

Quick Guide – Economic Substance Requirements in The Bahamas

Who is required to comply?

All entities **incorporated, registered, or continued in The Bahamas**, including:

- Companies incorporated under the **Companies Act**
- Foreign entities registered under **Part VI of the Companies Act**
- International Business Companies (IBCs)
- Limited Liability Partnerships
- Exempted Limited Partnerships

are required to submit an **Economic Substance Declaration (ESA)** to their **Registered Agent in The Bahamas**.

Legal framework

The obligation arises under the **Commercial Entities (Substance Requirements) Act, 2023**, which requires entities to assess and report whether they conduct any **Relevant Activities** and, where applicable, demonstrate adequate **economic substance in The Bahamas**.

It is important to note that The Commercial Entities (Substance Requirements) Act, 2023 repeals and replaces the Commercial Entities (Substance Requirements) Act 2018 which came into force on September 1st, 2023.

What is Economic Substance?

Economic substance refers to the requirement that entities carrying out a **Relevant Activity** (such as holding company activities, financing and leasing, distribution, service center activities, among others) must demonstrate that they have an adequate presence in The Bahamas, including:

- Being **directed and managed** in or from The Bahamas
- Having **adequate physical premises**
- Employing **qualified personnel**
- Incurring **appropriate operating expenditures** in The Bahamas

While **not all entities are required to meet the substance test**, **all entities must file the annual Economic Substance Declaration**.

Entities excluded from Economic Substance Requirements

Important note:

Even where an entity is **excluded from meeting the economic substance requirements**, it **must still submit the Economic Substance Declaration**.

1. Resident-Owned Entities

Entities that:

- Carry out Relevant Activities, and
- Are **owned by residents of The Bahamas**

2. Tax Residency outside the Bahamas

Entities that:

- Carry out Relevant Activities, and
- Are **tax resident outside of The Bahamas**

The entity **must provide evidence that it is tax resident in another jurisdiction** and subject to that jurisdiction's corporate income tax system. Acceptable evidence includes **official tax residency certificates, documents or statements issued by the foreign tax authority, tax assessments or proof of tax payments, tax rulings, and filed tax returns**.

3. Investment Fund Entities

Any entity through which an investment fund invests or operates, either directly or indirectly, may qualify for exclusion from the economic substance requirements.

Documentation required to support the exemption:

- License issued by the Fund Administrator or by the Securities Commission of The Bahamas

Filing deadline

The Economic Substance Declaration must be filed **within nine (9) months after the end of the entity's financial year**.

Example:

Entities with a **31 December** financial year-end must file their ESA **by 30 September** of the following year.

Applicable ESA Form

The applicable ESA form may be downloaded at the following [link](#).

Filing deadlines by financial year-end

FISCAL YEAR END	REPORTING DEADLINE
31 March	31 December
30 June	31 March
30 September	30 June
31 December	30 September

Penalties for non-compliance

Failure to file or to comply with the economic substance requirements (where applicable) may result in:

- **Initial administrative penalty:** USD 5,000
- **Additional daily penalty:** USD 500 per day for continued non-compliance

Penalties are payable within **30 days of notification**.

Should you have any questions or require further clarification, please do not hesitate to contact us. We will be pleased to assist you at quijano@quijano.com.