

**Government of Bermuda**

**Corporate Income Tax**

**Frequently Asked Questions  
for Guidance**

**Version 1.0**

18 December 2023

## Introduction

The Ministry of Finance is issuing these Frequently Asked Questions (FAQs) with respect to the Corporate Income Tax Act 2023, hereafter the “Act”.

The Act will have a general commencement date of 1<sup>st</sup> January 2025, with the exception of certain provisions for which require the commencement date is 1<sup>st</sup> January 2024. The purpose of these FAQs is to assist entities in determining if and when they are within the scope of the corporate income tax (“CIT”), and to provide guidance as to how certain provisions are to be interpreted or otherwise intended to operate.

The comments in these FAQs are reflected as at the date of the release and should be read in conjunction with the legislation. The FAQs are not intended to substitute or amend the provisions or definitions outlined in the legislation.

These FAQs are not intended to be a substitute for legal advice in particular and individual circumstances and taxpayers are encouraged to seek professional advice if they are uncertain of their obligations under the proposed legislation and any related regulations.

Although many of the provisions of the Act are similar to those in the Global Anti-Base Erosion Model Rules and its related Commentary and Administrative Guidance, collectively “the “GloBE Rules”, those rules are not imported by reference into the Act or any related regulations, guidance and FAQs unless expressly stated.

The Ministry will continue to develop further FAQs in response to developments in the application of the law, and in international tax laws and practices in other jurisdictions. It may be necessary from time to time to amend or expand upon these FAQs. Where any such change is significant, the Ministry will take account of the fact that taxpayers may have relied upon the previous FAQs in arranging their affairs and will to the extent appropriate afford a reasonable opportunity for taxpayers to make any changes.

The FAQs are displayed in the order in which the related provision or matter is included in the Act, with the exception of general matters. As these FAQs are updated from time to time, new sections will be highlighted in the Table of Contents together with the date of addition.

These FAQs can be found on the Government of Bermuda website at: [www.gov.bm/CIT](http://www.gov.bm/CIT).

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## GENERAL MATTERS

Posted 18 December 2023

### Elections

**Question 1:** Which elections are available pursuant to the Act, and how are such elections classified?

**Answer 1:** There are three broad classifications of elections available pursuant to the Act, as follows:

Annual elections  
Five-year elections  
Other elections

#### *Annual elections*

Annual elections are generally the most flexible form of election available under the Act and may be revoked and/or subsequently re-elected with respect to any fiscal year by the electing entity. Annual elections apply for the fiscal year in which the election is made and all subsequent fiscal years, unless and until the election is modified or revoked (i.e. elections are perpetual until modified or revoked, there is no need to re-elect each fiscal year).

The annual elections available pursuant to the Act are:

Section 2(1)	Branch exemption election
Section 2(1)	Unclaimed accrual election
Section 7(1)	De minimis exemption
Section 8(3)	Modification of Bermuda Constituent Entity Group composition
Section 11(8)	Treatment of MNE Group as an In Scope MNE Group
Section 15(1)	Fiscal transparency election
Section 15(5)	Treatment of segregated accounts as separate Bermuda Constituent Entities
Section 15(6)	Treatment of a company and its segregated accounts as one Bermuda Constituent Entity
Section 30(1)	Stock-based compensation
Section 34(1) and (2)	Matching election
Section 35(1)	Realization principle election
Section 37(4)	Election to apply consolidated accounting treatment

#### *Five-year elections*

Five-year elections have limitations on when they can be revoked and, if revoked, when

they can be re-elected, as follows:

Once made, a five-year election may not be revoked for the election year or the four succeeding fiscal years.

To the extent a five-year election has been revoked, it may not be re-elected for the four fiscal years succeeding the revocation year.

Five-year elections apply for the fiscal year with respect to which the election is made and all subsequent fiscal years, unless and until the election is revoked in accordance with the requirements summarised above.

The five-year elections available pursuant to the Act are:

Section 9(3)	Treatment of <80% owned entity as a Bermuda Constituent Entity
Section 10(3)	Treatment of excluded entity as a Bermuda Constituent Entity
Section 21(1)(b)	Election to determine financial accounting net income or loss in accordance with an approved financial accounting standard
Section 40(1)	Fair value basis of taxation with respect to ownership interest in an investment entity
Section 41(1)	Taxable distribution method of taxation with respect to ownership interest in an investment entity

#### *Other elections*

There are a number of elections available under the Act which are not designated as annual or five-year elections given the specific circumstances to which these “other” elections apply, including:

Elections that only apply to a specific point in time (e.g. section 33(8))

Elections that only apply to a specific transaction (e.g. section 45(1))

Elections that apply once to a specific fiscal year (e.g. section 6(1)(b)) or a specific amount (e.g. section 6(6))

Once made, these “other” elections may not be revoked.

The “other” elections available pursuant to the Act are:

Section 6(1)(b)	Reduction in tax loss carryforward deduction
Section 6(6)	Permanent reduction in tax loss carryforward
Section 21(6)	Election to reduce the financial accounting net income or loss of a Bermuda Constituent Entity treated as a CFC for U.S. tax purposes
Section 29(1)	Adjustments to taxable income or loss attributable to the implementation of IFRS 17 or LDTI
Section 33(8)	Election to forego the economic transition adjustment
Section 45(1)	Election to recognize gain or loss, use fair value of assets

Section 46(2)

and liabilities

Election to treat transfer of controlling interest in a Bermuda  
Constituent Entity as a transfer of assets and liabilities

## GENERAL MATTERS

Posted 18 December 2023

### Elections

**Question 2:** How are Bermuda corporate income tax elections made with respect to a Bermuda Constituent Entity for a fiscal year in which the Bermuda Constituent Entity is in scope of the CIT rules?<sup>1</sup>

**Answer 2:** Elections will be made in the Bermuda corporate income tax return of the Bermuda Constituent Entity Group of which the Bermuda Constituent Entity is a member filed for the fiscal year for which the election is intended to be effective. While the Bermuda corporate income tax return has not yet been fully developed, it is anticipated that the return will include data fields that will allow the filer to provide a clear indication of all tax elections which are being made with respect to the Bermuda Constituent Entity. See question 3 for specific details of elections relevant to the computation of the opening tax loss carryforward. Elections may also be made on a separate form before the corporate income tax return is filed (see Question 4).

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<sup>1</sup> Specifically, a fiscal year in which the Bermuda Constituent Entity is a member of an In Scope MNE Group meeting the requirements of section 11(1), subject to section 13

## GENERAL MATTERS

Posted 18 December 2023

### Elections

**Question 3:** How are Bermuda corporate income tax elections made with respect to a Bermuda Constituent Entity for the opening tax loss carryforward period?

**Answer 3:** Elections will be made in the Bermuda corporate income tax return filed with respect to the Bermuda Constituent Entity Group of which the Bermuda Constituent Entity is a member for the first fiscal year beginning after the period described in section 49(1).

It is anticipated that the Bermuda corporate income tax return will include data fields that will allow the filer to provide a clear indication of all tax elections which are being made with respect to the Bermuda Constituent Entity for the opening tax loss carryforward period.

As for Answer 2 above, elections may also be made on a separate form before the income tax returns are filed (see question 4).



## GENERAL MATTERS

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### Elections

**Question 4:** Can a Bermuda Constituent Entity make Bermuda corporate income tax elections in advance of filing a Bermuda corporate income tax return?

**Answer 4:** Several respondents to the Second and Third Public Consultations have requested the introduction of procedures which would allow tax elections to be made with respect to a Bermuda Constituent Entity in advance of filing a Bermuda corporate income tax return.

While there is no requirement under the Act to make elections in advance of filing a Bermuda corporate income tax return, Form CT-ELP has been developed to allow elections to be made with respect to a Bermuda Constituent Entity in advance of filing a Bermuda corporate income tax return. Further information regarding the filing of Form CT-ELP will be provided in separate form instructions.

Elections which are made with respect to a Bermuda Constituent Entity pursuant to the filing of Form CT-ELP may be modified and/or reversed in the Bermuda corporate income tax return (based on the filing procedures described in the two preceding Q&As) or by the filing of an amended Form CT-ELP.

## GENERAL MATTERS

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### Elections

**Question 5:** Can a Bermuda corporate income tax election made pursuant to section 49 be limited, such that the election only applies to certain fiscal years within the period described in subsection 49(1)?

**Answer 5:** No. As indicated in subsection 49(3), to the extent an election is made in accordance with section 49 the election shall apply for the entire period described in subsection 49(1).

## PART 1 INTERPRETATION

Posted 18 December 2023

### s.2 – Bermuda Tax Resident Entity

**Question 1:** How are permit companies treated under the Act?

**Answer 1:** Permit companies are not “incorporated, formed or organised in Bermuda” and therefore do not meet the current definition of a Bermuda Tax Resident Entity. Since a permit gives such entity the ability to carry on business from Bermuda, in certain cases a permit company may be regarded as the main entity of Bermuda Permanent Establishment under the Act. Government is aware that there are certain sub-categories of permits under Bermuda law, including permits held by those whose business involves the ownership, commercial management or operation of ships or aircraft. In these cases, the ability to treat these entities as permanent establishments may be challenging given that their business is unlikely to have a fixed geographical footprint. Government is therefore considering whether further provisions may be appropriate in respect of certain permit companies to clarify their treatment.

## PART 1 INTERPRETATION

Posted 18 December 2023

### s.2 – In Scope MNE Group

**Question 1:** Does the method of consolidation used in preparing financial statements for a group impact whether or not such group is in scope under the Act?

**Answer 1:** Potentially. Tax is chargeable pursuant to the Act to the Bermuda Constituent Entities of an In Scope MNE Group. There are several components to the definition of an In Scope MNE Group:

1. The group must meet the revenue threshold set out in section 11 of the Act
2. The group must also be an MNE Group, which is a group comprising of an ultimate parent entity and one or more entities (which includes permanent establishments) located in another jurisdiction
3. An ultimate parent entity is an entity that owns, directly or indirectly, a controlling interest in any other entity
4. For the purposes of the Act, a controlling interest is defined as an ownership interest such that the interest holder is:
  - a. required to consolidate the assets, liabilities, income, expenses and cash flows of the entity on a line-by-line basis in accordance with an acceptable financial accounting standard; or
  - b. would have been required to consolidate the assets, liabilities, income, expenses and cash flows of the entity on a line-by-line basis if the interest holder had prepared consolidated financial statements, (provided that a main entity is deemed to have the controlling interests of its permanent establishments).

Where consolidated financial statements are prepared on a basis that does not consolidate line by line (e.g. in the case of investment entities under IFRS 10), there will be no controlling interests. Where there are no controlling interests, there is no ultimate parent entity, and therefore no MNE Group for the purposes of the Act. This in turn means the Bermuda entities that are not consolidated on a line-by-line basis will not be considered in scope for the purposes of the Act.

## PART 1 INTERPRETATION

Posted 18 December 2023

### s.2 – Insurance investment entity

**Question 1:** Is the definition of insurance investment entity intended to include entities which are owned by one or more group companies and established in relation to liabilities under one or more insurance or annuity contracts (consistent with the OECD Commentary on Article 7.5.1)?

**Answer 1:** Yes, it is intended that the interpretation of the definition of insurance investment entity in section 2 should follow the interpretation in the Commentary to the GloBE Rules. An insurance investment entity may be wholly-owned by a single entity, or by a number of entities which are all part of an MNE Group. The definition is also intended to cover insurance investment entities which are established in relation to liabilities under one or more insurance or annuity contracts.

## PART 2 CHARGING PROVISIONS

Posted 18 December 2023

### s.6 – Tax loss carryforward deduction

**Question 1:** How is the tax loss carryforward deduction computed?

**Answer 1:** To the extent that:

- (a) a Bermuda Constituent Entity Group earns net taxable income for a fiscal year, prior to consideration of the tax loss carryforward deduction, and
- (b) one or more Bermuda Constituent Entity members of the Bermuda Constituent Entity Group have unutilized tax loss carryforwards from prior fiscal years,

the Filing Bermuda Constituent Entity may elect to use a tax loss carryforward deduction. The amount of the tax loss carryforward deduction may not exceed the lesser of 80% of the amount described in (a) or the amount described in (b) above. The Filing Bermuda Constituent Entity may elect to reduce the amount of the tax loss carryforward deduction for any fiscal year.

The Filing Bermuda Constituent Entity shall designate in the Bermuda Corporate Income Tax Return (in such manner as shall be prescribed in future) the specific tax loss carryforward amounts that have been included in the loss carryforward deduction for the fiscal year.

*Example*

Bermuda Constituent Entity Group (“BCEG”) is comprised of three Bermuda Constituent Entities (BCE1, BCE2, and BCE3, of which BCE1 has been designated as the Filing Bermuda Constituent Entity). BCEG has a calendar year end and has been subject to the Bermuda corporate income tax regime since 1 January 2025. At the end of the 2025 fiscal year, the tax loss carryforwards of BCE1, BCE2, and BCE3 were summarised as follows:

	Opening tax loss carryforward Sec. 6(2)(a)(i)	Taxable loss incurred in 2025 Sec. 6(2)(a)(ii)	Subtotal Sec. 6(2)(a)	Prior year tax loss utilisation Sec. 6(2)(c)	Total tax loss carryforward Sec. 6(2)
BCE1	\$1,000	\$500	\$1,500	-	\$1,500
BCE2	-	\$500	\$500	-	\$500
BCE3	-	-	-	-	-
<b>Total</b>	<b>\$1,000</b>	<b>\$1,000</b>	<b>\$2,000</b>	<b>-</b>	<b>\$2,000</b>

BCEG earns \$1,000 of net taxable income during the 2026 fiscal year, prior to consideration of the tax loss carryforward deduction. BCE1, as the Filing Bermuda Constituent Entity, may designate any portion of the tax loss carryforwards of BCE1 or BCE2 (whether attributable to opening tax loss carryforwards or losses incurred during the period subsequent to 1 January 2025) for inclusion in the tax loss carryforward deduction, provided that the tax loss carryforward deduction may not exceed \$800, or 80% of the net taxable income earned by BCEG during 2026 prior to consideration of the tax loss carryforward deduction. BCE1 may also elect to reduce the \$800 tax loss carryforward deduction, in whole or in part, for the 2026 fiscal year.

On this basis, BCE1 elects to reduce the tax loss carryforward deduction amount for the 2026 fiscal year from \$800 to \$600, and to designate \$400 and \$200 of the tax loss carryforwards of BCE1 and BCE2, respectively, for inclusion in the tax loss carryforward deduction. Following consideration of the 2026 fiscal year tax loss carryforward deduction, the tax loss carryforwards of BCE1, BCE2, and BCE3 are summarised as follows:

	Opening tax loss carryforward s.6(2)(a)(i)	Taxable loss incurred in 2025 s.6(2)(a)(ii)	Subtotal s.6(2)(a)	Prior year tax loss utilisation s.6(2)(c)	Total tax loss carryforward s.6(2)
BCE1	\$1,000	\$500	\$1,500	\$400	\$1,100
BCE2	-	\$500	\$500	\$200	\$300
BCE3	-	-	-	-	-
<b>Total</b>	<b>\$1,000</b>	<b>\$1,000</b>	<b>\$2,000</b>	<b>\$600</b>	<b>\$1,400</b>

## PART 2 CHARGING PROVISIONS

Posted 18 December 2023

### s.6 – Tax loss carryforward deduction

**Question 2:** Can a tax loss carryforward of a Bermuda Constituent Entity be carried back to offset net taxable income earned in prior years by the Bermuda Constituent Entity Group of which the Bermuda Constituent Entity is a member?

**Answer 2:** A tax loss carryforward of a Bermuda Constituent Entity may not be carried back to offset net taxable income earned by the Bermuda Constituent Entity Group in a prior fiscal year. A tax loss carryforward may only be carried forward to offset net taxable income earned in subsequent fiscal years.



## PART 2 CHARGING PROVISIONS

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### s.6 – Tax loss carryforward deduction

**Question 3:** Do tax loss carryforwards expire, or may they be carried forward indefinitely?

**Answer 3:** Tax loss carryforwards do not expire and may be carried forward until such time as they are included in a tax loss carryforward deduction.

## PART 2 CHARGING PROVISIONS

Posted 18 December 2023

### s.6 – Tax loss carryforward deduction

**Question 4:** How is the opening tax loss carryforward of the Bermuda Constituent Entities of an In Scope MNE Group calculated?

**Answer 4:** The opening tax loss carryforward of the Bermuda Constituent Entities of an In Scope MNE Group is determined by:

(a) First, calculating the taxable income or loss of each Bermuda Constituent Entity member of the In Scope MNE Group for the opening tax loss carryforward period (as described in section 6(4)(a)). For this purpose, the taxable income or loss of each Bermuda Constituent Entity shall be determined in the same manner as if each Bermuda Constituent Entity had been subject to the income tax chargeable pursuant to the Act during the opening tax loss carryforward period, except as otherwise noted in section 6(4)(c)(i).

(b) Second, by calculating the net taxable income or loss of all the Bermuda Constituent Entities of the In Scope MNE Group for each fiscal year (or portion thereof) in the opening tax loss carryforward period.

(c) Third, by adjusting any net taxable losses arising during a fiscal year (or portion thereof) in the opening tax loss carryforward period with respect to any subsequent utilisation of such net taxable losses during the remainder of the opening tax loss carryforward period.

#### *Example*

An In Scope MNE Group is comprised of three Bermuda Constituent Entities (BCE1, BCE2, and BCE3). These entities have a calendar year end and are within the scope of the Bermuda corporate income tax regime beginning 1 January 2025.

BCE1 and BCE2 have elected pursuant to section 33(8) not to apply the economic transition adjustment provisions and, as such, the opening tax loss carryforward period for the entities begins 1 January 2020.

#### *Step #1: Calculate taxable income or loss of each Bermuda Constituent Entity*

BCE1 is the main entity of a permanent establishment located in a foreign jurisdiction through which the business of BCE1 is partly conducted, and for which a branch exemption election has been made for the opening tax loss carryforward period in accordance with section 49. Accordingly, a portion of the financial accounting net income or loss of BCE1 is allocated to the permanent establishment during the opening tax loss carryforward period in accordance with section 22.

The financial accounting net income or loss of BCE1 remaining after the allocation to the permanent establishment includes, in certain years, deductions for net taxes expense.

The components of the taxable income or loss of BCE1 during the opening tax loss carryforward period, including financial accounting net income or loss (net of the allocation to the foreign permanent establishment) and the adjustment for net taxes expense, are summarised as follows:

	Financial accounting net income or loss s.21	Allocation to permanent establishment s.22	Subtotal	Removal of net taxes expense s.27(1)(a)	Taxable income or loss s.20
2020	\$1,000	\$(100)	\$900	\$200	\$1,100
2021	\$500	\$(200)	\$300	-	\$300
2022	\$1,400	\$(200)	\$1,200	-	\$1,200
2023	\$1,000	\$(100)	\$900	\$100	\$1,000
2024	\$1,000	\$(100)	\$900	-	\$900
<b>Total</b>	<b>\$4,900</b>	<b>\$(700)</b>	<b>\$4,200</b>	<b>\$300</b>	<b>\$4,500</b>

BCE2 made an election pursuant to section 34 to adjust taxable income or loss to exclude unrealised gains or losses on its funds withheld asset for the opening tax loss carryforward period. The components of the taxable income or loss of BCE2 during the opening tax loss carryforward period, including financial accounting net income or loss and the matching adjustments calculated in accordance with section 34, are summarised as follows:

	Financial accounting net income or loss s.21	Matching adjustment s.34	Taxable income or loss s.20
2020	\$(500)	\$900	\$400
2021	\$(1,000)	\$300	\$(700)
2022	\$(800)	\$(300)	\$(1,100)
2023	\$(800)	\$(500)	\$(1,300)
2024	\$200	\$400	\$600
<b>Total</b>	<b>\$(2,900)</b>	<b>\$800</b>	<b>\$(2,100)</b>

The economic transition adjustment provisions apply to BC3 and, as such, the opening tax loss carryforward period for BC3 begins 1 October 2023. The components of the taxable income or loss of BCE3 during the opening tax loss carryforward period, including financial accounting net income or loss and the economic transition adjustments calculated in accordance with section 33(2), are summarised as follows:

Financial accounting	Economic	Taxable
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	net income or loss s.21	transition adjustment s.33(2)	income or loss s.20
2023 (short period)	\$500	\$(400)	\$100
2024	\$(900)	\$(300)	\$(1,200)
<b>Total</b>	<b>\$(400)</b>	<b>\$(700)</b>	<b>\$(1,100)</b>

*Step #2: Calculate net taxable income or loss of the In Scope MNE Group*

The net taxable income or loss of the Bermuda Constituent Entities of the In Scope MNE Group for each year during the opening tax loss carryforward period are summarised as follows:

	Taxable income or loss (BCE1)	Taxable income or loss (BCE2)	Taxable income or loss (BCE3)	Net taxable income or loss
2020	\$1,100	\$400	-	\$1,500
2021	\$300	\$(700)	-	\$(400)
2022	\$1,200	\$(1,100)	-	\$100
2023	\$1,000	\$(1,300)	\$100	\$(200)
2024	\$900	\$600	\$(1,200)	\$300
<b>Total</b>	<b>\$4,500</b>	<b>\$(2,100)</b>	<b>\$(1,100)</b>	<b>\$1,300</b>

*Step #3: Adjust net taxable losses to reflect utilisation during the opening tax loss carryforward period*

The determination of the opening tax loss carryforward (\$200) of the Bermuda Constituent Entities of the In Scope MNE Group as of 31 December 2024 is summarised as follows:

	Prior year tax loss carryforward	Net taxable loss incurred in current year s.6(4)(a)	Tax loss utilisation s.6(4)(b)	Subsequent year tax loss carryforward
2020	-	-	-	-
2021	-	\$(400)	-	\$(400)
2022	\$(400)	-	\$100	\$(300)
2023	\$(300)	\$(200)	-	\$(500)
2024	\$(500)	-	\$300	\$(200)

## PART 2 CHARGING PROVISIONS

Posted 18 December 2023

### s.6 – Tax loss carryforward deduction

**Question 5:** Are there limitations on the ability to elect to reduce the amount of tax loss carryforward deduction?

**Answer 5:** Yes. The election to deduct a lesser amount of tax loss carryforward under section 6(1)(b) cannot be made as part of the computation of the opening tax loss carryforward.

## PART 2 CHARGING PROVISIONS

Posted 18 December 2023

### s.6 – Tax loss carryforward deduction

**Question 6:** Can the election under section 8(3) to create separate Bermuda Constituent Entity Groups be made for the purposes of computing the opening tax loss carryforward?

**Answer 6:** No, all Bermuda Constituent Entities that are members of an In Scope MNE Group are treated as being part of a single Bermuda Constituent Entity Group for the purpose of determining the opening tax loss carryforward. The Filing Bermuda Constituent Entity must allocate the opening tax loss carryforward, if any, to the Bermuda Constituent Entity members of a Bermuda Constituent Entity Group for the purposes of tracking each Bermuda Constituent Entity members' share.

## PART 2 CHARGING PROVISIONS

Posted 18 December 2023

### s.6 – Tax loss carryforward deduction

**Question 7:** Are there any circumstances where the 80% limit on the use of tax loss carryforward deductions in section 6(1)(a) might not apply ?

**Answer 7:** Yes. The 80% limitation does not apply to the computation of the opening tax loss carryforward. Further, it may not apply in circumstances where an insurance company incurs a “shock loss”. This matter was raised in the Second Public Consultation and it is proposed to address this matter through Regulations during 2024.

## PART 3 SCOPE

Posted 18 December 2023

### s.13 - MNE Groups with a limited international footprint

**Question:** How do the rules apply to groups which may come into and out of the scope of s.13 ?

**Answer:** Section 13 excludes an MNE Group from being an In Scope MNE Group, and therefore takes it out of the scope of CIT, if the group meets the jurisdictional footprint and the tangible asset value requirements and if no MNE Group constituent entity is required to apply an IIR to any Bermuda entity that is a constituent entity of that MNE Group.

The exclusion is available for five fiscal years, beginning on the later of the first day of the first fiscal year beginning on or after 1 January 2025, or the first day of first fiscal year that the group first meets the threshold requirements to be in scope under section 11. If the conditions above are not met for a fiscal year included in the five-year period, the group would become an In Scope MNE Group in that period. If the group then meets the requirements in a subsequent fiscal year within the five-year period, it would not be an In Scope MNE Group for that fiscal year and would be outside the scope of CIT. No extension of the five-year period during which the exclusion is available can arise if the group becomes an In Scope MNE Group for a fiscal year which is part of the five-year period.

If an MNE Group was an In Scope MNE Group for at least one fiscal year beginning on or after 1 January 2025 and subsequently falls out of scope, either (as noted above) because it does not meet the revenue threshold or because it meets the criteria for section 13, the group may elect to remain in scope for any remaining years, on an annual basis, for which the section 13 exclusion would otherwise apply.



## PART 4 TAX CREDITS

Posted 18 December 2023

### **Sections 16 and 19 – Foreign tax credits and qualified refundable tax credits**

**Question 1:** What is the ordering rule for applying tax credits?

**Answer 1:** Foreign tax credits are applied before qualified refundable tax credits

## PART 6 TAXABLE ADJUSTMENTS

Posted 18 December 2023

### s.28 - Prior period errors and changes in accounting principles

**Question 1:** What portion of a change in opening equity at the beginning of a fiscal year related to a prior period error or change in accounting principle adjusts a Bermuda Constituent Entity's financial net income or loss pursuant to section 28(1)?

**Answer 1:** Only the portion of the change in opening equity that would have affected taxable income or loss in previous fiscal years adjusts financial net income or loss pursuant to section 28(1).

For example, an opening equity adjustment might comprise an item that would have been partially accounted for through net income in previous fiscal years (e.g., includable in taxable income or loss) and partially accounted for through other comprehensive income ("OCI") (i.e. not includable in taxable income or loss). The net income component would be included as an adjustment to financial accounting net income or loss under section 28 and the OCI component would not be.

## PART 6 TAXABLE ADJUSTMENTS

Posted 18 December 2023

### s.28 - Prior period errors and changes in accounting principles

**Question 2:** How are prior period errors and changes in accounting principles treated for the purposes of determining the opening tax loss carryforward?

**Answer 2:** To the extent an election pursuant to section 33(8) to disapply the economic transition adjustment is not made, prior period errors and changes in accounting principles impacting opening equity in periods occurring prior to 1 October 2023 are not taken into account for the purpose of determining the opening tax loss carryforward.

Subject to the limitation noted above with regards to the economic transition adjustment, prior period errors and changes in accounting principles impacting opening equity in the five fiscal years preceding the period when the taxpayer is first subject to the CIT, must be taken into account in accordance with section 28(2)(b) for purposes of determining the opening tax loss carryforward. section 28(2)(b) requires the change to be taken into account in full in the fiscal year for which the change in opening equity is recognised in the Bermuda Constituent Entity's financial statements used to determine financial accounting net income or loss. To the extent the prior period error or change in accounting principle is attributable to periods prior to the five fiscal years preceding the period when the taxpayer is first subject to the CIT, the adjustment pursuant to section 28(2)(b) should be reduced to the extent the adjustment relates to such periods prior to the five fiscal years preceding the period when the taxpayer is first subject to CIT.

For example, assume Company (A), a calendar year taxpayer that becomes subject to the CIT in 2025, reflected a change in accounting principle in its opening equity on 1 January 2023. The change increased opening equity by \$100 and the entire amount of the change would have affected taxable income or loss in previous fiscal years. The change in accounting principle applied equally to the fiscal years 2018 through 2022 (i.e., for each of the fiscal years 2018 through 2022, net income would have been increased by \$20 if the change in accounting principle were applied in each of those fiscal years). Also, assume Company (A) elected to disapply the economic transition adjustment. Pursuant to section 28(2)(b), Company (A) must increase its 2023 net taxable income (or reduce its net taxable loss) for purposes of determining its opening tax loss carryforward by \$60 (\$20 related to each of the fiscal years 2020, 2021 and 2022, the \$20 related to the 2018 and 2019 fiscal years are excluded from the opening tax loss carryforward computation).

If Company (A) had not elected to disapply the economic transition adjustment, none of the adjustments noted in the above example would be made for the change in accounting principle occurring on 1 January 2023 for purposes of the CIT.

## PART 6 TAXABLE ADJUSTMENTS

Posted 18 December 2023

### s.28 - Prior period errors and changes in accounting principles

**Question 3:** For adjustments in opening equity pursuant to section 28(1)(c) related to the implementation of IFRS 17 or Long Duration Targeted Improvements (“LDTI”) where an election pursuant to section 29(1) has not been made, is there a safe harbour methodology that can be applied for purposes of determining the opening tax loss carryforward when calculating the portion of the change related to fiscal years prior to the five fiscal years preceding the period when the taxpayer is first subject to CIT?

**Answer 3:** It is recognised that adjustments to opening equity related to IFRS 17 and LDTI can be quite complex and the determination as to which prior periods such adjustments relate can be a difficult and costly exercise. As a result, it would be appropriate to provide a safe harbour methodology to determine which prior periods the IFRS 17 and LDTI relate for purposes of calculating the opening tax loss carryforward.

Until further notice is issued, in lieu of using an actual methodology to prorate the IFRS 17 or LDTI adjustment to prior years, taxpayers that are required to adjust opening equity for the implementation of IFRS 17 or LDTI may use the weighted average life of the underlying contracts from inception to the implementation date for the contracts covered by the implementation of IFRS 17 and LDTI for purposes of prorating the opening equity adjustment to prior periods.

## PART 6 TAXABLE ADJUSTMENTS

Posted 18 December 2023

### s.29 - Adjustments due to IFRS 17 and LDTI

**Question 1:** For adjustments in opening equity related to the implementation of IFRS 17 or LDTI, what is the treatment where Section 29 is applied?

**Answer 1:** An election under section 29(1) takes precedence over the general rules in section 28. An election under section 29(1) cannot be made for implementations prior to 1 October 2023 unless the Bermuda Constituent Entity has made the election pursuant to section 33(8) to disapply the economic transition adjustment. Where elected, the amount of the IFRS 17 or LDTI adjustment to opening retained earnings remaining as of the commencement date is deducted rateably over the following ten fiscal years. Unlike section 28, there is no requirement to adjust that amount by reference to prior fiscal years. For the avoidance of doubt, if not electing under section 29(1) then section 28 will apply to an opening equity adjustment related to an implementation of IFRS 17 or LDTI.

## PART 6 TAXABLE ADJUSTMENTS

Posted 18 December 2023

### s.33 – Economic transition adjustments

**Question 1:** Can a Bermuda Constituent Entity elect to limit the application of the economic transition adjustment provisions to specific assets or liabilities, or is the Bermuda Constituent Entity required to apply these provisions to all of its assets or liabilities?

**Answer 1:** Pursuant to section 33(8), a Bermuda Constituent Entity may elect to disregard the economic transition adjustment provisions. However, this election applies to all assets and liabilities of the Bermuda Constituent Entity and may not be limited to specific assets and liabilities. In the absence of such an election, the Bermuda Constituent Entity is required to apply the economic transition adjustment provisions to all of its assets and liabilities, including identifiable intangible assets but with the exception of goodwill.

## PART 6 TAXABLE ADJUSTMENTS

Posted 18 December 2023

### s.33 – Economic transition adjustments

**Question 2:** How is the term “fair value” defined for purposes of the economic transition adjustment? Is a Bermuda Constituent Entity required to provide supporting documentation for its 30 September 2023 fair value determination?

**Answer 2:** The term “fair value” is defined in both IFRS and US GAAP as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Subject to ongoing development of any required information filing requirements, it is anticipated that, at a minimum, each Bermuda Constituent Entity should be prepared to provide, upon request, appropriate supporting documentation for the fair value determinations.

## PART 6 TAXABLE ADJUSTMENTS

Posted 18 December 2023

### s.33 – Economic transition adjustments

**Question 3:** What are some examples of identifiable intangible assets?

**Answer 3:** Examples of identifiable intangible assets include, but are not limited to:

- Brand, trade name, trademark registrations
- Trademark registrations and applications
- Common law trademark rights
- Copyrights
- Works of authorship
- Domain names
- Social media accounts
- Design rights
- Labelling and product identification
- Trade dress rights
- Trade secrets
- Formulas, know-how
- Manufacturing processes
- Licenses
- Software
- Patents
- Copyrights
- Distribution or marketing rights
- Customer or supplier relationships
- Value of in-force business for insurance companies

It is expected that further guidance will be issued from time to time with respect to identifiable intangible assets.



## PART 6 TAXABLE ADJUSTMENTS

Posted 18 December 2023

### s.33 – Economic transition adjustments

**Question 4:** How is the economic transition adjustment determined with respect to assets (other than identifiable intangible assets) and liabilities for a specific fiscal year?

**Answer 4:** The economic transition adjustment related to assets (other than identifiable intangible assets) and liabilities shall be equal to the difference between:

(a) the financial accounting net income or loss of the Bermuda Constituent Entity described in section 20(a) for the fiscal year, or portion thereof, determined based on the financial statement carrying values of its assets and liabilities, and

(b) the financial accounting net income or loss of the Bermuda Constituent Entity that would have been determined for such period had the financial statement carrying values of its assets and liabilities been replaced with the fair value of such assets and liabilities as of 30 September, 2023.

#### *Example*

Bermuda Constituent Entity (“BCE1”) has a 31 December year-end and is subject to the Bermuda corporate income tax regime from 1 January 2025.

BCE1 did not make an election pursuant to section 33(8) to disregard the ETA provisions.

The financial accounting net income or loss of BCE1 is its net income or loss as determined for purposes of preparing the profit and loss statement in the consolidated financial statements of its ultimate parent entity. The assets and liabilities of BCE1 recognised in the consolidated financial statements of its ultimate parent entity are not subject to any of the adjustments summarised in section 21(2)(a) through (d) (e.g. consolidating elimination adjustments, purchase accounting adjustments).

The assets (other than identifiable intangible assets) and liabilities of BCE1 as of 30 September 2023, including the financial statement carrying value and fair value as of such date, are summarised as follows:

	Financial statement carrying value s.33(2)(a)	Fair value s.33(2)(b)	Difference
Cash	\$1,000	\$1,000	-
Accounts receivable	\$1,000	\$900	\$(100)

AFS bond #1		\$5,000	\$5,100	\$100
AFS bond #2		\$5,000	\$4,900	\$(100)
Fixed assets		\$900	\$990	\$90
Accounts payable		\$(900)	\$(900)	-
Policy #1	liabilities	\$(6,000)	\$(5,900)	\$100
Policy #2	liabilities	\$(4,000)	\$(3,800)	\$200
<b>Net assets</b>		<b>\$2,000</b>	<b>\$2,290</b>	<b>\$290</b>

AFS bond #1 and AFS bond #2 are treated as available-for-sale securities for financial accounting purposes and are recorded at fair value in the balance sheet of BCE1 as of 30 September 2023 with the relevant unrealised gain or loss recognised in other comprehensive income or loss. However, for purposes of determining the economic transition adjustment the financial statement carrying value summarised in the table above has been adjusted in accordance with section 33(2)(a) to reverse any basis adjustments attributable to unrealised gain or loss recognised in other comprehensive income or loss with respect to these assets.

The fixed assets have a remaining useful life of 2.25 years as of 30 September 2023 and are depreciated on a straight-line basis for financial statement purposes (i.e. depreciation expense of \$100 per quarter recognised in the determination of BCE1's financial accounting net income or loss for the 2.25-year period).

### 2023

For purposes of determining its financial accounting net income or loss for the period from 1 October through 31 December 2023:

- BCE1 sold AFS bond #1 for \$5,100 and recognised realised gain of \$100 (the offsetting change in unrealised gain or loss recognised in the statement of other comprehensive income does not factor into the determination of financial accounting net income or loss)
- BCE1 recognised depreciation expense of \$100 with respect to its fixed assets.

The economic transition adjustment for this period is determined by replacing the carrying values of the assets used in the determination of financial accounting net income or loss with the 30 September 2023 fair values. On this basis:

- The amount of gain to be recognised in the calculation of BCE1's taxable income or loss with respect to the sale of AFS bond #1 would be \$Nil (i.e. sales proceeds of \$5,100 less the 30 September, 2023 fair value of \$5,100).
- The amount of depreciation expense to be recognised in the calculation of BCE1's taxable income or loss with respect to fixed assets would be \$110 (i.e. September 30 2023 fair value of \$990 divided by 2.25 years results in annual depreciation expense of \$440, of which \$110 would be allocated to this three-month period).

Effect on financial	Effect on taxable	Current period economic
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	accounting net income or loss	income or loss	transition adjustment
Sale of AFS bond #1	\$100	\$Nil	\$(100)
Depreciation of fixed assets	\$(100)	\$(110)	\$(10)
<b>Total</b>	<b>\$Nil</b>	<b>\$(110)</b>	<b>\$(110)</b>

For purposes of calculating its opening tax loss carryforward, if any, the net taxable income or loss of BCE1 must be determined in the same manner as would have been required if it had been subject to the Bermuda corporate income tax regime during the period described in section 6(4)(a). Accordingly, the economic transition adjustment summarised above will be includible in the determination of the opening tax loss carryforward of BCE1, if any, with respect to the 2023 period.

#### 2024

For purposes of determining its financial accounting net income or loss for the period from January 1 through 31 December 2024:

- BCE1 received \$950 in complete settlement of the accounts receivable asset and recognised a loss of \$50.
- BCE1 recognised depreciation expense of \$400 with respect to its fixed assets.
- BCE1 paid \$6,000 to settle all liabilities with respect to policy #1.

The economic transition adjustment for this period shall be determined by replacing the carrying values of the assets and liabilities used in the determination of financial accounting net income or loss with the 30 September 2023 fair values, with the following result:

	Effect on financial accounting net income or loss	Effect on taxable income or loss	Current period economic transition adjustment
Settlement of accounts receivable		\$(50)	\$50
Depreciation of fixed assets		\$(400)	\$(440)
Settlement of policy #1		\$Nil	\$(100)
<b>Total</b>	<b>\$(450)</b>	<b>\$(490)</b>	<b>\$(40)</b>

The economic transition adjustment summarised above will be includible in the determination of the opening tax loss carryforward, if any, of BCE1 for the 2024 period in accordance with section 6(4)(a).

#### 2025

For purposes of determining its financial accounting net income or loss for the period from

1 January through 31 December 2025:

- BCE1 sold AFS bond #2 for \$4,800 and recognised a realised loss of \$200.
- BCE1 recognised depreciation expense of \$400 with respect to its fixed assets.
- BCE1 paid \$4,100 to settle all liabilities with respect to policy #2 and recognised a loss of \$100.

The economic transition adjustment for this period shall be determined by replacing the carrying values of the assets and liabilities used in the determination of financial accounting net income or loss with the 30 September 2023 fair values, with the following result:

	Effect on financial accounting net income or loss	Effect on taxable income or loss	Current period economic transition adjustment
Sale of AFS bond #2	\$(200)	\$(100)	\$100
Depreciation of fixed assets	\$(400)	\$(440)	\$(40)
Settlement of policy #2	\$(100)	\$(300)	\$(200)
<b>Total</b>	<b>\$(700)</b>	<b>\$(840)</b>	<b>\$(140)</b>

The economic transition adjustment summarised above will be includible in the determination of the taxable income or loss of BCE1 for the 2025 fiscal year.

## PART 6 TAXABLE ADJUSTMENTS

Posted 18 December 2023

### s.33 – Economic transition adjustments

**Question 5:** How is the economic transition adjustment determined for a Bermuda Constituent Entity that is included in an MNE Group with a limited international footprint (as described in section 13)?

**Answer 5:** The economic transition adjustment shall be included in the determination of the taxable income or loss of the Bermuda Constituent Entity for those fiscal years of the Bermuda Constituent Entity during which the provisions of section 13 no longer apply to the MNE Group.

#### *Example*

Bermuda Constituent Entity (“BCE2”) is a member of MNE Group (“MNE2”). MNE2 is comprised of constituent entities located in three jurisdictions and meets the requirements of section 13, such that MNE2 is not treated as an In Scope MNE Group for fiscal years beginning prior to 1 January 2030 and is not subject to Bermuda corporate income tax prior to such date. MNE2 has a 31 December year-end.

The assets and liabilities of BCE2 as of 30 September 2023, including the financial statement carrying value and fair value as of such date, are summarised as follows:

	Financial statement carrying value s.33(2)(a)	Fair value s.33(2)(b)	Difference
Cash	\$1,000	\$1,000	-
Accounts receivable	\$1,000	\$1,000	-
Investments	\$5,000	\$4,800	\$(200)
Customer relationships	-	\$1,000	\$1,000
Accounts payable	\$(900)	\$(900)	-
Policy liability	\$(4,000)	\$(3,900)	\$100
<b>Net assets</b>	<b>\$2,100</b>	<b>\$3,000</b>	<b>\$900</b>

## 2024

During 2024, BCE2 paid \$4,200 to settle its policy liabilities and recognised a loss of \$200 in the determination of its financial accounting net income or loss.

Despite the existence of a difference between the financial statement carrying value and the 30 September, 2023 fair value of the policy liability, no economic transition adjustment will be recognised with respect to the settlement of these liabilities given that MNE2 will not be treated as an In Scope MNE Group until 1 January 2030 and the determination period for the opening tax loss carryforward will not begin until 1 January, 2025 pursuant to section 6(4)(a).

## 2025

During 2025, BCE2 sold its investments for \$5,100 and recognised a realised gain of \$100 in the determination of its financial accounting net income or loss.

The economic transition adjustment for 2025 shall be determined by replacing the carrying values of the investments used in the determination of financial accounting net income or loss with the September 30 2023 fair values. In addition, one-tenth of the overall adjustment related to its identifiable intangible assets (i.e. customer relationships) will be included in the determination of the economic transition adjustment for 2025.

	Effect on financial accounting net income or loss	Effect on taxable income or loss	Current period economic transition adjustment
Sale of investments	\$100	\$300	\$200
Amortization expense (intangible)	-	\$(100)	\$(100)
<b>Total</b>	<b>\$100</b>	<b>\$200</b>	<b>\$100</b>

For purposes of calculating its opening tax loss carryforward, if any, the net taxable income or loss of BCE2 must be determined in the same manner as would have been required if it had been subject to the Bermuda corporate income tax regime during the period described in section 6(4)(a). Accordingly, the economic transition adjustment summarised above will be includible in the determination of the opening tax loss carryforward of BCE2, if any, with respect to the 2025 fiscal year.

## 2026 – 2029

One-tenth of the overall adjustment related to the identifiable intangible assets of BCE2 will be included in the determination of the economic transition adjustment for 2026 through 2029. As summarised above, these economic transition adjustment amounts will be includible in the determination of the opening tax loss carryforward of BCE2, if any, with respect to each year during this period.

*2030 – 2034*

One-tenth of the overall adjustment related to the identifiable intangible assets of BCE2 will be included in the determination of the economic transition adjustment for 2030 through 2034 and will, in turn, be included in the determination of taxable income or loss with respect to each year during this period.

## PART 6 TAXABLE ADJUSTMENTS

Posted 18 December 2023

### s.33 – Economic transition adjustments

**Question 6:** How is the economic transition adjustment determined with respect to the policy liabilities of an insurance entity?

**Answer 6:** As indicated in Answer 4, the economic transition adjustment related to liabilities shall be equal to the difference between:

(a) the financial accounting net income or loss of the Bermuda Constituent Entity described in section 20(a) for the fiscal year, or portion thereof, determined based on the financial statement carrying values of its liabilities, and

(b) the financial accounting net income or loss of the Bermuda Constituent Entity that would have been determined for such period had the financial statement carrying values of its liabilities been replaced with the fair value of such liabilities as of 30 September 2023.

A number of respondents to the Second and Third Public Consultations expressed concerns regarding the application of these provisions to insurance contract liabilities, given the administrative complexity associated with tracking the settlement of specific liabilities over the entire run-off period of such reserves.

In acknowledgment of these challenges, the following alternatives will be permissible for purposes of determining the economic transition adjustment attributable to insurance contract liabilities for fiscal periods subsequent to 30 September 2023:

(i) **Actual method** – Economic transition adjustment is determined on the basis of the actual run-off experience of the Bermuda Constituent Entity. The approach to determine the actual run-off experience will depend on the type of policy liability (e.g., liabilities for unpaid claims versus liabilities for future benefits under life and annuity contracts). For example, as each insurance contract is settled for property and casualty business, the financial accounting net income or loss of the Bermuda Constituent Entity is adjusted by replacing the financial statement carrying value of the insurance contract liability with the fair value of the liability as of 30 September 2023. For long-duration policy liabilities, the economic transition adjustment shall be amortised consistent with the same assumptions used in estimating the fair value of the liability with adjustment for deviations from expected experience due to actual experience recognised in the period of the deviation.



*Example A:*

Bermuda Constituent Entity holds a loss reserve balance for unpaid claims related to insurance contract A (one of many insurance contracts entered into by the Bermuda Constituent Entity which are subject to the economic transition adjustment) with a 30 September 2023 financial statement carrying value and fair value of \$100 and \$90, respectively. The liability related to insurance contract A is settled in 2026, resulting in an economic transition adjustment of \$10 in such fiscal year with respect to this contract.

*Example B:*

Bermuda Constituent Entity holds a policy liability for future benefits related to a block of life insurance contracts with a 30 September 2023 financial statement carrying value and fair value of \$100 and \$80, respectively. Of the \$20 economic transition adjustment, a balance of \$18 remains at the beginning of 2025 based on actual experience from 1 October 2023 through 31 December 2024. The expected experience for the provision of insurance related to the block of life insurance contracts in 2025 would result in \$3 of the economic transition adjustment amortizing in 2025. However, actual experience differs from expected and more of the business runs off, resulting in an additional \$1 of the economic transition adjustment amortizing in 2025 for total amortization of \$4 in 2025. The remaining \$14 balance of the economic transition adjustment would run off based on actual experience in future fiscal years.

(ii) **FV run-off pattern** – Economic transition adjustment is computed using a set run-off pattern based on the estimated run-off pattern utilized for purposes of the 30 September 2023 fair value determination.

*Example:*

Bermuda Constituent Entity has insurance contract liabilities with a 30 September 2023 financial statement carrying value and fair value of \$1M and \$0.85M, respectively. Bermuda Constituent Entity estimates the following run-off pattern for the purposes of determining the 30 September 2023 fair value of its insurance contract liabilities:

1 Oct – 31 Dec 2023	5%
2024	15%
2025 – 2028	20% per year

Under this method, Bermuda Constituent Entity will determine its economic transition adjustment for each fiscal period by multiplying the aggregate economic transition adjustment amount attributable to insurance contract liabilities (\$150,000) by the run-off pattern established for such period (e.g. \$7,500 for the 2023 fiscal period, \$22,500 for the 2024 fiscal period, etc.)

(iii) **Safe harbour** – Economic transition adjustment for a fiscal period is determined by amortizing the aggregate economic transition adjustment amount attributable to insurance contract liabilities on a 15-year straight line basis, beginning 1 October 2023.

*Example:*

Bermuda Constituent Entity has insurance contract liabilities with a 30 September 2023 financial statement carrying value and fair value of \$1M and \$0.85M, respectively. Under this method, Bermuda Constituent Entity will determine an economic transition adjustment of \$2,500 for the 2023 fiscal period (i.e. \$150,000 aggregate adjustment divided by 15 years, further reduced to reflect the 3-month short period), \$10,000 for each of the 2024 – 2037 fiscal years, and \$7,500 for the 2038 fiscal year.

The Bermuda Constituent Entity will select one of the above methods for purposes of determining its economic transition adjustment in the Bermuda corporate income tax return filed for the first fiscal year in which the Bermuda Constituent Entity is a member of an In Scope MNE Group meeting the requirements of section 11(1), subject to section 13. Once selected, this method must be utilized:

- (i) for all insurance contract liabilities of the Bermuda Constituent Entity, and
- (ii) for all fiscal periods of the Bermuda Constituent Entity subsequent to 30 September 2023 (including periods included in the determination of the opening tax loss carryforward).

## PART 6 TAXABLE ADJUSTMENTS

Posted 18 December 2023

### s.37 – Transfer Pricing Adjustments

**Question:** How should the requirements of section 37 be applied for purposes of calculating the opening tax loss carryforward?

**Answer:** Pursuant to section 6(5), the net taxable loss and net taxable income amounts which factor into the computation of the opening tax loss carryforward shall be determined in the same manner as would have been required if each Bermuda Constituent Entity that is a member of the In Scope MNE Group had been subject to the Bermuda corporate income tax provisions during the opening tax loss carryforward determination period.

A number of respondents to the Public Consultations have expressed concerns regarding the application of sections 37(1) to (3) for purposes of determining the opening tax loss carryforward, given the administrative complexity associated with assessing whether historical transactions between a Bermuda Constituent Entity and another constituent entity that is a member of the same In Scope MNE Group were consistent with the arm's length principle.

In acknowledgment of these challenges, and given that it would generally be anticipated that transactions between a Bermuda Constituent Entity and another constituent entity located in a foreign transaction would have been subject to some form of transfer pricing analysis (e.g. pursuant to the transfer pricing provisions applicable on the foreign jurisdiction), the potential administrative burden associated with the analysis of historical intercompany transactions would appear to be disproportionate to the anticipated impact on the Bermuda corporate income tax result. As such, a Bermuda Constituent Entity shall not be required to make any adjustments pursuant to sections 37(1) to (3) for purposes of determining the opening tax loss carryforward.