

Information On Investing  
In  
The Commonwealth Of The Bahamas

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## Introduction to The Bahamas

The Bahamas is a coral archipelago consisting of 700 islands, 29 of which are inhabited, and over 2,000 rocks and cays. It has a population of some 269,000 people, most of whom live on the major islands, including New Providence, Grand Bahama, Eleuthera, Abaco, Exuma, Long Island, Inagua, Cat Island, Bimini, and Andros.

The Bahamian society has an adult literacy rate of 95 %. This is due largely to the free and compulsory education for persons between the ages of five and 14 years old. The Government offers an extensive primary and secondary school system. There are also numerous opportunities for continuing education both locally and abroad. The education system has produced a capable and adaptable work force.

The Bahamas is one of the most politically stable countries in the Western Hemisphere. **Parliamentary Democracy was introduced in 1729 and has been uninterrupted for 275 years.** A former British colony, The Bahamas gained its independence on July 10, 1973.

The Bahamas is generally endowed with a **modern infrastructure**, particularly on the two major islands, New Providence and Grand Bahama where most of the population live.

Electricity supply is abundant in The Bahamas. **Water** is supplied primarily from underground. Telecommunications services and facilities in The Bahamas are state-of-the-art. Instantaneous direct international links are provided through a 100% digital switching system. Ports include both air and sea facilities.

The Bahamas has enjoyed economic stability for many years. This can be attributed to a long-standing practice of political

stability, a tax free status, state-of-the-art communications network, good infrastructure, a skilled and adaptable work force, and proximity to the United States.

The Economy of The Bahamas is driven by service-oriented industries, primarily tourism and banking/financial services. Retail and wholesale distributive trade, manufacture, agriculture and fisheries are the other major sectors of the economy.

## The Investment Environment

The Government of the Commonwealth of The Bahamas is committed to building an economic environment in which free enterprise can flourish; where the Government serves as a regulator and facilitator of economic development; where the ideals of transparency, fair play and equality of treatment are paramount; and where all people can realize their maximum potential.

### **The Bahamas offers an investment environment with:**

- \* Political stability conducive to private investment;
- \* Safety for investments and easy repatriation of investment capital;
- \* A legal environment based on a long tradition of parliamentary democracy, the rule of constitutional and statute laws and where the security of life and personal property are guaranteed;
- \* A stable macroeconomic environment bolstered by a prudent fiscal policy, a stable exchange rate, flexible exchange control rules and free trade;

- \* Freedom from most forms of taxes;
- \* Essential public services and dependable public utilities; and
- \* Essential public infrastructure such as roads, ports and airports.

### National Investment Policy

The Government of The Bahamas has an official investment policy which defines the framework in which investment in The Bahamas takes place. The following are key tenets of the policy:

**Government's commitment** to providing an investment friendly environment; complementarity between local and foreign investment; linkages between all sectors of the economy; environmental sustainability of economic activities; maximum level of employment and an acceptable level of economic security.

**International Financial Centre.** The Government's commitment to enhancing the image of The Bahamas as an international financial centre.

**Administration of The Investment Policy.** Executive Management of the policy is resident in the National Economic Council (NEC), headed by the Prime Minister, and operational activities are the responsibility of the Bahamas Investment Authority (BIA) or the Investor's "One-Stop-Shop".

**Work Permits** for key personnel will be granted to businesses established by international investors in keeping with established immigration procedures.

**International Owners of Second Homes.** Overseas investors may acquire residential properties in The Bahamas of up to five acres without prior Government approval. Such acquisitions are required to be registered in accordance with the International Persons Landholding Act. Second home owners are eligible for a Home Owners Residence Card, renewable annually.

**Annual or Permanent Residence.** Accelerated consideration of applications for annual or permanent residence will be given to major international investors; and bona fide owners of residence valued at \$250,000 or more.

**Areas Reserved for Sole Bahamian Participation.** The Government has reserved some areas of the Bahamian economy for the sole participation of Bahamians. Such areas are:

Wholesale and retail operations; Commission agencies engaged in import/export trade; Real estate and domestic property management agencies; Domestic newspaper and magazine publication; Domestic advertising and public relations firms; Nightclubs and restaurants, except specialty, gourmet and ethnic restaurants, restaurants operating in a hotel, resort complex or tourist attraction; Security services;

- \* Domestic distribution of building supplies;
- \* Construction companies, except for special structures for which international expertise is required;
- \* Personal cosmetic/beauty establishment;
- \* Shallow water scale-fish, crustacea, mollusks and sponge fishing operations;
- \* Auto and appliance service operations; and
- \* Public Transportation.

### Investment Type

**Inward Foreign Direct Investment (FDI) is welcomed by the Government of The Bahamas, as the National Investment Policy clearly indicates.** All such investments must be approved by the National Economic Council (NEC), headed by the Prime Minister. Applications for approval are made to the Bahamas Investment Authority (see Bahamas Investment Authority & Investment Procedure).

Approval for the repatriation of invested funds is a mere formality The Bahamas. Provided that NEC's approval was acquired for the initial inward investment, in addition to other regulatory conditions being satisfied (i.e. Exchange Control Regulations), the repatriation of share and loan capital, regardless of the destination of the remittance, and the payment abroad of dividends, interest, royalties, or branch profits will be freely approved on application to the Exchange Control Department of the Central Bank of The Bahamas.

**Outward direct investment by Bahamian resident individuals or companies can only be made with the approval of the Central Bank of The Bahamas and in Bahamian Investment Dollars (BID).** Such Bahamian investment dollars are convertible into foreign currency, which must be bought from an authorized dealer. This is

permitted, once prior permission is granted by the Exchange Control Department; this does not normally apply to investing in borrowed foreign currency. Non-resident individuals and companies can freely invest abroad and can borrow in foreign currencies in order to do so, but they may not borrow in Bahamian dollars.

**Portfolio investment opportunities in The Bahamas are limited but expanding.** Such investments are made in compliance with Bahamian laws and regulations, particularly as they relate to Exchange Control procedures. Generally, however, such investments are conducted as private transactions with legitimate investment companies.

### The Bahamas Investment Authority

The Bahamas Investment Authority (BIA) is the investor's "One-Stop-Shop". It services an investor from inquiry to implementation of the investment project. The Authority assist with investment policy formulation, investment promotion, investment proposal review and analysis and post approval monitoring and support. The BIA co-ordinates investment matters with all agencies of Government, simplifying the investment process for the investor. BIA

Any investor, Bahamian or foreign, seeking to establish a business in The Bahamas, must apply through the BIA, to the National Economic Council (NEC) for approval, where the business proposal involves non-Bahamian partners; use of foreign capital; use of Crown or State property; or sale/purchase of immovable property to or from foreign concerns. Generally, Bahamians seeking to establish a business that does not have any of the mentioned considerations need not apply to the NEC.

### **Investment Procedure**

An international investor seeking to do business in The Bahamas should submit to The BIA a project proposal, along with supporting document. The proposal should provide the information indicated in the project proposal guideline shown below.

#### **Project Proposal Guideline**

**Name**

**Address**

include telephone/fax

**Description of Proposal**

summary of project

**Type of Business**

state whether entity is a share company, partnership, individual or joint-venture

**Principals**

persons investing in the venture as well as major beneficial shareholders

**Proposed Location**

**Land or Factory Space Requirements**

**Proposed Start Up Date**

**Management/Personnel Requirement**

years of experience, training, success of similar previous or current activity; work permits (if any) required for key personnel and or non-key personnel

**Employment Projections**

number of Bahamian and non Bahamian employees

**Financial Arrangement For projects including Bank Reference**

**Environmental impact**

toxic waste, disposal procedures; toxic input

**Concessions Sought**

Customs Duty Exemptions

**Investment Incentive**

if applying under a particular Act or programme

**Local Representative**

attorney, accountant or agent

**Areas Especially Targeted for Overseas Investors.** The National Investment Policy outlines areas of the Bahamian economy in which Government seeks to attract direct investment. Such areas include the following:

### **Agro- Industries**

Animal Feeds  
Beef Production and Processing  
Pork Processing  
Horticulture  
Scotch Bonnet Peppers  
Milk/Dairy Products Processing  
Fresh Milk Production  
Edible Oils  
Mariculture

### **Light Manufacturing for Export**

High Fashion Garments  
Costume Jewellery  
Electronics Assembly  
Handicrafts  
Rattan Furniture  
Wood Furniture

### **Financial Services**

Banking and other financial services  
Captive Insurance  
International Business Companies  
Trusts

### **Others**

Offshore Medical Centres  
Touristic Resorts  
Upscale Condominiums,  
Time Share and Second Home Development  
International Business Centres  
Information and Data Processing Services  
High-Tech Services  
Ship Registration, Repair and other services  
Aircraft services  
Off-shore Medical Centres  
Pharmaceutical Manufacture

**This list is not exhaustive. Investors with interests in areas not included in the list above are encouraged to discuss their ideas with the Bahamas Investment Authority.**

## Investment Incentives

### Incentive Legislation:

- The Free Trade Zone Act
- The Investment Incentive Act
- The Spirits and Beer Manufacturers Act
- The Hawksbill Creek Agreement Act
- The Industries Encouragement Act
- The Hotels Encouragement Act
- The Tariff Act
- The Export Manufacturing Act

These all provide relief from the payment -

- customs duties on building materials, equipment and approved raw materials;
- business licensing fees; and
- Real property taxes of periods up to 20 years.

The Free Trade Zone Act and the Hotels Encouragement Act may provide relief from Stamps duties. Copies of all incentive legislation are available for purchase at Government Publications, located on Rawson Square, Down Town, Nassau, New Providence (see Important Addresses).

### Preferential Trade Arrangements

Foreign investors operating businesses in The Bahamas may take advantage of the following preferential trade agreements between The Bahamas and the respective country or entity:

- **The Lome Convention:** Preferential treatment of certain goods exported to EEC countries.

- **Generalized System of Preference (GSP):** Preferential treatment of certain goods entering the United States.
- **Caribbean Basin Initiative (CBI):** Preferential treatment of certain goods entering the United States.
- **Caribbean:** Preferential treatment of certain goods entering Canada.

### Investment Insurance

- **Overseas Private Investment Corporation (OPIC):** Financing and insurance of American Investments in The Bahamas.
- **Canadian Overseas Insurance Programme:** Insurance of Canadian investments in The Bahamas.

### Transportation and Communication

#### **Air Transportation:**

With six major international airports (Nassau, Freeport, Exuma, Abaco, Eleuthera, and Paradise Island) and several other smaller facilities in the Family Islands comprising The Bahamas, there is easy access to the U.S.A., Canada, Central and South America, Europe, the United Kingdom and elsewhere.

- The Nassau International Airport has three run ways, the longest of which is 11, 000 feet.
- Freeport International Airport, with a runway of 11,000 feet, is considered one of the region's largest privately owned airports.
- Both Nassau and Freeport airports are busy 24

hours a day with commercial and private aircraft traffic.

The Bahamas is served from world-wide destinations by several international carriers such as: Air Jamaica Limited, American Airlines, American Eagle, Bahamasair, British Airways, Carnival Airlines, Chalks International Airline Inc., Delta Airlines Inc., Laker Airways Bahamas Ltd., Paradise Island Airlines, Trinity Air Bahamas and U.S. Air.

### **Sea Transportation:**

There are deep water shipping ports in Nassau and Freeport:

- The entrance channel to Nassau harbour is 1 1/2 miles long and 750 feet wide, with a draft of 38 feet at the outer harbour and 14 to 26 feet in the inner harbour.
- The port is large enough to accommodate most of the world's cruise ships and freighters while also providing mooring space for small crafts.

### **Inter-island Transportation:**

More than twenty mail boats leave Nassau each week carrying mail, equipment and provisions to the Family Islands. One-way fares range from \$16 to \$25 for the islands nearer to Nassau. Bahamasair links the chain of Family Islands to Nassau by air.

Examples of round-trip airfares from Nassau fares include: to George Town, Exuma - \$120.00; to Freeport, Grand Bahama is \$128.00; to Eleuthera - \$ 96.00; to Abaco - \$120.00; to Long Island - \$128.00; and Andros - \$84.00.

### **Communication:**

The Bahamas is served by extensive telecommunications facilities. The Bahamas Telecommunications Corporation (a Government-owned Corporation) provides:

- More than 64,000 phones in a fully-automated system.
- Telex, telefax, cellular, and long distance overseas services to all areas of the world.
- Direct Distance Dialling services to the United States, Europe and the Caribbean.

The Bahamas Broadcasting Corporation, a public corporation and 100 JAMS, a private radio station, provide radio and television services to the country. In addition, Freeport is served by three coaxial submarine cables. American radio and TV stations are also received in The Bahamas.

### **Financial and Business Environment**

The Bahamas is internationally recognized as an established international offshore financial centre. The Government continues to welcome further growth in this sector, which second largest source of national income.

- Over 400 financial institutions are licensed to conduct business either within or from within The Bahamas.
- More than 10 % of the country's labour force is employed in the financial services sector.

- Financial institutions operating in The Bahamas include Bahamian incorporated banks and trust companies, off-shore branches of foreign banks, authorized dealer/agents and restricted companies.

It is the norm for business to be conducted in the form of a local company, including any of the following business structures:

- Sole Proprietorship
- Partnership
- Joint ventures
- Domestic Limited Company
- International Business Company
- Branch
- Subsidiaries

Investors interested in establishing a business in The Bahamas should seek the services of a local attorney, who will assist in the drafting of all necessary documentation and submission to the relevant Government agencies. Such persons may also seek advisement from The Bahamas Investment Authority.

The agency responsible for the registration of companies is the Registrar of Companies, Department of the Registrar General. The Ministry of Finance, Business License Unit, is responsible for the licensing and regulation of businesses in The Bahamas. This does not include insurance companies (international and domestic) or banks and trust companies, which are licensed and regulated by the Office of the Registrar of Insurance and the Minister of Finance/Central Bank of The Bahamas respectively.

## **Exchange Regulations**

With the approval of The Central Bank of The Bahamas, non-resident individuals or corporations may conduct business either within or from within The Bahamas. Such businesses frequently involve the establishment of trusts or Bahamian-registered companies. A "non-resident" designated company enjoys considerable freedom from exchange controls.

The repatriation of foreign investment funds, foreign assets and dividends or profits arising from foreign investment is allowed and facilitated (see also Investment Type) .

## **Business License**

Every Business must have a license to operate in The Bahamas. Each licensed business is also required to pay an annual fee based on the gross profit as a percentage of turnover.

Fees are based, in the case of most businesses, on their annual gross receipts less the "cost incurred in producing that turnover". They range from nothing for a petty business to \$500,000 for "a very large business with a very high profit per year. The Business License Act's definition of "business" include all types of manufacturing and commercial undertakings and covers professions such as law, accounting and medicine.

**Companies designated "non-resident" under the Exchange Control Regulation Act** pay an annual fee of \$100. The Business License Act also provides for automatic annual renewal for Bahamian businesses (if other statutory requirement have been met).

## Company Fees

The following fees are among those payable by Local Limited Companies:

- on filing of Memorandum - B\$300;
- on filing of Articles - B\$30;
- annual, by Bahamian companies - B\$350;
- annual, by other companies - B1,000.

Fees payable by International Business Companies (IBCs) include the following:

- Incorporation Fees payable to Government - \$100, \$300 or \$1,000 based upon graduated scale of authorised capital of (i) up to \$5,000, (ii) \$5,001 - \$50,000 and (iii) more than \$50,000.
- Annual Fees payable to Government - \$300, \$350 or \$1,000 based upon graduated scale of authorised capital of (i) up to \$5,000, or \$50,000 (with all shares having par value); (ii) up to \$50,000 (with some no par value shares); (iii) more than \$50,000.

An IBC is a company specially incorporated under the IBC Act, or a company incorporated under the ordinary company law of The Bahamas or another country, but continued under the IBC Act as though it were incorporated under the Act. An IBC is generally restricted from conducting business within The Bahamas.

## UTILITY COST

Electrical utility and services are constantly being expanded to keep pace with growing demand. The Bahamas Electricity Corporation, a public-owned corporation, generates power from three locations in New Providence. The Corporation also operates in several of the Family Islands.

A. The basic rates and charges for electricity consumed in New Providence and the Family Islands are as follows:

### Residential Consumers

First 800 units per month .....	\$1.595 per unit
Remaining units .....	\$1.841 per unit
Minimum charge per month .....	\$3.19 per unit

### Commercial Consumers

1. Commercial installations with maximum demand of 10 KVA or less ..... \$18.68 per annum
2. Commercial installations with maximum demand exceeding 10 KVA:
  - a. Maximum demand charge .....\$44.16 per KVA per annum
  - b. Unit charge. .... \$13.50 per unit  
Maximum demand charge..... ..... \$3.68 per KVA

**Churches, Open Air Cinemas, Floodlighted Sports Arenas with maximum demand exceeding 10 KVA:**

- a. Maximum demand charge ..... \$44.16 per KVA per annum
- b. Unit charge ..... \$13.50 per unit.
- Maximum charge per month ..... \$3.68 per KVA.

**Temporary Service**

- a. Unit charge .....\$20.12 per unit
- b. Connection ..... \$ 10. 00 per unit
- Meter rental .....\$7. 00 per unit

**Street Lighting - Special Tariff**

- Unit Charge .....\$13.50 per unit.

**Water Costs**

The Bahamas Water and Sewerage Corporation, a public corporation, is charged with the responsibility for providing water throughout The Bahamas.

**New Providence water rates are as follows:**

- A maximum charge (including the first 2,000 gallons or any part thereof) per meter per quarter in accordance with the Minimum Charge Schedule given below.
- For, every 1,000 gallons (or any part thereof) in excess of 2,000 gallons, but not exceeding 15,000 gallons per meter per quarter = \$6.80 per 1,000 gallons.
- For every 1,000 gallons (or any part thereof) in excess of 15,000 gallons per meter per quarter + \$12.40 per 1,000 gallons.

**Family Island water rates are as follows:**

- \$1. 15 per 1,000 gallons (or any part thereof), not exceed ing 13,000 gallons per meter per quarter.
- \$1.45 per 1,000 gallons (or any part thereof) in excess of 13,000 gallons, but not exceeding 26,000 gallons, per meter per quarter.
- \$2.00 per 1,000 gallons (or any part thereof) in excess of 26,000 gallons per meter per quarter.

Grand Bahama water rates are as follows:

- \$2.50 per 1,000 gallons (or any part thereof) not exceeding 10,000 gallons per meter per quarter.
- \$2.90 per 1,000 gallons (or any part thereof) in excess of 10,000 gallons, but not exceeding 20,000 gallons, per meter per quarter.
- \$3.50 per 1,000 gallons for usage in excess of 20,000 gallons.

### **Labour, Education, and Job Training**

#### **Labour Force**

The Bahamas has an adequate supply of skilled and semiskilled labour suitable for many trades and professions. Its attraction to the investor is characterized by:

- Its youth (more than 50 % are under 25 years of age).
- Its adaptability and responsiveness to training because of the excellent educational facilities provided in the country.
- The native language is English but young Bahamians are acquiring increasing facility in Spanish, French, and German.

The Tourist Industry and its related services account for the greatest portion of the labour force. The balance is spread among areas such as:

Banking  
Manufacturing  
Agriculture  
Communications  
Real Estate  
Construction  
Fishing  
Insurance  
Commerce  
Transport  
Public sector enterprises

#### **Education and Job Training**

Since 1967, the Government has given highest priority to education in its development programmes. The Educational system boasts

- Modern educational facilities at the elementary, secondary and tertiary levels of education.
- Qualified, trained teachers and instructors at each level of the system.
- A free education to High School