

2017/18 Bermuda Budget Highlights

A year of threats and opportunities in ‘an age of uncertainty’

“To eliminate the deficit, we must have a Government that is committed to stay the course and not be tempted to engage in costly adventures that may be politically popular but will ultimately impair Government’s ability to fulfill its obligations to the people.” - The Minister of Finance, The Hon. E.T. Richards, JP, MP



Summary

- Government has aggressively focused on increasing revenues through actions such as tax reform and limiting concessions. Although the Government has attempted to reduce headcount there continues to be pressure to increase expenditure in critical areas such as education and social protection.



Revenue

- Forecast to rise by \$57M in 2017/18
- Significant tax changes include:
 - Reforms of the Payroll Tax structure, with progressive taxation for employees
 - Increase of tax cap to \$900,000, with new top rate of 8.75% for those earning more than \$235,000 and lower rate of 4.75% for those earning less than \$48,000
 - Top rate of Payroll Tax will increase to 11% in 2018/19, bottom rate will decrease to 4.25%
 - A graded system for employers’ payroll tax depending on the size of the company and nature of activities; top rate increases to 10.25%
 - Harmonisation of multiple customs duty tariff rates into fewer rates
 - Fuel duty up 5 cents a litre, increases on tobacco and alcohol
 - General Services Tax to be introduced in 2018/19
 - Financial Services Tax on local insurance premiums (excluding health), bank assets and incoming and outgoing wire transmissions
 - Company license fees for certain Permit Companies will be raised from \$1,995 to \$25,000



Debt

- Gross public debt will stand at \$2.484BN at March 31, 2017
- New borrowing of \$135M expected in 2017/18
- Debt service cost is estimated at \$186M for 2017/18 compared with \$180M in 2016/17 driven by lower interest cost and higher borrowings



Growth

- Continued GDP growth in 2016/17
- Success in tourism sector through increased visitor numbers by air and sea, and growth in hotel occupancy rates
- Construction sector has grown by value, but employment shows a modest increase of 10 jobs
- Opportunities arise from airport and hotel development projects and America’s Cup
- Increases in public spending limited to priority areas – education, national security and tourism



Expenditure

- Operating expenses projected at \$923.5M for 2017/18, down 1% from last year
- Expected cost of Health Care, Public Education, Social Safety Net and National Security estimated at \$523M for the next fiscal year
- America’s Cup budget for 2017/18 is \$31.8M
- Capital expenditures of \$67.5M, primarily for construction projects but also includes provision for major IT development, schools maintenance & roadworks
- Interest on debt estimated at \$124M, \$2.5M higher than last year

Budget highlights:

	Actual 2015/16 \$M	Original estimate 2016/17 \$M	Revised estimate 2016/17 \$M	Estimate 2017/18 \$M
Revenue	954	997	985	1,042
Current account expenditure	902	922	932	923
Interest on debt	116	129	122	124
Sinking fund contribution	52	58	58	62
Capital expenditure	44	87	86	67
Budget deficit	161	199	212	135

Financial position summary:

	Actual 2014/15 \$M	Original estimate 2015/16 \$M	Revised estimate 2016/17 \$M	Estimate 2017/18 \$M
Government debt outstanding	2,185	2,335	2,484	2,619
Sinking fund	136	117	86	148
Statutory debt limit	2,500	2,500	2,500	2,500

“The Minister’s deficit reduction strategy has continued to focus primarily on tax increases as opposed to cost reductions. This is an increasingly risky strategy as the UK and US aim to reduce the cost of doing business.” Paul Byrne, Partner, PwC Bermuda

Let’s talk

Growth and change are two realities that no business can afford to ignore. PwC Bermuda’s Advisory & Private Company Services teams can help you take a more strategic approach to both. We provide a broad range of audit and advisory services. Our team understands private businesses and invests in building strong relationships.



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