# Payroll Tax in Bermuda: A Guide for New Business Owners

If you plan to employ staff in Bermuda — or run your own business — payroll tax is one of the first compliance obligations you will need to understand. This guide explains what it is, who it applies to, how it is calculated, and how to stay on top of your obligations from day one.

### A note on the rates in this guide

The figures in this guide reflect the rates effective from April 1, 2026 (fiscal year 2026/27), as published by the Government of Bermuda. Rates are reviewed annually, so always confirm the current figures at www.gov.bm or etax.gov.bm before filing your return.

An updated payroll tax calculator is published each year at www.gov.bm/department/office-tax-commissioner — always use the current year's version when estimating your obligations.

## 1. WHAT IS PAYROLL TAX?

Payroll tax is a tax on remuneration — that is, on the wages, salaries, and benefits paid to anyone who works in Bermuda. It is levied under the Payroll Tax Act 1995 and is one of the Government's primary sources of revenue, as Bermuda has no corporate income tax, personal income tax, or sales tax.

As an employer, you are responsible for calculating the tax owed, withholding the employee's share from their pay, and remitting both the employer and employee portions to the Tax Commissioner's Office each quarter.

### What counts as remuneration?

Remuneration includes more than just salary. The following all count as taxable remuneration:

- Wages, salaries, bonuses, commissions, fees, and allowances
- Profit-sharing payments
- Benefits provided in cash or in kind: meals, accommodation, rent-free housing, company vehicles
- Health insurance contributions (unless paid into a Government-approved scheme)
- Redundancy and termination payments
- Directors' fees (directors are treated as employees under the Act)

Taxable remuneration is capped at $1,000,000 per person per year — anything above that threshold is not subject to tax.

## 2. WHO IS REQUIRED TO PAY PAYROLL TAX?

Payroll tax applies to any employer who pays remuneration to staff in Bermuda, regardless of the size of the business. There is no minimum earnings threshold — the obligation arises as soon as you have a paid employee. It also applies in the following situations:

| Category | Payroll Tax Obligation |
|---|---|
| Employers with staff | Must register and pay tax on all remuneration paid to employees. |
| Self-employed persons | Must pay payroll tax on income drawn from the business for personal use. |
| Deemed employees (owner-managers) | Anyone who provides services to a business and shares in its profits is treated as a deemed employee. Their drawings and profit distributions are subject to payroll tax. |
| Foreign contractors | Foreign contractors and subcontractors working in Bermuda are also liable for payroll tax. |

### What is a 'deemed employee'?

This is an important concept for business owners to understand. If you own a business and also work in it — whether as a director, manager, or otherwise — you are considered a 'deemed employee' under the Payroll Tax Act.

This means that the money you take out of the business — your salary, drawings, or share of profits — is treated as remuneration and is subject to payroll tax, just as it would be for a regular employee.

This rule has been in effect since April 1, 2018.

## 3. EMPLOYER PORTION — TAX RATES (2026/27)

The employer portion of payroll tax is calculated on the total gross remuneration paid to all employees across the year. The applicable rate depends on your type of business and your total annual payroll.

Most small local businesses with an annual payroll under $200,000 will pay an employer rate of 0.5%. New businesses also benefit from a 0% employer rate for their first four quarters — giving you a full year to establish your operations before this obligation kicks in.

| Type of Employer | Employer Rate |
|---|---|
| New start-up businesses (first 4 quarters) | 0% |
| Businesses in an Economic Empowerment Zone (first 9 quarters) | 0% |
| Government, Parish Councils, Government Boards, Bermuda College, approved schools, registered charities, religious and cultural organisations, Bermuda Festival Ltd. | 0% |
| Specific employee categories: new hires (see New Hire Relief 2026), employees on jury duty or Bermuda Regiment/Volunteer Reserve duty, farmers, fishermen, hotel/restaurant staff (Nov–Mar), retail staff (Jan–Mar), employees with permanent disabilities, employees on approved training schemes, those on maternity or paternity leave, and self-employed approved caregivers | 0% |
| Self-employed farmers and fishermen | 0% |

| Type of Employer | Employer Rate |
| --- | --- |
| Annual payroll under $200,000 | 0.50% |
| Educational, sporting, or scientific institutions, associations, or societies | 1.00% |
| Self-employed horticulturists | 1.75% |
| Annual payroll between $200,000 and $350,000; Bermuda Hospitals Board; Corporations of Hamilton and St. George's | 2.00% |
| Bermuda Hospitals Board, Corporation of Hamilton, Corporation of St. George's, and licensed residential care homes with an annual payroll over $350,000 | 3.00% |
| Restaurants or hotels with an annual payroll of $350,000 or more | 4.00% |
| Annual payroll between $350,000 and $500,000 | 4.75% |
| Retail establishments (fashion, shoes, jewellery, perfume) with an annual payroll over $500,000 | 5.00% |
| Annual payroll between $500,000 and $1,000,000 | 7.00% |
| Annual payroll over $1,000,000 | 9.50% |
| All Exempt Undertakings | 9.75% |

***Note***: *Employers are exempt from the employer portion for remuneration paid to employees on maternity or paternity leave under the Employment Act 2000. You must still file a return for that period, with the employee portion applied as normal.*

### New Hire Relief 2026

A new employer-side tax exemption is available for qualifying businesses from April 1, 2026. It applies to all Exempt Companies and to employers with an annual payroll greater than $500,000.

To qualify, you must increase your full-time equivalent headcount above the baseline period of January to March 2025. Qualifying new hires receive an employer portion exemption on their remuneration.

Qualifying employees are full-time staff (15+ hours per week) hired between April 1, 2025 and March 31, 2028, who were not previously employed by a parent or affiliate company.

Applications must be submitted by the quarter end in which the employee qualifies — retroactive approval will not be granted. Forms are available at www.gov.bm/department/office-tax-commissioner.

### Relief for retaining or hiring Bermudians aged 65 and over

Any employer who retains or hires a Bermudian aged 65 or over in a quarter qualifies for relief in that quarter. Remuneration paid to that employee up to $24,000 per tax period is not taxable. Any amount above $24,000 per period is taxable as normal. Bonus payments are excluded from this relief and remain taxable.

Relief is granted in the quarter in which the application is received. Forms are available at www.gov.bm/department/office-tax-commissioner.

## 4. EMPLOYEE PORTION — TAX RATES (2026/27)

In addition to your own employer contribution, you are required to withhold the employee portion from each employee's gross pay and remit it to the Government on their behalf.

The employee portion is calculated using a progressive (marginal) rate structure across five income bands. Each rate applies only to the portion of earnings that falls within that band — not to the full salary. As earnings increase, only the additional income above each threshold is taxed at the higher rate.

| Annual Remuneration Band | Maximum Taxable Per Band | Employee Rate |
|---|---|---|
| $0 – $48,000 | $48,000 | 0.25% |
| $48,001 – $96,000 | $48,000 | 7.75% |
| $96,001 – $200,000 | $104,000 | 10.75% |
| $200,001 – $500,000 | $300,000 | 11.50% |
| $500,001 – $1,000,000 | $500,000 | 12.50% |
| **Remuneration above $1,000,000 is not taxable** | | |

### How the progressive rate works — an example

An employee earning $49,000 per year is taxed as follows:

First $48,000 at 0.25% = $120.00

Remaining $1,000 at 7.75% = $77.50

Total employee portion for the year = $197.50

You deduct this amount from the employee's gross pay and include it in your quarterly remittance to the Tax Commissioner, along with your employer portion.

## 5. DIVIDENDS AND DEEMED EMPLOYEES

If you are a deemed employee — meaning you own and work in your business — dividends and profit distributions you receive are generally treated as remuneration and subject to payroll tax. There are, however, three categories of dividends that are excluded:

- Dividends from exempt undertakings, paid to employees or deemed employees of that undertaking

- Dividends from companies listed on the Bermuda Stock Exchange or another recognised exchange, paid to employees or deemed employees
- The first $20,000 per year of dividends from any other company — amounts above this threshold are added to your other remuneration and taxed accordingly

***Note**: The dividend deductible was increased from $10,000 to $20,000 per person per year effective April 1, 2026. Taxpayers must report dividends paid or declared in Section C of the tax return each time they occur.*

***Example**: If your company pays you a $25,000 dividend, the first $20,000 is excluded and the remaining $5,000 is added to your other remuneration for payroll tax purposes.*

## 6. FILING PERIODS AND PAYMENT DEADLINES

Payroll tax is filed and paid quarterly. Bermuda's tax year runs from April 1 to March 31. The four quarters and their respective filing deadlines are as follows:

| Quarter | Remuneration Period | Filing Deadline |
|---|---|---|
| Q4 | January – March | 15 April |
| Q1 | April – June | 15 July |
| Q2 | July – September | 15 October |
| Q3 | October – December | 15 January (following year) |

The Government of Bermuda publishes an updated payroll tax calculator each year to help employers estimate their obligations. As rates and bands are reviewed annually, it is important to use the current year's calculator rather than one from a previous period. The latest calculator is available at www.gov.bm/department/office-tax-commissioner.

Late filings are subject to penalties and interest, so it is strongly recommended to add these dates to your business calendar as early as possible.

### Online filing requirement

All Exempt Companies and businesses with an annual payroll of $200,000 or more are required to file online at www.etax.gov.bm. Paper returns are not accepted for these taxpayers.

Smaller businesses are encouraged to register for online filing as well. Contact etax@gov.bm to register.

Free video tutorials on using the payroll tax calculators are also available at https://www.youtube.com/@citvbermuda/playlists — note that the videos are for instructional purposes only; always use the current year’s rates and calculators.

## 7. HOW TO REGISTER — STEP BY STEP

| | | |
|---|---|---|
| 1 | **Incorporate first** | Ensure your business is fully incorporated and registered before applying. You will need your Certificate of Incorporation and company registration number. |
| 2 | **Obtain the registration form** | Download or collect the Employer Registration form from the Office of the Tax Commissioner at www.gov.bm/department/office-tax-commissioner. |
| 3 | **Complete the form** | You will be asked for your business name, registered address, nature of business, anticipated number of employees, and estimated annual payroll. |
| 4 | **Submit before your first payroll** | Submit your completed form before processing your first payroll. Once your registration is processed, you will be set up with a tax account reference for filing purposes. |
| 5 | **Set up your payroll records** | Establish a system to record each employee's gross remuneration, deductions, and net pay, as well as all quarterly tax remittances. These records must be kept in Bermuda and be available for inspection. |
| 6 | **File and pay quarterly** | Calculate and remit payroll tax each quarter by the relevant deadline. Businesses with a payroll of $200,000 or more must file online at etax.gov.bm. Retain copies of all returns for your records. |

## 8. RECORD-KEEPING AND PENALTIES

Under the Tax (Accounts and Records) Regulations 1991, all employers are legally required to maintain adequate payroll records. These include:

- A payroll record for each employee showing gross remuneration, all deductions made, and net pay
- Supplementary records detailing each type of remuneration paid — salaries, bonuses, allowances, benefits in kind — including how each amount was calculated
- Business financial statements and operating account statements

All records must be kept in Bermuda and made available to the Tax Commissioner upon request. The Office of the Tax Commissioner has confirmed it is increasing the frequency and rigour of audits and inspections.

| Offence | Penalty |
|---|---|
| Failure to maintain or produce adequate records | Fine of up to $100,000 |
| Filing a false return, or assisting another person to do so | $100,000 fine or 6 months imprisonment |

| Offence | Penalty |
|---|---|
| Wilful tax evasion | $100,000 fine or 6 months imprisonment |
| Fraudulent tax evasion | $500,000 fine or 5 years imprisonment |

*Registering promptly, keeping accurate records, and filing on time will keep you well within compliance. If you are ever unsure, contact the Tax Commissioner's Office or seek advice from a local accountant.*

## 9. KEY CONSIDERATIONS FOR NEW BUSINESS OWNERS

- **Factor payroll tax into your cost of employment**. The true cost of hiring someone includes not just their salary but also your employer portion of payroll tax on top of it. For most small businesses with a payroll under $200,000, the employer rate is 0.5% — but it is worth building into your budget from the start.

- **If you own and work in your business, payroll tax applies to you too.** As a deemed employee, any remuneration you draw — including profit distributions — is subject to payroll tax.

- **New businesses pay 0% employer tax for the first year.** Take advantage of the start-up concession during your first four quarters to manage your initial cash flow.

- **The dividend deductible increased to $20,000 in 2026.** If you receive dividends from your own company, the first $20,000 per year is now excluded from taxable remuneration — up from $10,000 previously.

- **Some contributions are exempt.** Employer contributions to Government-approved pension, life insurance, and health insurance schemes are not counted as taxable remuneration. Apply to the Tax Commissioner's Office for scheme approval.

- **Part-time workers are not automatically exempt.** The exemption only applies to employees who work 16 hours or fewer in each month of a tax period. If they exceed this, payroll tax applies as normal.

- **Use the official calculator.** The Government publishes an updated payroll tax calculator each year. Always use the current version, available at www.gov.bm/department/office-tax-commissioner, rather than relying on figures from a previous year.

- **Employees with variable pay require extra attention.** If an employee's earnings fluctuate between pay periods, you must recalculate their annual rate of pay each period to ensure the correct employee portion is being withheld.

- **If in doubt, ask for help.** The Tax Commissioner's Office can assist with questions — reach them at etax@gov.bm. You may also wish to engage a local accountant, particularly if your payroll situation is complex.

***Disclaimer:*** *This guide is provided for informational purposes only and does not constitute legal or financial advice. It is based on the Payroll Tax Act 1995 as amended, the 2018 Guidance Notes issued by the Ministry of Finance, and the 2026/27 rate schedule published by the Government of Bermuda. Rates and legislative requirements are subject to change annually — always verify the current position at www.gov.bm/department/office-tax-commissioner before filing.*