

Other items to consider:

- **Summer students** are exempt from Payroll Tax and may be exempt from Social Insurance deductions upon application. The Tax Commissioner's Office and Department of Social Insurance have more information about the procedure to obtain such exemptions. With regard to health insurance, you are advised to verify that the summer students themselves are covered as dependents of their own parents' insurance plan before making any deductions/contributions.
- **The Employment Act 2000** governs the employer-employee relationship. It covers such things as minimum vacation days, minimum sick days, probationary period and termination. Should you hire at least one employee other than yourself, come in and pick up a sample Statement of Employment from the BSBDC. According to the Act, such a document should be given to the employee no later than one week after the employee starts working for your company. It should be signed and dated by both employee and employer.
- **Private Pension** regulation can be found in the National Pension Scheme (Occupational Pensions) Act 1998. Both laws and regulations are listed under www.bermudalaws.bm.

For more information, please contact the BSBDC.

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The Four Compulsory Employee Benefits

Payroll Tax
Social Insurance
Health Insurance
Private Pension



There are no small business licenses or small business certificates to obtain before legally starting a business in Bermuda. However, there are four obligations with which any self-employed person must comply in order to run a business legitimately. All of these obligations relate to employee benefits and also apply to your employees as your business grows and more workers are hired.

As soon as you start your business, even if you are the only employee, the four items detailed below are payable regularly. Note that if you are working elsewhere at the same time (i.e. if your small business is run on evenings and weekends and you have a full-time job), then payroll tax is the only liability that is payable to government for each job you work. In other words, if the other employee benefits are covered by your full-time employer, then your small business does not have to disburse them too.

1. Payroll Tax is payable for any employee who works more than 4 hours per week. It is paid quarterly. The payable amount for each business is calculated depending on its total Gross Payroll Amount, and may range from 7.25% to 13.5% of Gross Payroll.

A maximum of 4.75% of the employee's gross monthly payroll may be deducted from his or her paycheck each period. The balance remains the responsibility of your business. The total amount is contributed no more than 15 days after the end of each calendar quarter. In other words, your company's Payroll Tax for the months January to March should be paid no later than April 15th of the same year, your Tax for the months April to June should be paid no later than July 15th, and so on. The Office of the Tax Commissioner usually publishes reminders when payment is due.

Call the Tax Commissioner's Office at 297-7754 to register your business and retrieve your Employer Account Number in order to start the payments. You can go to the Tax Commissioner's Office and file manually.

Should you elect to file electronically, go to www.etax.gov.bm as soon as you have obtained your account number and password from the Tax Commissioner. There you are asked to input all of your information, and your company's rate and amount payable are calculated for you according to your Gross Payroll amount.

2. Social Insurance is billed on a monthly basis. The deadline to make a payment for a specific month is the 21st of the following month.

The obligation is based on the number of Mondays per month (e.g. there were four Mondays in May 2003, and five in May 2004). The Social Insurance Department adjusts the rate payable every August; right now, the total amount payable per week is \$56.96 per employee, up to 50% of which (i.e. \$28.48) may be deducted from the employee's pay. The remainder is the employer's responsibility.

You may obtain additional information from the Department of Social Insurance at 295-5151.

3. Health Insurance is required for each employee and self-employed person. The amount varies depending on the type of medical coverage you wish to have and on the health insurance provider that you will use. The minimum legal requirement to be paid is minimum hospitalization costs as specified by the various health insurance providers.

As a self-employed person, the legal requirement for your company is "Standard Benefits". You can get that from any private insurer or go to the Social Insurance Department for Health Insurance Plan (H.I.P.). Your company is to pay no less than 50% of the monthly amount, as it can deduct no more than 50% from the employee's salary.

If you were on your spouse's insurance while unemployed, you can remain on that same policy, but since HIP covers you for standard

benefits, you will only be on your spouse's policy for "Supplementary Benefits." If you wish to remain on your spouse's insurance for standard and supplementary benefits, obtain a letter from your spouse's employer stating that your spouse is aware that you are currently self-employed and that he or she will readily keep you on for the full benefits. Always obtain a written statement.

Recently, the BSBDC worked alongside British American to establish a BSBDC group insurance, an umbrella insurance cover for small businesses on the island. To see if you qualify, please call 292-2020.

For more quotes and advice, contact health insurance providers islandwide as well as the Social Insurance Department (for HIP).

4. Private Pension is an obligation for every Bermudian or spouse of Bermudian who has gainfully worked more than 720 hours, which ranges from 4 to 6 months depending on the number of work-hours a week. The total contribution right now is 10%, so a maximum of 5% can be deducted from the employee's Gross Salary.

If you are self-employed and have not yet been in operation for an entire year, you are only obligated to start this plan once you have earned a minimum of \$20,000 in profits (revenue minus expenses, not counting your salary). There is also a \$5,000 maximum for those who wish to pay more than 10% of their earnings. Please call the National Pension Commission at 295-8672 for more information.

Finally, if your business has not yet had a steady cash inflow with a constant minimum of earnings, your private insurer will help you with your estimates. When you have expanded and hired another employee, you can then have a group plan that can be tailored to your company's needs.