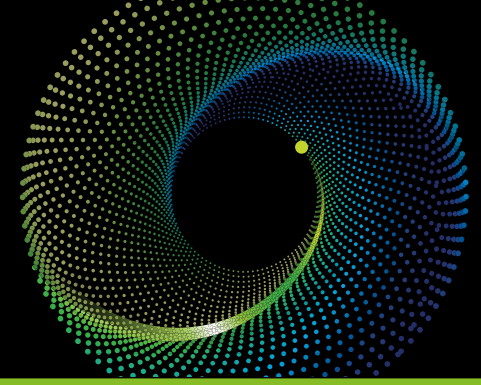


Bermuda Budget 2023/24 Snapshot

“A determination to defy the odds”

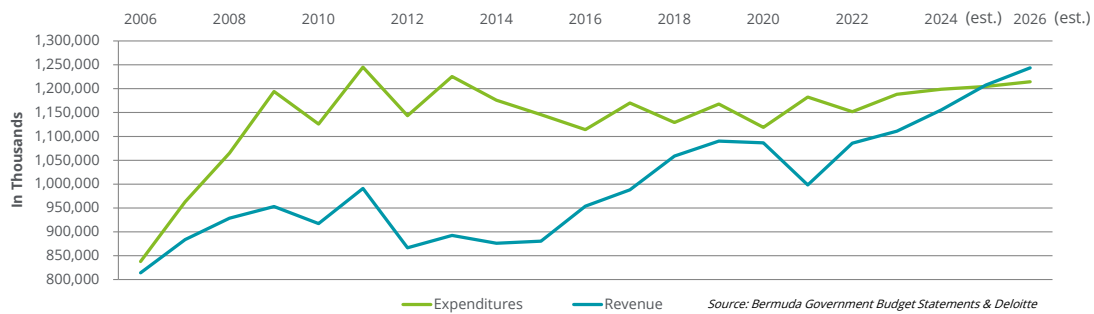
- The Hon. E. David Burt, JP, MP, Premier and Minister of Finance



In presenting the 2023/24 budget statement, Premier and Minister of Finance, David Burt announced “a determination to defy the odds” with a view toward growth amidst global socioeconomic impacts of the pandemic, foreign conflicts, and inflation. The Premier cited the international business sector, in particular, as a catalyst for growth and the bedrock of the Bermuda economy. Considerable changes to payroll taxes were announced along with a plan to advance critical infrastructure projects by addressing “present challenges while also laying the foundations for a better future.” Payroll tax rate increases were less than shown in the pre-budget report and new proposals such as a Managed Services Tax were absent from the budget. While key 2022/23 revenue indicators are generally positive to previous estimates, increases in expenditures result in a slightly higher deficit compared to original estimates.

The Premier again noted Bermuda’s plan to balance the Government’s books by 2024/25 consistent with last year’s budget statement. Although the continued growth of international business was highlighted, the Premier made reference to potential changes from the OECD Global Minimum Tax in the future which could impact this sector. A mixed-use site at Morgan’s Point was proposed with residential apartments and commercial retail and restaurant opportunities along with a 2024 completion target for the Fairmont Southampton. Expansion of banking services was noted with reference to Narrow Purpose Banks which would be permitted to service higher risk sectors such as gaming. Lastly, the Premier stated Bermuda must evolve to a mid-shore jurisdiction in light of OECD Global Minimum Tax proposals and be more attractive for global talent looking to relocate to assist in powering the island’s economic growth into the future.

Revenue & Expenditures



Taxes

- Numerous changes to employer/employee payroll tax - see Appendix for summary of changes
- Existing COVID-19 payroll tax concessions to end
- Payroll tax relief for new hires to expire in 2024, at which time the program will be modified
- Employers to be exempt from payroll tax when employees are on maternity and paternity leave
- Consultation on changes to Social Insurance in progress, with minor adjustments to employer contributions expected and employee contributions to be based on a percentage of income
- Land tax will increase by 5% for the top two ARV bands
- Scope of items subject to sugar tax will be reduced

Government Fees

- A 5% increase in stamp duty, trademark fees, fines, immigration fees, and planning fees
- New annual corporate regulatory fee from Registrar of Companies to be \$150 for local companies and \$500 for other entities
- New fee to register properties as vacation rentals, which will be based on the ARV of the property
- New nominal fee for PATI requests that are not from private individuals
- New scale of court fees for Magistrates Court, Supreme Court and Court of Appeal has been developed
- Customs duty exemption for capital upgrades for restaurants and retailers to be expanded to personal care and personal fitness sectors

Government Budget

- 2023/24 current account surplus: \$182.9 million
- 2023/24 budget interest on debt: \$130.4 million
- 2023/24 budget capital expenditure: \$96.0 million
- 2023/24 budget deficit: \$43.5 million
- November 2022 annual inflation: 3.8%
- November 2022 annual food price inflation: 10.4%
- 2022 GDP growth rate: 3.4% - 3.9%

Hotels & Gaming

- Fairmont Southampton construction anticipated to begin in the 2nd quarter of this year, with a 2024 completion remaining the target
- Morgan’s Point development as a mixed-use site comprising a range of residential rental apartments, seniors’ housing, and retail/restaurant opportunities
- Initial phase estimate to cost \$130 million, to be financed through a combination of secured senior debt against Morgan’s Point land and a subordinated debt provided by a Bermuda bank, backed by a Government guarantee
- Gaming laws to be amended to permit potential casino operators to operate a stand alone casino, as opposed to the integrated resort model. Also, the Minister of Finance is to be defined as “Minister”, to address concerns and support gaming in Bermuda

Banking

- Reorganization of the Bermuda banking sector to include the following:
 - Domestic Banks, which would be required to offer services that meet the full range of domestic and retail customers’ needs
 - Narrow Purpose Banks, which would be permitted to service sectors that are currently associated with higher reputational risk, such as gaming
 - Specialized International Banks, which would be permitted to focus solely on providing global solutions internationally, including to under-served areas
 - Credit Unions providing services under the Credit Unions Act
- Beginning April 1, 2023 public officers now eligible to transfer existing mortgages to the Mortgage Guarantee Program, provided it is their sole home and they reside in the home
- Removal of age restriction so that any Bermudian is eligible for the Mortgage Guarantee Program

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Appendix

Payroll tax rates effective April 1, 2023

Employer Payroll Tax Rates			
Business Tax Bands	Previous Rates	New Rates	Change
Annual payroll < \$200,000	1.75%	1.00%	-0.75%
\$200,000 ≤ Annual payroll ≤ \$350,000	3.50%	2.50%	-1.00%
\$350,000 ≤ Annual payroll ≤ \$500,000	6.50%	5.25%	-1.25%
\$500,000 < Annual payroll ≤ \$1,000,000	9.00%	7.50%	-1.50%
Annual payroll > \$1,000,000	10.25%	10.00%	-0.25%
Exempt Undertakings	10.25%	10.25%	0.00%
Gov., Gov. Boards, Parish Council, & Bda College	0.00%	0.00%	0.00%
Self Employed Farm, Fish	1.75%	0.00%	-1.75%
Educ, Sport, Scient Inst.	1.75%	1.00%	-0.75%
Char, Schl, Relig and Cult. Organisations	0.00%	0.00%	0.00%
Economic Empowerment Zone	0.00%	0.00%	0.00%
BHB Corp of Hamilton and St. George's	3.50%	3.50%	0.00%
Qualifying Retail	7.00%	6.00%	-1.00%
Hotels & Rest. w/annual payroll ≥ \$350,000	6.00%	5.00%	-1.00%

Employee Payroll Tax Rates			
Previous Income Bands	FY 22/23 Rates	New Income Bands	FY 23/24 Rates
\$0 - \$48,000	1.50%	\$0 - \$48,000	0.50%
\$48,000 - \$96,000	9.00%	\$48,000 - \$96,000	9.25%
\$96,000 - \$235,000	9.00%	\$96,000 - \$200,000	10.00%
\$235,000 - \$900,000	9.50%	\$200,000 - \$500,000	11.50%
		\$500,000 - \$1,000,000	12.50%

Employee payroll tax rates are marginal rates, with income taxed separately within each band.

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