

Bermuda Budget 2022 Snapshot

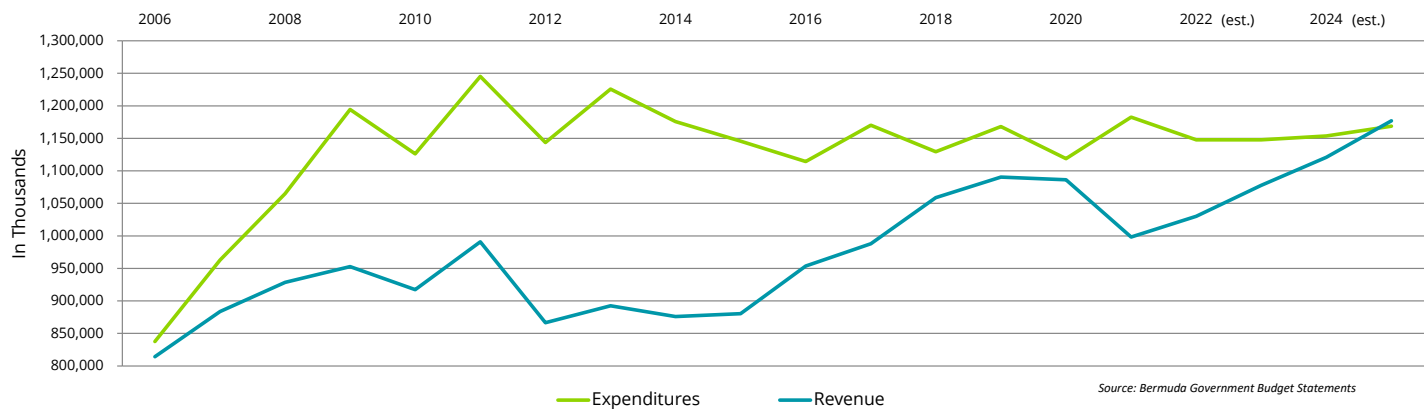
“To meet the most unique challenges in a generation”

- Premier the Hon. E. David Burt, JP, MP



In the 2022/23 budget statement, Premier and Minister of Finance David Burt held to the approach of recent budgets with no major changes to the tax system or adjustments to Government expenditures. While key revenue and expenditure indicators are generally favorable to previous estimates, the Premier noted Bermuda's “delicate financial situation” and a desire to balance the Government's books by 2024/25, one year later than targeted in last year's budget statement. Noting considerable work and sacrifice has been undertaken to manage Bermuda's finances over the past two years in the midst of the global pandemic, future cuts to Government services will be required to meet the 2022/23 budget. While international business continues to show robust growth, there are significant external pressures including OECD led global tax reform, that Bermuda and IB must navigate. The tourism and hospitality industry has faced serious challenges negatively impacting Government finances and employment figures. To support, Government plans to create policies that stimulate investment in this industry, with any plan for Bermuda's economic recovery tied to a revitalized tourism industry. Also vital to any future economic discussion will be addressing Bermuda's current demographic trends – including a declining birth rate and aging population - with immigration reform a key component. The Premier summarized as follows, “population growth is not simply an option for Bermuda, it is a necessity for our survival.”

Revenue & Expenditures



Taxes

- No tax increases in the budget
- New Hire Relief further extended to 2024, applicable to local and international companies with annual payroll in excess of \$500,000
- Reduction in payroll taxes for those earning less than \$96,000
- If the projected deficit for 2021/22 is below estimate, 50% of the savings will be used to reduce taxes on fuel imports
- In September 2022 there will be a mid-year review with tax relief to be provided if Government is ahead of budget

Government Budget

- 2022/23 current account surplus \$132.7m
- 2022/23 budget deficit \$70m
- 2022/23 budgeted interest on debt \$129.8m
- 2022/23 budgeted capital expenditure of \$73m
- 2021 average inflation rate 1.5%
- 2021 GDP growth was 3.5% - 5%

Banking

- New banking legislation to provide:
 - Courts power to postpone Order for Possession where payment plans can be established
 - Courts power to provide relief to customers who can show that their loan agreements were unfair
 - Create conduct rules for banks, including fee limits for banking services
- BMA to issue its first licence for a new bank in 21 years
- BMA to develop open banking standards that will benefit the creation of digital banking

Other Highlights

- Vehicle licensing fees for all private cars to be reduced by 10%
- Increase the period of concessions available to hotel developers, which are currently up to ten years
- Voluntary pension withdrawal for up to \$6,000 will be extended for one more year
- Travel Authorization Fee to end in 2023
- Amendments to legislation to clarify that registered charities that earn a majority of their funds from donations are exempt from land taxes
- Extension of the Supplementary Unemployment Benefit through August 2022
- Public sector workers not budgeted to receive pay increases until 2024/25

Future Changes

- New Tax Reform Commission to be formed by April 2022
 - Short term goal will be to quickly form a more progressive system of taxation
 - Long term goal will be to ensure the taxation system is in line with future OECD global tax agreements
- Pension reform to be finalized with potential changes to contributions, benefits and retirement age

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