'Forging a future of economic growth and security for all Bermudians'

"This Government will be transformational, opening the gates of economic growth to more and more Bermudians through economic diversification and greater opportunity. Traditional businesses will be respected but must compete for their market share and come to terms with the voices of others at the table who will, in turn, drive this economy."

- Premier & Minister of Finance, The Hon. David Burt, JP, MP

"A critical budget aim is to increase the island's competitiveness, stimulate job creation and reduce inequality. The budget has largely avoided increasing the cost of employment whilst inversion of the 60/40 rule and incentives for job repatriation may help drive economic activity."

- Paul Byrne, PwC Bermuda partner

Bermuda Budget Highlights 2018/19

Revenue

Forecast to rise by 4.6% to

$1.09B

increase of

$47.5M in 2018/19

$2.57B Gross public debt at **31 March 2018**

New borrowing of

$89.7M

2018/19

Taxes

2.5% fee on telecoms industry, cell phone fees also to rise

Duty on wine to be raised by 30 cents per litre; **duty increase on tobacco too**

Sugar tax - after consultation

& duty reduced to 0% for certain healthy foods

Expenditure

$929.1M

1% increase from 2017/18

60/40 rule changed to **40/60**

Payroll tax

No increases; cut for those earning *less than $96K*

Budget deficit

$89.7M

24.7% decrease from 2017/18

Let's talk

We help public & private sector organisations solve complex business issues, from strategy through execution. Our accounting, tax and advisory teams includes sector specialists in government, healthcare, hospitality, capital projects, intl development & forensics.

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Summary

This budget has a clear focus on growth and job creation, with new incentives for entrepreneurs and job repatriation, and decreased payroll tax for the lower paid and those with disabilities. The 60/40 rule is being relaxed to increase access to capital for Bermudians. Tax increases are targeted towards business owners, commercial property owners and foods with added sugar. New and increased fees and duties are being implemented for telecoms, wines and tobacco, and other government services. The government has demonstrated its commitment to collecting taxes due with all posts unfrozen in the Office of the Tax Commissioner.

Revenue

- Forecast to rise by 4.6% or $47.5M in 2018/19
- Payroll tax
  - The lowest employee band for payroll tax will be reduced from 4.75% to 4%
  - For all deemed employees (business owners), notional salaries will be replaced with a requirement to declare all income received, on a cash basis
  - Elimination of employer portion of payroll tax for all disabled employees
  - Certain new entrepreneurs to be exempt from all employer payroll tax for the first year of business
  - Amendment of payroll tax provisions for taxi operators by implementing an annual charge of $1,000 to be settled upon registration
- Duties and fees
  - Increased customs duty on sugar, offset by elimination of duty on healthy foods
  - Lower duty rate on textiles; increased duty on tobacco and increased duty on wines by 30 cents per litre
  - Temporary 5% increase in land taxes on commercial properties
  - Increasing fees on cell phones as well as implementing a Government authorization fee of 2.5% on the electronic communications industry

Debt

- Gross public debt will stand at $2.57BN at March 31, 2018 and est. gross public debt will stand at $2.66BN at March 31, 2019
- New borrowing of $89.7M expected to finance 2018/19
- Debt service cost is estimated at $188.2M for 2018/19 compared with $186.1M in 2017/18

Growth

- Lowering of the 2017 GDP growth estimate by 0.75% from 1.5%-2% to 0.75%-1.25%
- Total number of filled positions was reported to have increased by a marginal 0.1%, or 40 jobs, primarily in the restaurants, cafes and bars sector
- Tourism recorded another year of growth, with a 10.7% increase in air arrivals in 2017 and 5.1% increase in cruise passengers
- Total retail sales for 2017 increased by 2.9% or $32.7M
- Imports increased by 17.6% in the first 3 quarters of the year, primarily due to the America's Cup

Expenditure

- Operating expenses projected at $929.1M for 2018/19, an increase of 0.76% from 2017/18
- Significant 16% increase in Health budget, including restoration of $25M subsidy for hospital care for children, indigents and seniors
- Further growth in economic development and tourism (9%), public works (7%), and education (4%) budgets, offset by savings planned in transport and regulatory affairs and other Ministries
- Interest on debt estimated to grow by 3.8% from 2017/18 to $124M, however forecast to fall in future years
- Capital expenditure in 2018/19 forecast at $62.2M, an increase of $1.8M on 2017/18, focused on schools, road works, IT projects & purchase of new buses
- Forecast 2018/19 current account surplus of $160.7M, an increase of $38.0M from 2017/18 expected to cover interest costs and 50% of sinking fund contribution, together with the day to day Government operations

Budget highlights:

	Actual 2016/17 $M	Estimate 2017/18 $M	Revised estimate 2017/18 $M	Estimate 2018/19 $M
Revenue	988	1,042	1,044	1,090
Current account expenditure	914	923	922	929
Interest on debt	121	124	120	124
Sinking fund contribution	58	62	62	64
Capital expenditure	77	67	60	62
Budget deficit	182	135	119	90

Financial position summary:

	Actual 2016/17 $M	Original estimate 2017/18 $M	Revised estimate 2017/18 $M	Estimate 2018/19 $M
Government debt outstanding	(2,484)	(2,619)	(2,569)	(2,659)
Sinking fund	87	149	149	215
Statutory debt limit	2,500	2,500	2,500	2,500