

ECONOMIC SUBSTANCE DECLARATION

Commercial Entities (Substance Requirements) Act, 2023

The new economic substance regime in The Bahamas pursuant to the Commercial Entities (Substance Requirements) Act, 2023, requires that every Entity (as defined in the Act and see also section 4 “Legal Entities in Scope”) provide an economic substance report via its Registered Agent. Failure to comply, may result in a fine of \$150,000.00 in the first instance and/or a \$1,000 penalty for each day of non-compliance or striking off the Bahamas register of companies.

Consequently, all entities registered with Lex Management Limited are now required to complete and provide a yearly economic substance report.

ACTIVITY

Kindly select which of the following types of activities (*see page 2*), your entity participates in fully or partly:

- | | | |
|--|---|---|
| Banking Business: <input type="checkbox"/> | Insurance Business: <input type="checkbox"/> | Fund Management Business: <input type="checkbox"/> |
| Financing and Leasing: <input type="checkbox"/> | Distribution and Service Centre Business: <input type="checkbox"/> | Holding Company Business: <input type="checkbox"/> |
| Shipping Business: <input type="checkbox"/> | Relevant Holding Company: <input type="checkbox"/> | Intellectual Property Business: <input type="checkbox"/> |
| Headquarters Business: <input type="checkbox"/> | None Listed: <input type="checkbox"/> _____ | |

DECLARATION

- | | | |
|---|------------------------------|-----------------------------|
| 1. Does the entity have an Immediate Parent Entity? | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 2. Does the entity have an Ultimate Parent Entity? | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 3. Is the Entity 100% Bahamian Owned? | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 4. Is the Entity an Investment Fund? | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 5. Does the entity have a physical business address? | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

FINANCIAL PERIOD

Does the entity have an established financial period? Yes No

If Yes, what is the Financial Period start date? _____

If Yes, what is the Financial Period end date? _____

TAX RESIDENCY

Does the entity intend to make a claim of tax residency outside of the Bahamas? Yes No

If Yes, what is the jurisdiction of tax residence? _____

If Yes, what is the Tax Identification Number? _____

I CERTIFY THAT THE INFORMATION AS NOTED ON THIS FORM IS TRUE AND CORRECT:

Company Name: _____

Date: _____

Client Name: _____

Signature: _____

OFFICIAL USE ONLY

Reviewed By: _____ **Signature:** _____ **Date:** _____

Banking Business

Banking business means the business of receiving (other than from a bank or trust company) and holding on current, savings, deposit or other similar account money which is repayable by cheque or order and may be invested by way of advances to customers or otherwise.

The context of banking business includes:

- a. raising funds, managing risk including credit, currency, and interest risk;
- b. taking hedging positions;
- c. providing loans, credit, or other financial services to customers;
- d. managing capital and preparing reports or returns, or both, to investors.

Distribution and Service Centre Business

Distribution and service centre business means the business of either or both of the following:

- a. purchasing from an entity in the same group (i) component parts or materials for goods; or (ii) goods ready for sale, and reselling such component parts, materials, or goods outside The Bahamas.
- b. providing services to an entity in the same group in connection with the business outside The Bahamas. However, it does not include any activity included in any other relevant activity except holding company business.

The context of distribution and service centre business includes:

- a. transporting and storing goods, components and materials;
- b. managing stocks;
- c. taking orders; and
- d. providing consulting or other administrative services.

Financing and Leasing Business

Financing and leasing business means the business of providing credit facilities for any kind of consideration to another person but does not include financial leasing of land or an interest in land, banking business, fund management business or insurance business.

The context of financing and leasing business include:

- a. negotiating or agreeing funding terms;
- b. identifying and acquiring assets to be leased;
- c. setting the terms and duration of financing or leasing;
- d. monitoring and revising financing or leasing agreements and managing risks associated with such financing or leasing agreements

Fund Management Business

Fund management business means the business of managing securities.

The context of fund management business includes:

- a. taking decisions on the holding and selling of investments;
- b. calculating risk and reserves;
- c. taking decisions on currency or interest fluctuations and hedging positions;
- d. preparing reports or returns, or both, to investors.

Headquarters Business

Headquarters business means the business of providing any of the following services to an entity in the same group:

- a. the provision of senior management;
- b. the assumption or control of material risk for activities carried out by any of those entities in the same group; or
- c. the provision of substantive advice in connection with the assumption or control of risk referred to in paragraph (b).

However, it does not include banking business, financing and leasing business, fund management business, intellectual property business, holding company business or insurance business.

The context of headquarters business include:

- a. taking relevant management decisions;
- b. incurring expenditures on behalf of other entities in the group;

- c. co-ordinating activities of the group.

Holding Company Business

Holding company business means the business of a "pure equity holding company," with "pure equity holding company" meaning a company that only holds equity participations in other entities and only earns dividends and capital gains.

The context of holding company business include all activities related to that business.

- a. holding real estate, bonds, or other non-equity investments will **not** constitute the conduct of holding business and would not have to satisfy the economic substance test or the reduced economic substance test.
- b. Equity participations will include shares, limited partnership interests, and other equity-like investments. However, if the entity earns income other than dividends and capital gains, the entity is not engaged in holding business.

Insurance Business

Insurance business means the business of accepting risks by effecting or carrying out contracts of insurance, whether directly or indirectly, and includes running-off business including the settlement of claims.

The context of insurance business include:

- a. predicting or calculating risk or oversight of prediction or calculation of risk;
- b. insuring or re-insuring against risk;
- c. preparing reports or returns, or both, to investors.

Commercial use of Intellectual Property

Intellectual property business means the business of holding, exploiting, or receiving income from intellectual property assets;

Examples intellectual property assets include:

1. patents and assets that share the same features of a patent including copyrighted software, technical know-how and other similar novel, useful and protected assets.
2. trademarks, brands, customer lists and similar marketing intangible assets

The context of Commercial use of Intellectual Property is:

- a. For patents and similar intellectual property assets, the core income generating activities may include research and development;
- b. For intangible intellectual property assets such as brand, trademark and customer data, the core income generating activities may include marketing, branding and distribution

Shipping Business

Shipping business means any of the following activities involving the operation of a ship anywhere in the world other than in the territorial waters of The Bahamas or between The Bahamas:

- a. the business of transporting by sea, passengers or animals, goods, or mail for a fee;
- b. renting or chartering of ships for the purpose described in paragraph (a);
- c. the sale of travel tickets and ancillary ticket related services connected with the operation of a ship;
- d. use, maintenance, or rental of containers, including trailers and other vehicles or equipment for the transport of containers, used for the transport of anything by sea: or
- e. the functioning as a private seafarer recruitment and placement service.

However, it does not include a holding company business or the operating of a pleasure vessel.

The context of shipping business include:

- a. managing crew (including hiring, paying, and overseeing crew members);
- b. overhauling and maintaining ships;
- c. overseeing and tracking deliveries;
- d. determining what goods to order and when to deliver them, organising and overseeing voyages.