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Deloitte Insurance Week 2026

Global Tax Developments

May 13, 2026

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Bermuda Tax Update

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Bermuda Corporate Income Tax: Scope and Framework

- In December 2023, Bermuda enacted a **15% corporate income tax** effective for fiscal years beginning on or after January 1, 2025.
- The CIT applies to Bermuda Constituent Entities within a multinational enterprise group with annual revenue of at least **EUR 750m** in at least two of the four prior fiscal years.
- Applies to Bermuda tax resident entities and Bermuda permanent establishments.
- Financial accounting net income or loss (e.g., GAAP or IFRS) is the starting point for determining taxable income.
- The CIT framework incorporates key definitions and concepts from the **OECD Pillar Two GloBE Model Rules**.
- The regime does not adopt the Pillar Two income inclusion rule or undertaxed profits rule.

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Bermuda Corporate Income Tax: Computation, Elections, and Exclusions

- Bermuda Constituent Entity groups are taxed on aggregated Bermuda group net taxable income, reduced by Bermuda tax loss carryforwards and applicable credits.

- The regime includes elective flexibility, including fiscal transparency, economic transition adjustment, and realization elections.

- Certain entities may be excluded from scope, including qualifying investment funds, entities **less than 80% owned** by the ultimate parent entity, and entities subject to a branch exemption election.

- Multinational enterprise groups with a limited international footprint may be excluded where the group has constituent entities in **fewer than six jurisdictions** for a continuous five-year period.

- Elections and exclusions can materially impact scope, taxable base, and effective tax rate outcomes.

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Timeline of Key CIT Dates

January 1, 2025

Bermuda corporate income tax takes effect; GloBE UTPR takes effect in various jurisdictions

January 31, 2025

CIT registration due - questions related to Bermuda CIT incorporated into the existing annual declaration submitted to the Registrar of Companies for registration purposes

August 31, 2025

First Instalment payment (50% of the estimated tax liability) due for calendar-year taxpayers (the last day of the 8th month after the beginning of the fiscal year)

December 15, 2025

Second 15th day of the 12th month Instalment payment (40% of the estimated tax liability) due for calendar-year taxpayers (the after the beginning of the fiscal year)

December 31, 2025

End of first tax period under Bermuda corporate income tax (for calendar-year taxpayers)

November 2, 2026

First tax return due for calendar-year taxpayers (the end of the 10th month following the end of the relevant fiscal year)

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2025 December Guidance: Allocation of Taxes Between Constituent Entities

- The December 2025 guidance prescribes how **local and foreign taxes are allocated to and from a Bermuda Constituent Entity** to align Bermuda CIT outcomes with OECD Pillar Two principles.

- Local taxes of a foreign parent entity must be allocated to a Bermuda Subsidiary Entity to the extent those taxes arise from income inclusions attributable to the Bermuda entity, including:
  - Controlled Foreign Company (CFC) income inclusions
  - Permanent establishment (PE) income inclusions
  - Distribution income inclusions
  - Hybrid income inclusions
  - Reverse-hybrid income inclusions

- Allocated taxes include both current and deferred local taxes, subject to detailed allocation rules and limitations.

- Passive income inclusions are subject to a limitation to prevent over-allocation of foreign taxes.

- The rules can materially impact Bermuda CIT liabilities, foreign tax credit availability, and Pillar Two effective tax rate calculations.

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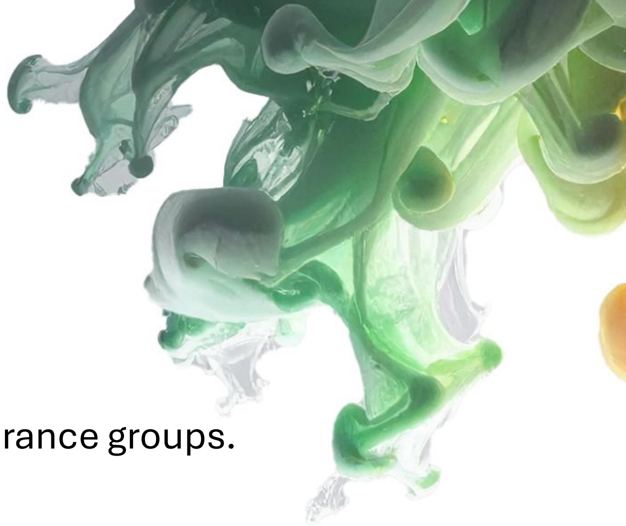

Tax Credits Act 2025

- Substance-Based Tax Credit (SBTC) introduced under the Tax Credits Act 2025 for qualifying Bermuda insurance groups.
- Applies to regulated insurance groups with more than 20 full-time employees in Bermuda.
- Refundable independent of Bermuda CIT profitability or scope.
  - Applied against Bermuda CIT and payroll tax, with excess refundable if unused within four years.
- Given the design of the SBTC accounted for as a government grant and reported above the line as an offset to the related expense?
- The tax credit claim is expected to be filed on a stand-alone credit form, separate from the Bermuda CIT return.
- Legislation also introduced a Community Benefit Credit and a Utilities Infrastructure Benefit credit (not SBTC-based).

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US Tax Update

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US Tax Update - OBBBA

- One Big Beautiful Bill Act ("OBBBA") passed in July 2025
- No significant insurance-specific corporate tax changes
- Allows for 100% expensing of fixed assets newly placed in service under IRC 179
- Ends requirement to capitalize R&D expenditures under IRC 174 for domestic activity. Still requires capitalization and amortization for foreign R&D expenditures (e.g. Bermuda, India).

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US Tax Update - US Tax Planning Considerations

- Reserving
  - GAAP vs. STAT method of accounting: Using NAIC pro forma reserves can unlock additional deductible reserves:
    - P&C: Highest value where GAAP reserves are discounted
    - Life: NAIC STAT reserve generally significantly exceeds GAAP. “STAT cap” considerations
  - Composite vs. discrete method: Automatic method change for P&C companies, can drive significant tax benefit for companies with long-tail lines (e.g. workers’ compensation)
  - Treatment of proportional vs. non-proportional (e.g. XOL) reinsurance
- R&D credits: Fairly broad definition, can generate significant tax benefits for companies with large spend on customized software and technology (AI, ERP system, claims-handling software, customer platforms, etc)

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US Tax Update - US Tax Planning Considerations (Cont'd)

- Tax consequences of shareholder distributions:
  - Movement of capital, particularly in un-consolidated life/non-life structures, may impact taxability of distributions
  - Withholding and information reporting considerations
- Structuring and transfer pricing
  - Tax inefficiencies in unconsolidated life/non-life structures: Transfer pricing, surplus notes, etc
    - Minimizing limitations on tax-deductible interest (163(j))
    - Increasing deductions to profitable insurance entity
  - State tax efficiencies: Consideration of income in insurance companies or holding/service companies

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Q&A

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