THE DOMESTIC MINIMUM TOP-UP TAX ACT, 2024

By Lethea Carey | July 2025

Introduction

In November of 2024, the Government of The Bahamas enacted the Domestic Minimum Top-Up Tax Act, 2024 (“the DMTT Act”), marking a significant milestone in the country’s ongoing efforts to align its tax system with international standards. The DMTT Act is deemed to have come into force retroactively as of January 1, 2024, applying to fiscal years commencing after December 31, 2023. Rooted in the Organisation for Economic Co-operation and Development’s (“OECD”) Pillar Two framework and the broader Global Anti-Base Erosion (“GloBE”) Rules, this legislation reflects The Bahamas’ strategic commitment to transparency, fairness, and fiscal responsibility.

This move is part of an international effort involving over 140 countries working towards implementing a 15% global minimum corporate tax, aimed at addressing longstanding issues of tax avoidance and unfair competition. The Bahamas’ proactive adoption of the DMTT and related amendments underscores its position as a responsible and compliant offshore financial jurisdiction committed to economic sustainability and global cooperation.

What is the purpose of the DMTT Act?

The primary objective of the DMTT Act is to ensure that large multinational enterprises (“MNEs”) with operations or subsidiaries in The Bahamas pay an effective minimum corporate tax rate of 15% on profits attributable to Bahamian activities. The DMTT Act aims to generate revenue, estimated at $140 million annually, to support government programs and public services. The legislation also aims to prevent large MNEs from shifting profits to jurisdictions with lower tax rates, which would otherwise deprive The Bahamas of potential revenue. Furthermore, it ensures that the country remains compliant with international standards, thus reinforcing its reputation as a reliable and compliant jurisdiction.

Which companies are affected by the DMTT?

The DMTT Act applies to MNEs with annual consolidated revenues exceeding approximately USD 800 million (€750 million). Eligibility requires having operations or group entities in The Bahamas and being part of an international group with significant global revenues. Entities below this threshold or operating solely within The Bahamas are excluded from the Act’s scope but remain subject to existing domestic tax legislation.

An entity is deemed to be located in The Bahamas if it is a tax resident or constitutes a branch or permanent establishment of a non-resident entity operating within The Bahamas. Tax residency is established if the entity is incorporated, organized, or formed under Bahamian law, or if its effective management is in The Bahamas.

Entities are considered part of an MNE group if their financial results are reported on a line-by-line basis within the Consolidated Financial Statements (CFS) of the Ultimate Parent Entity (UPE), including 50%-owned joint ventures reported via the equity method. The revenue threshold is calculated as the average of at least two (2) of the four (4) fiscal years immediately preceding the relevant fiscal year. For fiscal year 2025, the group’s revenues in at least two of the fiscal years 2021-2024 must meet or exceed €750 million.

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What is the significance of the 15% effective tax rate?

The 15% minimum effective tax rate is an internationally recognized standard designed to promote fairness and prevent profit shifting. Under the DMTT framework, companies are required to "top up" their tax payments to reach this threshold, ensuring they contribute appropriately where they generate profits. This measure aligns The Bahamas with global standards, fostering economic stability and international trust.

How does the DMTT Act relate to the OECD's global initiatives?

The DMTT Act is an integral part of the OECD's Pillar Two framework, which involves mechanisms like the Income Inclusion Rule (IIR) and the Under Taxed Profits Rule (UTPR). These tools are designed to ensure that large multinationals pay at least 15% tax on their global profits, regardless of where they operate. The Bahamas, as a part of this international movement, adopts a "common approach", which means it does not necessarily have to implement the rules directly but accepts their outcomes. The legislation aligns national tax policies with these international standards to prevent harmful tax practices.

What are the main components of the OECD's Pillar Two framework?

The framework involves two key mechanisms. The Income Inclusion Rule (IIR) requires the ultimate parent company to pay the top-up tax for the entire group, thus ensuring that the group's effective tax rate in the parent's jurisdiction is at least 15%. The Backstop mechanism, known as the Under Taxed Profits Rule (UTPR), applies if the IIR does not fully capture the top-up tax, levying additional taxes based on tangible assets and employment levels in various jurisdictions. Additionally, jurisdictions can implement a Qualified Domestic Minimum Top-up Tax (QDMTT) to meet the minimum rate domestically, reducing the reliance on cross-border mechanisms.

Why is The Bahamas adopting this approach?

Prime Minister and Minister of Finance, the Honourable Philip Brave Davis, KC indicated during his contribution to the debate on the DMTT Bill, 2024 that the private sector has expressed a preference for paying taxes in The Bahamas rather than through mechanisms like the IIR or UTPR, which could result in tax payments elsewhere. Therefore, the country's approach seeks to balance international compliance with local economic interests. This ensures that multinationals contribute fairly within The Bahamas' jurisdiction, supporting national revenue while maintaining a competitive tax environment.

How will the DMTT Act affect local and foreign businesses?

Large foreign companies operating in The Bahamas will need to review their tax arrangements to ensure they meet the minimum 15% effective tax rate on profits attributable to Bahamian operations. Domestic companies with smaller revenues or operating exclusively within The Bahamas are unaffected directly but must comply with existing tax laws.

How has the DMTT Act affected the treatment of business licence tax payments for liable persons?

The amendments to section 38 of the Business Licence Act, 2023, introduced by the DMTT Act, 2024, explicitly include persons subject to tax under the DMTT Act, as exempted from paying the business licence tax, provided the Financial Secretary at the Ministry of Finance ("the Secretary") is notified of their status.

Additionally, the Domestic Minimum Top Up Tax Bill, 2025 proposes to amend section 7 of the DMTT Act to allow businesses that pay business licence taxes to receive a credit against their DMTT liability for that year.

This credit is capped at the amount of DMTT payable in the relevant fiscal year, streamlining tax obligations and maintaining consistency between the two legislations. Notably, this legislation has not yet been enforced. Once it comes into effect, it will be deemed to have been operational from January 1, 2024.

What are the reporting requirements for entities subject to the DMTT Act?

Entities subject to the DMTT are mandated to file the GloBE Information Return ("GIR") with the Secretary in accordance with Article 8.1 of the OECD's GloBE Model Rules. These returns must be filed within fifteen (15) months after the end of each fiscal year. During the transition year, the deadline extends to eighteen (18) months. The return must include detailed financial information necessary to determine the group's effective tax rate, including profits, taxes paid, and relevant jurisdictional data.

Has the online registration and filing portal for the Domestic Minimum Top-Up Tax (DMTT) been launched, and what are the government's plans regarding its development and implementation?

As of this date, the online registration portal for the DMTT has not yet been launched or rolled out. The Government of The Bahamas ("the Government") is actively engaged in developing a modern digital platform designed to facilitate online registration, filing, and payment of taxes. The targeted full implementation of this platform is scheduled for March 2027.

Prime Minister and Minister of Finance, the Honourable Philip Brave Davis, KC indicated in his contribution to the 2025/2026 Budget Debate that, in the upcoming fiscal year, the Government will make "meaningful progress" with the "One Tax Bahamas" initiative, which aims to establish a "simpler, smarter, and more transparent tax system." The new system, incorporating the DMTT, is projected to be operational by January 2026.

The Government is designing a secure, user-friendly digital platform that will include robust data protection and privacy policies, as well as mechanisms to address cybercrime and artificial intelligence issues. The development process involves stakeholder engagement and the adoption of cloud-based solutions to prevent delays.

Conclusion

The enactment of the DMTT Act demonstrates The Bahamas' dedication to international cooperation, fair taxation, and economic resilience. By aligning with the OECD's global minimum tax standards, the country aims to safeguard its fiscal interests, enhance compliance, and uphold its reputation as a leading financial jurisdiction. This legislation ensures that large MNEs operating in The Bahamas contribute their fair share of taxes, supporting national growth and development.

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