



Using Bermuda As Your E-commerce Platform to the World

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Experts and analysts have long bantered around the concept of the shrinking size of the business world and the global nature of markets, but until recently the opportunity to reside in Europe and sell products and services internationally has been limited to organisations with the size and structure to set up the appropriate distribution network. Now, any local craft shop has the capability to sell its wares or services wherever a customer has access to a personal computer. Further, the small business now has access to offshore corporate structuring that has long been the refuge of the giant industries. The change that has made this possible and has introduced both large and small companies to markets impossible to access previously is the exponential growth of the Internet and e-commerce.

The problem is that while these individuals or entities have the capability to expand into the e-commerce arena, very few do because they are either unaware of the possibility or are intimidated by the process. E-commerce has long since expanded past the days when a company would establish a web page for purely informational reasons and would go no further. Selling goods and services over the computer is an essential modern element of business and provides access to a new group of customers. Companies, no matter their size, must as a matter of priority determine whether their businesses can evolve into an e-commerce business. Remaining exclusively in the bricks and mortar realm may result in economic isolation and eventual stagnation. Bermuda's goal is to provide its international clients the solutions to the problems of how to reach these customers. In today's world international client means not only Fortune 500 companies but the family operated microbrewery in Munich. Bermuda's political and legal system, location, telecommunications infrastructure and government initiatives have created a unique location to conduct e-commerce without the need to relocate substantial resources or manpower.

One may ask why offshore and why Bermuda? Tax planning is obviously one of the major enticements to locating offshore, but not the only one. Bermuda levies no income, corporate or sales tax. The benefit to a company located in Bermuda is that income generated by a Bermuda company, be it local or exempt, is free from taxation by the Bermuda government, as are the transactions that take place in Bermuda. The benefit of e-commerce in Bermuda can quickly be explained by noting that Internet commerce can be structured such that the transactions take place in Bermuda even if the purchaser is not physically located in Bermuda. Thus, based on English common law rules of contract, the merchant and retail transactions are Bermudian transactions and are exempt from taxation in Bermuda. This is normally accomplished by creating a local presence in Bermuda by incorporating a company or creating a segregated account entity, locating the computer server in Bermuda and locating the credit card processing in Bermuda. The Bank of Bermuda Limited has recently announced that it is offering to its clients the ability to process credit card transactions in multiple currencies.

Not all transactions based in Bermuda will escape tax in all jurisdictions in which either the seller or purchaser is located, but the benefits for a company operating out of Bermuda can go above and beyond the real and potential tax advantages. Bermuda has developed a premiere reputation in the international community through the skill and professionalism it exhibits in the international reinsurance business. The benefit of this to an e-commerce company or client is a remarkable gathering of high quality professionals with the international experience to handle all of the issues that may appear when starting up a business offshore.

For the company looking to develop its e-commerce business the important complement of quality professionals is a telecommunications infrastructure in place to support the business. Unlike traditional bricks and mortar businesses a key to quality e-commerce business is the telecommunications structure, reliability and capacity available in a jurisdiction. Bermuda's unique and strategic position in the Atlantic makes it an essential telecommunications hub for international telecommunications companies, thus ensuring e-commerce businesses abundant telecommunications capacity. International giant Cable & Wireless is firmly established in Bermuda with secure ocean cable and satellite connections to the world. In addition, and unlike some other offshore jurisdictions, Bermuda has more than one provider of international telecommunications for the international client to choose from. TeleBermuda International Limited has its own secure fibre optic cable link and is in the process of establishing another. TeleBermuda International's secured cable links to Bermuda will make Bermuda the most wired island in the world; an important requirement in the 24-hour a day 365 days a year market created by Internet.

The Bermuda government has embraced the e-commerce industry. Recent changes in the laws in Bermuda (The Electronic Transactions Act, 1999 and its consequential amendments to The Companies Act, 1981) have made the creation and expansion of the e-commerce industry a priority for Bermuda. Thus, the government and the local professionals continually work together to solve any potential problems as they occur, and sometimes even before.

After the decision is made to move your e-commerce business to Bermuda, locating and setting up a company in Bermuda is easy. Bermuda, at the simplest level, offers two corporate structures, the local company and the exempt company. The local company is designed for the operation of business in Bermuda. The exempt company is designed for businesses that wish to operate from Bermuda. In most cases an international entity will establish itself as an exempt company and conduct its business to the world from a Bermuda base.

Once the company has been established, the establishment of credit card processing agreements, and the employment of an Internet Service Provider (ISP) is conducted. In short order, an individual can establish a company and start running his business from Bermuda, often time with minimal initial local employment requirements. Bermuda's prime location in the Atlantic provides a perfect gateway between the European and North American markets and Bermuda is easily accessible by air directly from Europe and North America.

Bermuda offers the rare example of government and industry working together to promote an industry. With predictions estimating e-commerce business expanding exponentially over the next few years, the companies and individuals with an early e-commerce strategy and structure are the ones that will prosper. Bermuda is set to assist and promote the parties ready to

expand, be it the small local company or the international corporate player.

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