making preferential payments and distributions to shareholders.

Reference

The Government of The Bahamas	www.bahamas.gov.bs
International Monetary Fund	www.imf.org
Central Intelligence Agency	www.cia.gov
Geographia	www.geographia.com/bahamas
Bahamas Gateway	www.bahamasgateway.com/business
Ageeb Realty Ltd.	www.ageebrealty.com
The Bahamas Investor	http://www.thebahamasinvestor.com

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