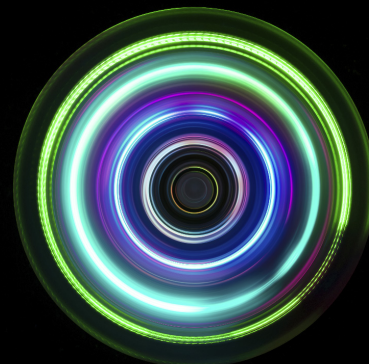


Bermuda Budget 2021 Snapshot

“We must continue to meet the moment”

- The Hon. Curtis L. Dickinson, JP, MP

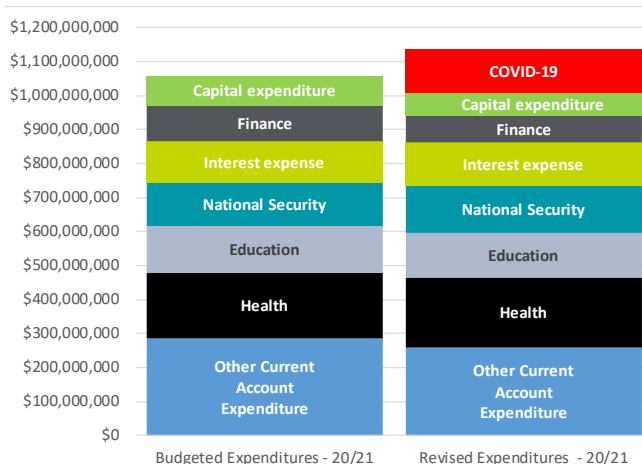
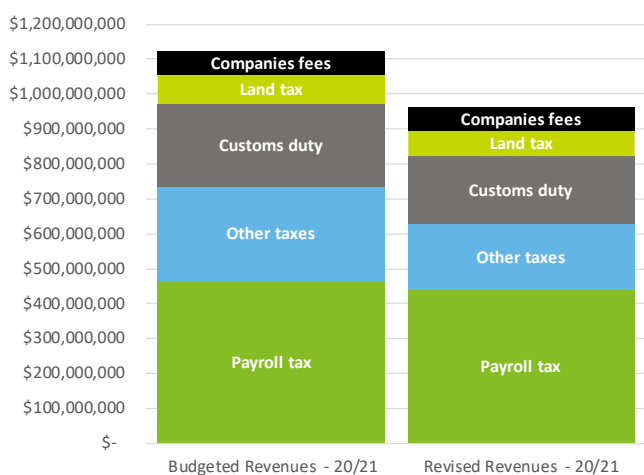


In presenting the 2021/22 budget statement, Minister of Finance Curtis Dickinson outlined a plan to support Bermuda's economic recovery with no significant changes to the tax system or cuts to crucial government spending programs. Given the unprecedented disruption caused by Covid-19 to the Bermuda economy – adding over \$360 million to Bermuda's national debt in two years - the Minister is planning to steer Bermuda towards a budget surplus by 2023/24. Noting the significant impact to government finances by the drop in the tourism and hospitality sectors, the plan for recovery appears largely contingent on a return to form of the tourism industry over the next three years.

Highlighting the resiliency of the international business sector, which saw modest growth in 2020, the Minister emphasized the significant external risks this sector faces, and by extension, Bermuda as a whole from geopolitical risk and the global tax reset currently taking place. Government plans to initiate programs to continue diversifying the economy, and pointed towards input from the Tax Reform Commission as integral to any future debates on the tax system.

The Minister of Finance went on to note that although Bermuda is trending in the right direction, the pace is far too slow, with Bermuda being at least three years from a balanced budget.

Comparison of 2020/21 Budgeted and Revised Revenues & Expenditures



Taxes

- Extend payroll tax relief to troubled sectors through March 31, 2022
- Extend the “Tax Incentives to Grow Jobs” program to provide payroll tax relief through March 31, 2022
- Extend zero rate of customs duty on imported capital goods for renovation of retail shops through March 31, 2026
- 2015 land valuation list will remain in force for 10 years resulting in no increases to land tax and the ARV bands
- Increases to fee structure of the Registrar of Companies will take effect in 2021
- No other meaningful increases to the cost of government services or other fees and taxes given the fragility of local finances
- Renew the remit of the Tax Reform Commission to assess if current tax code is fit for purpose



Other Highlights

- Budget does not require any redundancies or reductions in staffing in government ranks
- The 10% public sector pay cut will not be extended
- Revised hotel and passenger tax revenue of \$1m, a 97% reduction from budget of \$35.2m
- Revised civil aviation receipts of \$5.8m, a 67% reduction from budget of \$17.3m



Government Budget

- 2021/22 current account surplus \$95.9m
- 2021/22 budget deficit \$124.7m
- 2021/22 budgeted interest on debt \$127.8m
- 2021/22 budgeted capital expenditure of \$92.9m
- Average inflation rate 0.2%
- 2020/21 GDP expected to be negative 7% to 9%
- 2021/22 GDP growth to be 3.5%



Key government initiatives

- Reestablish national unemployment scheme
- Implementation of minimum wage and a living wage framework
- Introduction of universal healthcare
- Expansion of resident population
- Support greater competition in the banking sector
- Investment in infrastructure