

Barriers to Bahamas-Mexico Business and Trade Reduced

The consequences of The Bahamas' inclusion on the "so-called" Mexican blackist have been mitigated, opening the door for a broader business exchange between the two countries.

The change in law, which eliminates a disclosure obligation requirement for Mexican residents transacting with The Bahamas, became effective January 1, 2011 and comes nearly a year after The Bahamas and Mexico signed a Tax Information Exchange Agreement (TIEA) between the two countries, one of 24 TIEAs that have been negotiated by The Bahamas since March 2009.

This has a number of implications as of January 1 of this year:

- Generally speaking, Mexican residents with revenues derived from investments in The Bahamas will no longer be required to submit information returns to the Mexican tax authority;
- Payments by Mexican residents to related parties in The Bahamas will not be subject to a 40 percent ("penalty") income tax withholding, case in which the "ordinary" tax rates could apply;
- Income tax from the alienation of shares during a corporate reorganization by a resident of The Bahamas may be deferred (provided certain requirements are duly met with);
- For income tax purposes, the tax credit effectively paid by the (Bahamian) company at the second corporate level is granted when the first corporate level (Bahamian) company pays dividends to its Mexican shareholding company (complying with correspondent requirements).

"We are very pleased with this development," said Wendy Warren, CEO and Executive Director, Bahamas Financial Services Board. "Clearly the government recognized the importance of boosting the Bahamas reputation with Mexican investors. BFSB is very appreciative of this effort. It establishes a clear environment in which Bahamian and Mexican companies and nationals can conduct business and will encourage them to look at Bahamian structures for their wealth management and investment needs. "

The Bahamas' TIEA with Mexico, like its TIEA agreements with 23 other countries, includes all standard means to ensure due process is followed in tax information requests to The Bahamas.