



GOVERNMENT OF BERMUDA
Ministry of Finance

Office of the Tax Commissioner

10th August 2022

Via Email

bdabar@logic.bm

Bermuda Bar Association
P.O. Box HM 125,
Hamilton HM AX, Bermuda

Dear Sirs,

Bermuda Bar Association Members' - Payroll Tax Arrears

Recognizing that changes and improvements are being made to Bermuda's tax regime, we write to request your assistance in encouraging your members to fulfill their existing obligations to pay all payroll tax, land tax and corporate services tax, in full and in a timely manner.

In particular, we have noticed an increase in the number of Bar Association members (approx. 60 lawyers and law firms) who have significant payroll tax arrears totaling \$2.936 million dollars. Most members (including visiting QC's who are included in our 'legal services' list) have been made aware of their tax arrears through our Debt Management Section. Some have even established payment plans.

Our data provides the following insights:

- 72% (59 out of 82) of registered Taxpayers in the Legal Services sector have Outstanding Debt.
- 8 (14%)- **Had set-up Payment Plans (Past or Present).**
 - Of the 14%
 - 4 (7%)- Taxpayers **had active Payment Plans**
 - 4 (7%)– Taxpayers **had Payment Plans that were expired.**

For many, our next step will be to issue an ordinary summons in the Magistrates Court which will not reflect well on them or the legal profession. We would very much like to avoid such action and we invite any counsel or law firm having arrears and/or having received a call or a 'Letter Before Action' in recent months to reach out to the Office of the Tax Commissioner (OTC) to settle their accounts. Our plan is to institute proceedings in early course as the Court has agreed to allow a special 'tax court' or timeframe for OTC debt recovery matters. If anyone is unsure of their current tax liability, they too should reach out to us for guidance.

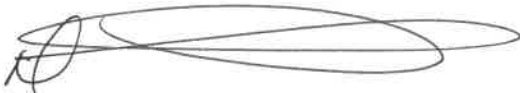
Please be advised that if your members fail to pay these arrears, or we are unsuccessful in securing payment through the Court process, we will have no recourse other than to make individual professional conduct complaints relating to financial obligations, in accordance with the 'Barristers Code of Professional Conduct 1981' Rules.

We would also like to take this opportunity to remind your members of some important points in relation to the payment of payroll tax:-

1. It is a criminal offence to collect payroll tax from an employee and not submit that payment to the OTC;
2. Self-employed counsel, QC's and law firms must close out their payroll tax account when closing the business, otherwise payroll tax will continue to be assessed;
3. Our records indicate that many self-employed counsel are not filing payroll tax returns at all and are being assessed at a much higher rate, on an annual basis;
4. Partnerships are not filing payroll tax returns with one partner blaming the other partner for non-payment or one partner registers for themselves and not for the partnership;
5. There may be opportunities to have certain 'assessed' tax amounts reversed, where no 'Payroll Tax Return' was received during a particular quarter, and/or some penalties can be remitted.

We thank you for your assistance.

Yours faithfully,



Derek Rawlins, CPA
Tax Commissioner