



Corporate Income Tax Act

And

Tax Credits Act

Proposed Amendments

June 2026

Public Consultation

5 June 2026



Corporate Income Tax Agency
Corporate Income Tax Act and Tax Credits Act –
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1. Introduction

The Corporate Income Tax Agency (“the Agency”) is publishing this consultation paper to invite stakeholder feedback with respect to:

- (i) Amendments to the Corporate Income Tax Act 2023 (the “CIT Amendments”); and
- (ii) Amendments to the Tax Credits Act 2025 (the “TCA Amendments”).

While the CIT Amendments will be of interest primarily to corporate income taxpayers, the TCA Amendments will be relevant to all entities intending to claim a tax credit, including both corporate income taxpayers and those who are not in scope of the corporate income tax.

Both the CIT Amendments and the TCA Amendments have been developed to reflect stakeholder feedback that has been received by the Agency to date.

The CIT Amendments also aim to streamline certain operational aspects of the regime in conjunction with the ongoing development and roll out of the corporate income tax return. Several amendments are also proposed to reflect ongoing developments to the OECD’s Pillar 2 model rules and related commentary.

The TCA Amendments also incorporate updates to address fact patterns, such as M&A situations and short fiscal years, that may not have been addressed with sufficient clarity in the existing legislation. An amendment is also proposed whereby all tax credit benefits will now be accrued against the Tax Refund Reserve Fund (the reserve account into which corporate income tax receipts are paid), regardless of whether such benefits are claimed by a corporate income taxpayer or a non-corporate income taxpayer.

Additional amendments to the illustrative draft legislation may be made before the final legislative text is tabled in the House of Assembly, including changes informed by feedback received through this Consultation. The drafts included in this consultation remain in all respects subject to further Government review and approval.

This Public Consultation period will run from 5 June 2026 to 22 June 2026. Submissions received after this date may not be considered, particularly as it is anticipated that the legislation will be debated by Parliament during the month of July 2026.

Consultation Paper Responses and Comments should be submitted by email to: consultation@cita.bm Respondents should include “CIT and TCA Amendments - June 2026” in the subject box. Media Enquiries should be addressed to: media@cita.bm

2. Summary of Provisions

The following is a summary of the illustrative draft legislation accompanying this consultation and is qualified in all respects by the full text of such illustrative drafts. Amendments that are typographical or clarificatory in nature are not summarised below.

CIT Amendments

(i) Section 2 – Five-Year Elections

The definition of a five-year election has been amended to give the Agency the power to permit an earlier revocation or an earlier re-election for a five-year election.

(ii) Section 6 – Opening Tax Loss Carryforward

The proposed amendment to section 6 would require an adjustment to the opening tax loss carryforward amount allocated to a Bermuda Constituent Entity, to the extent that the financial accounting standard used to determine the opening tax loss carryforward amount differs from the financial accounting standard used to determine taxable income or loss in a subsequent fiscal year of the Bermuda Constituent Entity.

(iii) Section 15 – fiscally transparency elections for segregated accounts companies

The wording of section 15(5) is amended to clarify elections as to fiscal transparency that may be made (i) with respect to any segregated account of a segregated account company and (ii) the company itself, irrespective of its segregated accounts.

(iv) Section 21 – Mismatch in reporting periods

The addition to section 21 reflects December 2023 administrative guidance issued by the OECD in respect of the Pillar 2 rules, and is intended to align Bermuda domestic law in respect of rules applied where there is a mismatch between the reporting period used in the accounts of the Bermuda Constituent Entity and the consolidated financial statements prepared by its Ultimate Parent Entity.

(v) Section 27 – Adjustment on disposal of interests in fiscally transparent entities

The amendment to section 27 is intended to reduce the risk for double taxation to the extent that a Bermuda Constituent Entity is allocated financial accounting net income or loss with respect to its ownership interest in a fiscally transparent entity, by adjusting any gain or loss subsequently realised on disposition of the ownership interest by the amount of the financial accounting net income or loss allocation.

(vi) Sections 46B, 46D, 46F – Clarifications to calculations of penalties

A number of amendments are proposed to the civil penalties section of the CIT Act which seek to clarify that (i) penalties that are assessed by reference to the time elapsed continue to accrue for so long as a default is outstanding notwithstanding the date on which a taxpayer is notified of the penalty; and (ii) penalties that are calculated by reference to outstanding amounts shall be automatically recalculated where the underlying outstanding amount changes due to amendments, etc. to tax returns.

The penalty prescribed for failure to file required information (other than a tax return) is also increased from \$1,000 per month to \$3,000 per month to align it with the failure to file a tax return penalty, provided that the information filing penalty ceases to accrue on the later of (i) the filing date or (ii) the due date of the CIT return for the fiscal year.

(vii) Section 49 – Conforming changes to five-year elections

Consonant with the change proposed to the definition of five-year elections in section 2, this amendment codifies the approach of the Agency currently set out in the previous FAQ document published by the Ministry of Finance <https://www.gov.bm/CIT>.

Question 1: Are there any aspects of the proposals that present concerns or require further clarification?

TCA Amendments

- (i) Section 16 – Calculation of number of eligible employees**
Section 18 – Calculation of growth factor
Section 20 – Calculation of expense-based benefit factor
Sections 22 through 27 – Tax credit carryforwards

The proposed changes to each of these sections are primarily intended to better accommodate section 33, which provides that the fiscal year of a Qualifying Bermuda Group Entity shall be split into separate portions to the extent that the Qualifying Bermuda Group Entity joins or leaves a Qualifying Bermuda Group during the fiscal year.

- (ii) Section 33 – Corporate restructuring rules**

Section 33 is proposed to be expanded to address changes in group composition (e.g. incorporation of a new subsidiary, liquidation of a dormant subsidiary, etc.) that would not be expected to have an impact on the relevant inputs used in the group's tax credit computations; because these changes are non-material to the calculation of the tax credits, a provision is added to provide that the additional administrative complexity of having to split the fiscal year of a Qualifying Bermuda Group Entity into separate portions based on changes to group composition do not apply in such circumstances.

Further amendments to the section are proposed to prevent the inclusion of the CIT charge in the determination of distributable tax credit benefits in a "portion" of a fiscal year, unless such portion is coterminous with the end of the full fiscal year (at which time the full year's CIT charge is included) and to ensure that stub periods aren't regarded as "whole" fiscal years for the purposes of determining whether the aggregate charitable expenses incurred in the current and the two preceding fiscal years exceed \$300K.

- (iii) Section 35 – Accrual of tax credit benefits against Tax Refund Reserve Fund**

This proposed amendment provides for the accrual of tax credit benefits against the designated Tax Refund Reserve Fund for all tax credit recipients (and not just recipients who are within the charge to corporate income tax).

Question 2: Are there any aspects of the proposals that present concerns or require further clarification?

3. Illustrative Draft Legislation

CORPORATE INCOME TAX AMENDMENT ACT 2026



BERMUDA

CORPORATE INCOME TAX AMENDMENT ACT 2026

2026 : [XX]

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16	Consequential amendments to Corporate Income Tax Agency Act 2024

WHEREAS it is expedient to amend the Corporate Income Tax Act 2023 so as to make certain technical amendments required to provide miscellaneous updates to enhance Bermuda's corporate income tax regime and to better facilitate the filing of tax returns; and to make consequential amendments to the Corporate Income Tax Agency Act 2024;

Be it enacted by The King's Most Excellent Majesty, by and with the advice and consent of the Senate and the House of Assembly of Bermuda, and by the authority of the same, as follows—

Citation

1 This Act, which amends the Corporate Income Tax Act 2023 (the "principal Act")

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may be cited as the Corporate Income Tax Amendment Act 2026.

Amends section 2

2 (1) Section 2(1) of the principal Act is amended—

- (a) by repealing the definition “Bermuda Corporate Income Tax Return” and by replacing wherever such defined term is used in section 2(1) with the word “return”;
- (b) by deleting the existing definition of “five-year election”, and replacing it with the following-
 - ““five-year election” means, subject to section 49(6), an election made by or on behalf of a Bermuda Constituent Entity that-
 - (a) once made, shall apply for the fiscal year in which it is made (the election year) and the four succeeding fiscal years;
 - (b) cannot be revoked with respect to the election year or the four succeeding fiscal years;
 - (c) shall continue to apply after the period described in paragraph (b) unless and until the election is modified or revoked; and
 - (d) if revoked with respect to a fiscal year (the revocation year) cannot be made again with respect to the four fiscal years succeeding the revocation year,

provided that the Agency shall have the power to permit the revocation of a five-year election during the period described in paragraph (b) or the making of a new five-year election during the period described in paragraph (d);”

- (2) Section 2 is amended by the insertion of a new subsection (4) as follows-

“References herein to a “return” shall be to the form of tax return prescribed pursuant to regulations.”

Amends section 6

3 (1) Section 6(5) of the principal Act is amended by the insertion of a new paragraph (d) after the existing paragraph (c) as follows—

“(d) to the extent that-

- (i) a Filing Bermuda Constituent Entity elects pursuant to section 21(1)(b) to calculate the net income or loss of a Bermuda Constituent Entity in accordance with an approved financial accounting standard-

(A) for the period described in section 49(1); and-

- (I) revokes such election at the end of such period in accordance with section 49(6);
- (II) revokes such election for a fiscal year beginning after the

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date described in section 49(1)(b); or

(III) makes a new election pursuant to section 21(1)(b) to calculate the net income or loss of the Bermuda Constituent Entity in accordance with another approved financial accounting standard for a fiscal year beginning after the date described in section 49(1)(b); or

(B) for a fiscal year beginning after the date described in section 49(1)(b), to the extent that the net income or loss of the Bermuda Constituent Entity is determined pursuant to section 21(1)(a) for the period described in section 49(1); and

(ii) the amount of the opening tax loss carryforward determined with respect to the In Scope MNE Group exceeds the amount of the opening tax loss carryforward which would have been determined with respect to the In Scope MNE Group had the Filing Bermuda Constituent Entity-

(A) not made an election pursuant to section 21(1)(b) with respect to the Bermuda Constituent Entity for the period described in section 49(1), to the extent that subparagraph (i)(A) applies; or

(B) made an election pursuant to section 21(1)(b) to apply the approved financial accounting standard described in subparagraph (i)(B) with respect to the Bermuda Constituent Entity for the period described in section 49(1), to the extent that subparagraph (i)(B) applies,

then the amount of the opening tax loss carryforward of the Bermuda Constituent Entity shall be reduced in accordance with subsection (9), provided that for the purposes of this paragraph all references to section 49(1) shall be subject to section 49(2).”

(2) Section 6 of the principal Act is amended by the insertion of a new subsection (9) after the end of such section as follows-

“(9) For the purposes of subsection (5)(d), to the extent that-

(a) subsection (5)(d)(i)(A)(I) applies, the amount of the opening tax loss carryforward which would have otherwise been determined in accordance with subsection (4) shall be reduced, but not below zero, by the amount of the excess determined in accordance with subsection (5)(d)(ii);

(b) subsections (5)(d)(i)(A)(II) or (III) or (5)(d)(i)(B) apply, the amount of the opening tax loss carryforward allocated to the Bermuda Constituent Entity shall be reduced by an amount equal to the lesser of-

(i) the amount of the excess determined in accordance with subsection

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(5)(d)(ii); or

(ii) the amount computed by-

- (A) adding the amount of the opening tax loss carryforward allocated to the Bermuda Constituent Entity in accordance with subsection (3)(a), subject to any reduction in such opening tax loss carryforward pursuant to subsection (6); and
- (B) subtracting any portion of the amount described in clause (A) that has been included in the determination of a tax loss carryforward deduction for any fiscal year preceding-
 - (I) the revocation year described in subsection (5)(d)(i)(A)(II), to the extent such subsection applies;
 - (II) the fiscal year for which the new section 21(1)(b) election described in subsection (5)(d)(i)(A)(III) is made, to the extent such subsection applies; or
 - (III) the fiscal year for which the section 21(1)(b) election described in subsection (5)(d)(i)(B) is made, to the extent such subsection applies.”

Amends section 7

4 Section 7(2) of the principal Act is amended by deleting the full-stop of the end of such section and replacing it with a comma followed by the words “other than Bermuda Constituent Entity Groups which are comprised exclusively of stateless constituent entities.”

Amends section 15

5 Section 15(5) of the principal Act is amended by deleting the words “may make an annual election under this section to treat any segregated accounts within such company as”, and by deleting the existing paragraphs (a) and (b) and substituting new paragraphs as follows-

“(a) may make an annual election under this section to treat-

- (i) any segregated account within such company as a separate entity; or
 - (ii) the company as a separate entity from its segregated accounts; and
- (b) may, following an election under paragraph (a), then further elect to treat-
- (i) a segregated account treated as a separate entity pursuant to paragraph (a)(i); or
 - (ii) the company, to the extent it is treated as a separate entity pursuant to paragraph (a)(ii),

as fiscally transparent or not fiscally transparent under subsection (1).”

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Amends section 15A

6 Section 15A(1) of the principal Act is amended by inserting a close parenthesis after the words “section 46(1)”.

Amends section 18

7 Section 18(2)(b) of the principal Act is amended by deleting the words “section 24(3)” and replacing them with “sections 24(3) and 25”.

Amends section 21

8 Section 21 of the principal Act is amended by inserting at the end of such section, a new subsection (8) as follows-

“(8) To the extent that the financial accounts of a Bermuda Constituent Entity are maintained on the basis of a different financial reporting period than the fiscal year used to prepare the consolidated financial statements, the determination of the financial accounting net income or loss of the Bermuda Constituent Entity for a fiscal year shall be made on a basis that is consistent with the accounting convention which is used to include the financial accounts of the Bermuda Constituent Entity for its financial reporting period in the consolidated financial statements for the fiscal year; and for this purpose if the financial accounts of the Bermuda Constituent Entity for its financial reporting period-

(a) are fully included in the consolidated financial statements for a fiscal year, then the determination of the financial accounting net income or loss of the Bermuda Constituent Entity for the fiscal year shall be made on the basis of the financial accounting net income or loss reported in the financial accounts of the Bermuda Constituent Entity for its financial reporting period, notwithstanding that some of such financial accounting net income or loss will have been earned prior to the beginning of the fiscal year used to prepare the consolidated financial statements; or

(b) are segregated to align with the fiscal year used to prepare the consolidated financial statements, such that a portion of each of the two financial reporting periods of the Bermuda Constituent Entity which straddle the fiscal year used to prepare the consolidated financial statements are combined for purposes of inclusion in the consolidated financial statements, then the determination of the financial accounting net income or loss of the Bermuda Constituent Entity for the fiscal year shall be made on the basis of the portions of the two financial reporting periods which have been combined to prepare the consolidated financial statements.”

Amends sections 24 and 25

9 The title of sections 24 and 25 of the principal Act are amended by deleting the words “flow-through” and replacing them with “fiscally transparent”.

Amends section 27

10 Section 27 of the principal Act is amended by the insertion of a new subsection (4) after the end of such section as follows-

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“(4) For the purposes of determining any gain or loss to be included in the computation of taxable income or loss of a Bermuda Constituent Entity for a fiscal year with respect to an ownership interest (or portion thereof) in a fiscally transparent entity, the amount of-

- (a) any gain shall be decreased, and any loss shall be increased, by an amount equal to the aggregate financial accounting net income allocated from the fiscally transparent entity to the Bermuda Constituent Entity with respect to such ownership interest (or portion thereof) in accordance with sections 24 or 25 for the fiscal year and any preceding fiscal years beginning after the date described in section 49(1)(b); and
- (b) any gain shall be increased, and any loss shall be decreased, by an amount equal to the aggregate financial accounting net loss allocated from the fiscally transparent entity to the Bermuda Constituent Entity with respect to such ownership interest (or portion thereof) in accordance with sections 24 or 25 for the fiscal year and any preceding fiscal years beginning after the date described in section 49(1)(b),

provided that the Filing Bermuda Constituent Entity may make an annual election to disregard paragraphs (a) and (b) with respect to fiscal years beginning on or after 1 January, 2025 and prior to 1 January, 2026.”

Amends section 30

11 Section 30(6)(c) of the principal Act is amended by deleting the semicolon after the words “section 6(4)(b)”.

Amends section 46B

12 Section 46B of the principal Act is amended by-

- (a) inserting the parenthetical “(and payments from other Bermuda Constituent Entity Groups which have been applied to the Bermuda Constituent Entity Group)” after the words “Bermuda Constituent Entity Group” in paragraph (a) of the definition of “tax payments” in subsection (1);
- (b) by deleting the word “enquires” and replacing it with the word “enquiries” in paragraph (c) of subsection (5);
- (c) by deleting the “and” after “(10)” and inserting the words “and (11A)” after “(11)” in subsection (9);
- (d) by deleting the words “such notice” and replacing them with the words “a decision notice” in subsection 9(a);
- (e) by deleting the word “severalty” and replacing it with the word “severally” in paragraph (c) of subsection (10);
- (f) by inserting the following as a new subsection (11A) following subsection (11) as follows-

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“11(A) Notwithstanding subsection (11), where a decision notice has been issued imposing a penalty and a particular penalty amount is stated as of the date of such decision notice, the penalty amount in such decision notice shall be adjusted without further action or notice by the Agency-

- (a) where the penalty is imposed pursuant to sections 46D or 46F, by increasing at the same monthly rate specified in such sections from the date of the decision notice for so long as the default which gave rise to the decision notice remains uncured; and
- (b) to the extent that the penalty is calculated by reference to the amount of tax or the amount of tax due, then the penalty shall be automatically recalculated if there is an adjustment of tax or tax due following an amendment, correction, or assessment of the relevant return pursuant to regulations made under this Act.”

Amends section 46D

13 Section 46D of the principal Act is amended by deleting the existing subsections (2) and (3) and replacing them as follows-

“(2) The civil penalty that may be imposed under this section with respect to the failure to file a return by the due date shall be-

- (a) with respect to each of the first five months following the due date in which the failure continues, the greater of-
 - (i) \$3,000 per month for each month; or
 - (ii) an amount per month equal to 5% of the tax due as of the due date; and
- (b) with respect to each month following the period described in paragraph (a) in which the failure continues, \$3,000 per month.

(3) The civil penalty that may be imposed under this section where the failure relates to the filing of any information or documentation required to be filed for a fiscal year under any regulations made under this Act (other than a return) shall be \$3,000 for each month ending with the earliest of:

- (a) the date on which the information or documentation is filed with the Agency in accordance with the regulations;
- (b) the date on which the Bermuda Constituent Entity Group’s return is filed for the fiscal year; or
- (c) the original due date for the Bermuda Constituent Entity Group’s

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return for the fiscal year.”

Amends section 46F

14 Section 46F(2) of the principal Act is amended by deleting the words “each month” in the parenthetical and replacing them with “the month following the partial payment”.

Amends section 49

15 Section 49 of the principal Act is amended by inserting the following as a new subsection (6) at the end of such section-

“(6) To the extent that a Filing Bermuda Constituent Entity makes a five-year election with respect to a Bermuda Constituent Entity for the period described in subsection (1), subject to subsection (2), the Filing Bermuda Constituent Entity-

- (a) may revoke the five-year election at the end of the period described in subsection (1); and
- (b) to the extent that a five-year election is revoked in accordance with paragraph (a), the Filing Bermuda Constituent Entity may make a new election during the four-year period succeeding the date determined in accordance with section 49(1)(b).”

Consequential amendment to Corporate Income Tax Agency Act 2024

16 (1) Section 4(1)(d) of the Corporate Income Tax Agency Act 2024 is amended by deleting the words “prosecuting any” and replacing them with the words “conducting any civil”.

(2) Section 17(3) of the Corporate Income Tax Agency Act 2024 is amended by replacing the comma at the end of paragraph (d) with a full stop and deleting the words following paragraph (d) at the end of such section.

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Explanatory Memorandum

Clause 1 provides for the citation of the Bill.

Clause 2 amends the definitions section of the principal Act to remove redundant definitions and to provide taxpayers with some additional flexibility in relation to five-year elections.

Clause 3 introduces additional provisions to section 6 of the principal Act concerning the calculation of opening tax loss carryforwards and adjustments that may arise in relation thereto.

Clause 4 adds additional clarification to section 7 of the principal Act so that the subsection in question is consistent with the remainder of the section.

Clause 5 amends section 15 of the principal Act to provide for greater clarity over elections that can be made under that section by segregated accounts companies.

Clause 6 corrects a typographical error in section 15A of the principal Act.

Clause 7 corrects a typographical error in section 18 of the principal Act.

Clause 8 inserts a new subsection in section 21 of the principal Act and is intended to address issues arising where there is a mismatch between the financial reporting period for a Bermuda Constituent Entity and the period used by its ultimate parent entity in preparing consolidated financial statements for the group.

Clause 9 amends the section head for sections 24 and 25 of the principal Act so that such sections better adhere with their contents.

Clause 10 inserts a new subsection in section 27 of the principal Act which is designed to address the issues arising in the calculation of taxable gain or losses on the disposition of ownership interests that are treated as fiscally transparent.

Clause 11 corrects a typographical error in section 30 of the principal Act.

Clause 12 amends section 46B of the principal Act to make a number of clarifications, including that: (i) penalties that are assessed by reference to the time elapsed continue to accrue for so long as a default is outstanding notwithstanding the date on which a taxpayer is notified of the penalty; and (ii) penalties that are calculated by reference to outstanding amounts shall be automatically recalculated where the underlying outstanding amount changes due to amendments, etc. to tax returns.

Clause 13 amends section 46D of the principal Act to provide for greater clarity in the calculation of penalties for the relevant offence and to provide that a penalty under section 46D(3) may not be imposed for an indefinite period.

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Clause 14 corrects a typographical error in section 46F of the principal Act.

Clause 15 amends sections 49 of the principal Act to address the additional flexibility introduced through the amendment to the definition of “five-year election” under Clause 2.

Clause 16 makes certain consequential provisions concerning the enforcement regime under the principal Act as applied by the Corporate Income Tax Agency pursuant to the Corporate Income Tax Agency Act 2024.

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TAX CREDITS AMENDMENT ACT 2026



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17	Consequential amendments to the Corporate Income Tax (Tax Refund Reserve Fund) Regulations 2025

WHEREAS it is expedient to amend the Tax Credits Act 2025 so as to make certain technical amendments required to provide miscellaneous updates to enhance Bermuda's tax credits' regime and to better facilitate the filing of tax credit claims.

Be it enacted by The King's Most Excellent Majesty, by and with the advice and consent of the Senate and the House of Assembly of Bermuda, and by the authority of the same, as follows—

TAX CREDITS AMENDMENT ACT 2026

Citation

- 1 This Act, which amends the Tax Credits Act 2025 (the “principal Act”) may be cited as the Tax Credits Amendment Act 2026.

Amends section 16

- 2 (1) Section 16(4) of the principal Act is amended—
- (a) by deleting the existing text after the chapeau in subparagraph (a)(i) and substituting the following-
 - “(A) the standard weekly working hours of the eligible employee established by the agreement for the fiscal year; by
 - (B) 30,provided that the amount determined in accordance with this subparagraph shall not exceed 1; and”
 - (b) by deleting the existing text after the chapeau in subparagraph (a)(ii) and substituting the following -
 - “(A) the number of weeks (including a portion of a week) in which the eligible employee was employed by one or more Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group during the fiscal year; by
 - (B) the number of weeks (including a portion of a week) during the fiscal year; and”
 - (c) by deleting the existing text after the chapeau in subparagraph (b)(i) and substituting the following-
 - “(A) the result obtained by dividing-
 - (I) the number of hours of service provided by the eligible employee to Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group during the fiscal year; by
 - (II) the number of weeks (including a portion of a week) in which the individual was an eligible employee of one or more Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group during the fiscal year; by
 - (B) 30,provided that the amount determined in accordance with this subparagraph shall not exceed 1; and”
 - (d) by deleting the existing text after the chapeau in subparagraph (b)(ii) and substituting the following-
 - “(A) the number of weeks (including a portion of a week) in which the eligible employee was employed by one or more Qualifying Bermuda Group Entity members of the Qualifying Bermuda Group during the fiscal year; by

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(B) the number of weeks (including a portion of a week) during the fiscal year.”

(2) Section 16(5) of the principal Act is amended-

- (a) by changing the comma following the words “equivalent factor for the eligible employee for the fiscal year” to a semi-colon in paragraph (a) and by deleting all remaining text after such full stop in paragraph (a);
- (b) by changing the comma following the words “equivalent factor for the eligible employee for the fiscal year” to a semi-colon in paragraph (b) and by deleting all remaining text after such full stop in paragraph (b);
- (c) by inserting a new paragraph (c) as follows-

“(c) to the extent that subsection (4)(a) or (b) is being applied separately to more than one portion of a fiscal year (determined without regard to section 33(1)), whether by virtue of the application of paragraphs (a) or (b) of this subsection (5) or section 33, the aggregate of the amounts determined pursuant to subsection 4(a)(ii)(A) and (b)(ii)(A) for all such portions which fall within the fiscal year shall not exceed the total number of weeks during the fiscal year.”

Amends section 17

3 Section 17(2)(c) of the principal Act is amended by deleting the reference to “subsection 1(a)(i)” and replacing it with “subsection 1(a)(ii)”.

Amends section 18

4 Section 18(2)(c) of the principal Act is amended by deleting the existing text and substituting the following-

“(c) to the extent that a Qualifying Bermuda Group Entity becomes or ceases to be a member of the Qualifying Bermuda Group due to the transfer of a direct or indirect ownership interest in the Qualifying Bermuda Group Entity, the amount determined in accordance with subsection (1)(b) for the fiscal year immediately succeeding the transfer date-

- (i) for the Qualifying Bermuda Group which disposed of the Qualifying Bermuda Group Entity shall be reduced by the number of full-time eligible employees of the Qualifying Bermuda Group Entity as determined for the fiscal year of the Qualifying Bermuda Group immediately preceding the transfer date, subject to subparagraph (1)(b)(i); and
- (ii) for the Qualifying Bermuda Group which acquired the Qualifying Bermuda Group Entity shall be increased by the number of full-time eligible employees of the Qualifying Bermuda Group Entity as determined for the fiscal year of the Qualifying Bermuda Group immediately preceding the transfer date, subject to subparagraph (1)(b)(i).”

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Amends section 20

5 Section 20 of the principal Act is amended by-

(a) inserting “,subject to subsection (3),” following the words “expense-based benefit factor shall,” in subsection (1);

(b) by inserting the following as a new subsection (3)-

“(3) To the extent that section 33(1) applies to the Qualifying Bermuda Group, such that the provisions of this Act are being applied with respect to a portion of a fiscal year, then for the purposes of applying subsection (1) to such portion each of the dollar limits described in subsection (1) shall be equal to the product of-

(a) the dollar limit described in subsection (1); and

(b) the result obtained by dividing-

(i) the number of weeks (including a portion of a week) included in the portion of the fiscal year; by

(ii) 52.”

Amends section 22

6 Section 22 of the principal Act is amended by-

(a) deleting the existing wording in subsection (3) and substituting the following-

“(3) For the purposes of subsection (2), to the extent that-

(a) section 33(1) applies to the Qualifying Bermuda Group Entity, such that-

(i) the provisions of this Act are being applied with respect to a portion of a fiscal year (which shall be referred to, for the purposes of this section, as the successor portion);

(ii) the successor portion is immediately preceded by another portion of a fiscal year (which shall be referred to, for the purposes of this section, as the predecessor portion) arising pursuant to the application of section 33(1); and

(iii) the period comprising the predecessor portion ends prior to the end of the fiscal year which includes the predecessor portion,

the allocation of the total opening tax credit carryforward amount of the Qualifying Bermuda Group Entity for the successor portion shall be equal to the benefit period allocations determined in accordance with section 27(3) at the end of the predecessor portion, as described in subsection (5);

(b) paragraph (a) does not apply, the allocation of the total opening tax credit carryforward amount for the fiscal year shall be determined by advancing, in each case by one benefit period, the benefit period allocations determined in accordance with section 27(3) at the end of the immediately preceding fiscal year, as described in subsection (4).”

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- (b) by deleting the reference to “subsections (2) and (3)” and substituting “subsection 3(b)” in subsection (4);
- (c) by inserting the following as new subsections (5) and (6)-
 - “(5) For the purposes of paragraph (3)(a)-
 - (a) the total closing tax credit carryforward amount allocated to the second preceding benefit period pursuant to the application of section 27(3)(a) for the immediately preceding fiscal year shall become the total opening tax credit carryforward amount allocated to the second preceding benefit period for the purposes of applying section 23(3)(b) for the fiscal year;
 - (b) the total closing tax credit carryforward amount allocated to the first preceding benefit period pursuant to the application of section 27(3)(b) for the immediately preceding fiscal year shall become the total opening tax credit carryforward amount allocated to the first preceding benefit period for the purposes of applying section 23(3)(c) for the fiscal year; and
 - (c) the total closing tax credit carryforward amount allocated to the immediately preceding fiscal year pursuant to the application of section 27(3)(c) for the immediately preceding fiscal year shall become the total opening tax credit carryforward amount allocated to the fiscal year for the purposes of applying section 23(3)(d) for the fiscal year.
 - (6) For the purposes of paragraph (3)(a), to the extent that the Qualifying Bermuda Group Entity is a member of different Qualifying Bermuda Groups for each of the predecessor portion and the successor portion-
 - (a) the fiscal year referenced in subparagraph 3(a)(i) shall be the fiscal year of the Qualifying Bermuda Group of which the Qualifying Bermuda Group Entity is a member during the successor portion; and
 - (b) the fiscal year referenced in subparagraphs 3(a)(ii) and (iii) shall be the fiscal year of the Qualifying Bermuda Group of which the Qualifying Bermuda Group Entity is a member during the predecessor portion.”

Amends section 23

- 7 Section 23(3) of the principal Act is amended-
- (a) in paragraph (b), by deleting the words “section 22(4)(b) for the fiscal year; and” and substituting a chapeau followed by-
 - “(i) section 22(4)(b); or
 - (ii) section 22(5)(a),as the case may be, for the fiscal year;”
 - (b) in paragraph (c) by deleting the words “section 22(4)(c) for the fiscal year.” and substituting a chapeau followed by-
 - “(i) section 22(4)(c); or

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(ii) section 22(5)(b),

as the case may be, for the fiscal year; and”

(c) by inserting a new paragraph (d) as follows-

“(d) the fiscal year in an amount equal to the aggregate of the amounts allocated to the fiscal year for each Qualifying Bermuda Group Entity member of the Qualifying Bermuda Group in accordance with section 22(5)(c) for the fiscal year.”

Amends section 24

8 Section 24 of the principal Act is amended by-

(a) deleting the existing text in subsection (5)(a) and substituting the following-

“(a) subject to subsection 7, the CIT charge of the Qualifying Bermuda Group for the fiscal year (as determined without regard to section 33(1)); and”

(b) by deleting “with respect to each payroll tax period which falls” in subsection (5)(b);

(c) by deleting the words “for such payroll tax period” in subsection 5(b)(i) and substituting the words “with respect to each payroll tax period which falls entirely within the fiscal year of the Qualifying Bermuda Group”;

(d) by inserting the words “with respect to each payroll tax period which falls” at the start of subsection (5)(b)(ii);

(e) by inserting a new subsection (7) as follows-

“(7) To the extent that-

(a) section 33(1) applies, such that the provisions of this Act are being applied with respect to a portion of the fiscal year (as determined without regard to section 33(1)); and

(b) the period comprising such portion ends prior to the end of the fiscal year which includes the portion,

the amount determined pursuant to paragraph 5(a) shall be nil for the purposes of applying this section to the portion.”

Amends section 25

9 Section 25(2)(c)(i) of the principal Act is amended by deleting the existing text and

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substituting-

- “(i) adding the sum of-
 - (A) the amount determined in accordance with section 24(3) for the fiscal year; and
 - (B) the portion of the total opening tax credit carryforward of the Qualifying Bermuda Group which was allocated to the fiscal year in accordance with section 23(3)(d); and”

Amends section 26

10 Section 26(3) of the principal Act is amended by-

- (a) deleting the existing text in subparagraph (b)(ii)(A) and substituting the following-

“(A) the sum of the amounts determined for the fiscal year in accordance with-

- (I) section 22(4)(b); and
- (II) section 22(5)(a); by”

- (b) deleting the existing text in subparagraph (c)(ii)(A) and substituting the following-

“(A) the sum of the amounts determined for the fiscal year in accordance with-

- (I) section 22(4)(c); and
- (II) section 22(5)(b); by”

- (c) deleting the existing text after the chapeau in subparagraph (d)(ii) and substituting the following-

“(A) the sum of-

- (I) the accrued substance-based tax credit benefit of the Qualifying Bermuda Group Entity as determined in accordance with section 6(1) for the fiscal year; and
- (II) the amount determined in accordance with section 22(5)(c) for the fiscal year; by

(B) the sum of-

- (I) the accrued substance-based tax credit benefit of the Qualifying Bermuda Group as determined in accordance with section 24(3) for the fiscal year; and
- (II) the amount determined in accordance with section 23(3)(d) for the fiscal year.”

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Amends section 27

11 Section 27(3) of the principal Act is amended by-

- (a) deleting the existing text in subparagraph (a)(ii)(A) and substituting the following-

“(A) the sum of the amounts determined for the fiscal year in accordance with-

- (I) section 22(4)(b); and
- (II) section 22(5)(a); by”

- (b) deleting the existing text in subparagraph (b)(ii)(A) and substituting the following-

“(A) the sum of the amounts determined for the fiscal year in accordance with-

- (I) section 22(4)(c); and
- (II) section 22(5)(b); by”

- (c) deleting the existing text after the chapeau in subparagraph (c)(ii) and substituting the following-

“(A) the sum of-

- (I) the accrued substance-based tax credit benefit of the Qualifying Bermuda Group Entity as determined in accordance with section 6(1) for the fiscal year; and
- (II) the amount determined in accordance with section 22(5)(c) for the fiscal year; by

(B) the sum of-

- (I) the accrued substance-based tax credit benefit of the Qualifying Bermuda Group as determined in accordance with section 24(3) for the fiscal year; and
- (II) the amount determined in accordance with section 23(3)(d) for the fiscal year.”

Amends section 33

12 Section 33 of the principal Act is amended by-

- (a) renumbering existing text as subsection (1); and
- (b) inserting new subsections (2) and (3) as follows-

“(2) To the extent that a Bermuda Entity-

- (a) becomes, or ceases to be, a member of a group during a fiscal year; and

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- (b) such change in the Bermuda Entity's membership in the group is due exclusively to-
 - (i) the incorporation, formation, or organisation of a Bermuda Entity during the fiscal year;
 - (ii) the liquidation, dissolution, or termination of a Bermuda Entity during the fiscal year, pursuant to which another group entity succeeds to the assets and liabilities, if any, of the Bermuda Entity; or
 - (iii) the merger, amalgamation, or consolidation of a Bermuda Entity with another member of the group,

then paragraph (1)(b) shall not apply to such change in the Bermuda Entity's membership in the group.

(3) Subsection (1) shall not apply for the purposes of determining-

- (a) the fiscal year referenced in section 16(5)(c);
- (b) the CIT charge of the Qualifying Bermuda Group for the fiscal year for the purposes of section 24(5)(a);
- (c) the fiscal year referenced in section 24(7);
- (d) the aggregate eligible charitable expenses incurred for a fiscal year for the purposes of section 28(2)(a)."

Amends section 35

13 Section 35 of the principal Act is amended by deleting the word "BCE" and substituting the word "Entity" in each instance where "BCE" appears in subsections (1) and (2).

Amends section 37

14 Section 37 of the principal Act is amended by deleting the words "Bermuda Tax Credit Claim Form" in each instance where such words appear in the definition of "overstatement" and substituting the words "form filed in accordance with section 36 or regulations made under this Act".

Amends section 39

15 Section 39 of the principal Act is amended by deleting the existing text and substituting the following-

"To the extent that the distributable tax credit benefit claimed with respect to a Qualifying Bermuda Group NBCE-

- (a) has been refunded to the Filing Qualifying Bermuda Group Entity pursuant to

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section 4(b); and

(b) is subsequently determined to have been overstated,

interest shall be chargeable in respect of such overstatement at the rates and in the manner as the Minister may prescribe by regulations.”

Consequential amendment to the Public Treasury (Administration and Payments) Act 1969

16 Section 12A(2A)(b) of the Public Treasury (Administration and Payments) Act 1969 is amended by deleting the existing text and substituting the following-

“(b) the payment of tax credit benefits pursuant to the Tax Credits Act 2025 shall, in the first instance, be made from the tax refund reserve fund established pursuant to section 50A of the Corporate Income Tax Act 2023 (but subject to any regulations made under the Corporate Income Tax Act 2023 or the Tax Credits Act 2025), provided that if there are insufficient sums standing to the credit of such tax refund reserve fund, the payment of such tax credit benefits shall be made from the Consolidated Fund.”

Consequential amendments to the Corporate Income Tax (Tax Refund Reserve Fund) Regulations 2025

17 The Corporate Income Tax (Tax Refund Reserve Fund) Regulations 2025 is amended-

(a) by the deletion of the existing definition of “tax payment” in regulation 2(1) and replacing it with the following definition-

“tax payments” means payments made on account of paragraphs (a)(i) and (ii) of the definition of “tax due” in section 46B(1) of the CIT Act;

(b) by inserting the following new definitions in the correct alphabetical order in regulation 2(1)-

“distributable tax credit benefits” has the meaning given to that term in the Tax Credits Act;

“Qualifying Bermuda Group NBCE” has the meaning given to that term in the Tax Credits Act;

(c) by deleting the existing text in regulation 8(b) and substituting the following-

“(b) in accordance with regulation 10.”

(d) by inserting the following as paragraph (f) in regulation 9(2)-

“(f) subtracting any distributable tax credit benefits of Qualifying Bermuda Group NBCEs which are paid during the month.”

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- (e) by deleting the words “Payment of refunds” and substituting the word “Payments” in the title of regulation 10
- (f) by deleting the words “an overpayment of tax has occurred and refund of such tax” in regulation 10(1) and substituting the words “a refund of an overpayment”;
- (g) by inserting a new paragraph (2) in regulation 10 as follows-

“(2) Payment of a distributable tax credit benefit to a Qualifying Bermuda Group NBCE, shall be paid out of the Fund, subject to the Fund having a positive balance sufficient to pay such benefit.”

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Explanatory Memorandum

Clause 1 provides for the citation of the Bill.

Clause 2 amends section 16 of the principal Act to provide for a more accurate calculation of the number of eligible employees, which in turn affects the calculation of the level of tax credit benefits awarded under the substance-based tax credit.

Clause 3 amends section 17 of the principal Act to update a cross-reference.

Clause 4 amends section 18 of the principal Act to provide for adjustments to the calculation of number of eligible employees due to corporate transactions when employer companies are transferred.

Clause 5 amends section 20 of the principal Act to provide for greater clarity in the calculation of expense-based tax credit benefits in “stub” periods that are less than 12 months.

Clause 6 amends section 22 of the principal Act to correct instances where a fiscal year was broken up into “portions” (for example, due to a corporate transaction) which could lead to inaccuracies in calculation of how tax credit benefits were apportioned over multiple fiscal years

Cause 7 amends section 23 of the principal Act to take account of the changes made by Clause 6.

Clause 8 amends section 24 of the principal Act to address potential inaccuracies that could arise when a “stub period” used in calculating tax credit benefits did not coincide with the same period used in calculating a corporate income tax charge.

Clause 9 amends section 25 of the principal Act to take account of the changes made by Clause 6.

Clause 10 amends section 26 of the principal Act to take account of the changes made by Clause 6.

Clause 11 amends section 27 of the principal Act to take account of the changes made by Clause 6.

Clause 12 amends section 33 of the principal Act to reduce administratively complexity where there are changes in a corporate group and such changes do not impact the calculation of a group’s tax credit benefits.

Clause 13 amends section 35 of the principal Act to provide that the accrual of tax credit benefits against the designated tax refund reserve fund shall occur for all tax credit recipients (and not just recipients who are within the charge to corporate income tax).

Clause 14 corrects typographical errors in section 37 of the principal Act.

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Clause 15 amends sections 39 of the principal Act to clarify how interest on amounts that are paid out due to overstatement is calculated.

Clause 16 makes certain consequential amendments to the Public Treasury (Administration and Payments) Act 1969 to reflect the impact of Clause 13.

Clause 17 makes certain consequential amendments to the Corporate Income Tax (Tax Refund Reserve Fund) Regulations 2025 to reflect the impact of Clause 13.

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