2025/26 Bermuda Budget Snapshot

“Fairness in action – building a Bermuda where everyone benefits.“

On Friday, May 2, Premier and Minister of Finance David Burt delivered the 2025/26 Budget Statement. This year's budget projects a $43.3m surplus — Bermuda’s second consecutive budget surplus and largest in over 20 years.

The budget reflects the Government’s strategy to invest in infrastructure, healthcare, and cost-of-living relief while maintaining disciplined financial management. For the first time, revenue from the new Corporate Income Tax (CIT) is included, expected to generate $187.5m, with CIT income forecast to average $600m annually for 2026/27 and 2027/28. Real GDP growth in 2024 was estimated at 4.5–5.0%, with inflation easing to 1.9%. Employment remains strong, with the lowest unemployment rate since 1970 (1.6%), driven by strength in international business and continued recovery in the tourism sector. This year’s budget includes a record capital investment of $149.8m, with major funding allocated to road repaving, new ferries and buses, the replacement of the Swing Bridge, Tynes Bay Waste Facility upgrades, and new healthcare infrastructure.

To support households, the Government announced a broad range of tax relief measures, including:

- duty cuts on construction materials and supplies, motor vehicle spare parts, and fuel.
- a reduction in taxes on mobile phones, land tax base rates and licensing fees for private cars.
- a further $56.25m is allocated to healthcare reform, laying the groundwork for the introduction of Universal Health Coverage in 2026, including expanded prescription drug coverage, annual health exams for HIP & FutureCare, and direct support to the Bermuda Hospitals Board.

The Government’s fiscal strategy aims to reduce national debt in the years ahead funded mainly from revenues generated by the CIT. A $500m debt repayment is planned for FY 2026/27, reducing gross debt from $3.29b to $2.8b.

In this snapshot, we present the key facts and figures of the budget and our perspectives on its impact.

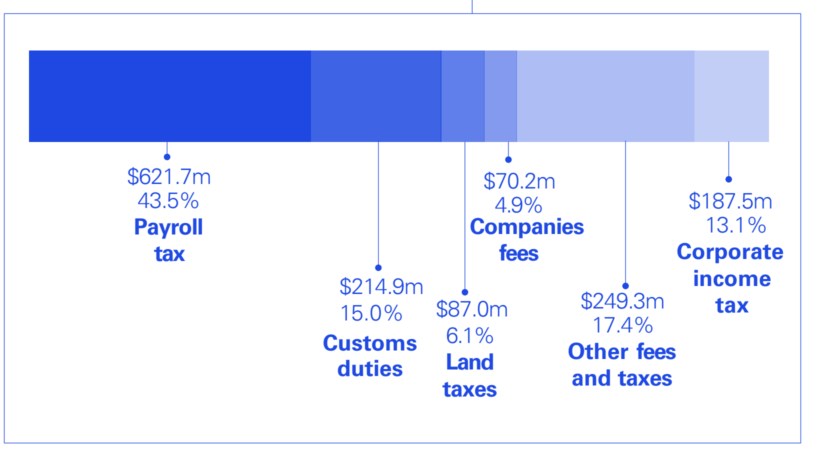
TOTAL DEBT
$3.29b
for 2025/26
No change

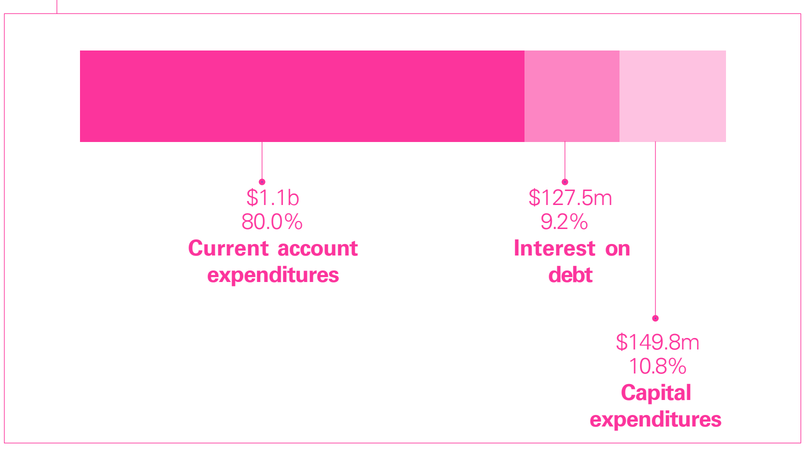
TOTAL REVENUES
$1.43b
for 2025/26
▲ 14.6%

TOTAL EXPENDITURES
$1.24b
for 2025/26
▼10.5%

CAPITAL EXPENDITURES
$149.8m
for 2025/26
▲33%

BUDGET SURPLUS
$43.3m
for 2025/26
▲$43.1m





Bermuda's 2024/25 results at a glance

Bermuda’s economy continued its strong recovery in 2024, with an estimated GDP increase of between 4.5% and 5.0%. The international business sector remained the key driver of growth, supporting new jobs and maintaining high levels of incorporations. Unemployment fell to its lowest level in 50 years, while job growth remained positive across several sectors. Tourism showed mixed but overall positive performance, with an increase in air arrivals and air visitor spending, though cruise spending declined slightly. The construction sector faced headwinds, with the total value of new projects down by 18.2%, though residential building activity remained steady. Inflation moderated significantly, averaging just 1.9% in 2024 - among the lowest in advanced economies.

Value of new construction projects started
-18.2% | $164.7m

International business
+2.4% | 120
New jobs

New international companies and partnerships formed
766

Visitor numbers
+9.6% | +1.9%
By air and cruise respectively

Visitor spending
+22% | -7%
By air and cruise respectively

Additional number of jobs filled
+1.4% | 471

GDP increase estimate
+4.5 to 5.0%

Inflation rate
1.9%
12-month average rate as measured by CPI

The implications: KPMG's perspective

Launch of Corporate Income Tax (CIT) marks an historic shift in Bermuda’s fiscal landscape: The CIT is budgeted to generate $187.5m in revenue this year, $600m annually in 2026/27 and 2027/28, with longer-term expectations of $750m annually. This is a major revenue diversification step in line with OECD's global minimum tax framework. While promising, reliance on CIT should be balanced with robust planning to avoid overdependence. Proceeds should be strategically reinvested in tax relief, debt reduction, infrastructure and structural reforms.

Healthcare reform measures are commendable but will require structural investments going forward: The $56.25m allocation toward healthcare reform is an important step toward Bermuda’s goal of Universal Health Coverage in 2026. Expanded benefits for HIP and FutureCare, new funding for the Health Insurance Department, and targeted investment in the Bermuda Hospitals Board reflect a strategic reorientation toward preventative, accessible, and equitable care. However, long-term sustainability will require healthcare cost containment and structural investments.

Climate change and sustainability still overlooked: As in previous years, the budget lacks substantive mention of climate resilience or sustainable finance opportunities. Bermuda — as a small island nation and a reinsurance and financial services hub — is uniquely positioned to lead in climate and impact finance, which could drive future growth. The Government is urged to incorporate climate strategy and green finance explicitly in future fiscal and economic planning.

Efforts to reduce the cost of doing business are positive, but broader structural reform is still needed: The 2025/26 Budget provides meaningful relief through customs duty cuts, reduced electricity taxes, and a freeze on payroll tax rates. However, high structural costs — including housing, labor, and energy — remain barriers to competitiveness. Long-term improvement will require a coordinated strategy to address these underlying issues.

Initial steps toward pension sustainability welcomed, exploring options for long-term reform can prove to be essential: The Budget addresses structural deficits in the Public Service Superannuation Fund and Contributory Pension Fund through phased contribution increases and planned retirement age adjustments. These are prudent first moves toward long-term solvency. However, both funds remain under pressure, and the continued prioritization of this matter and delivering on these proposals continues to be essential towards achieving future sustainability.

FY 2025/26 Budget Estimates

	ORIGINAL ESTIMATE 2024/25 $000	REVISED ESTIMATE 2024/25 $000	BUDGET ESTIMATE 2025/26 $000
Revenue and Expenditure Estimates			
Revenue	1,232,341	1,248,468	1,243,148
Corporate Income Tax	-	-	187,500
Current Account Expenditure (excluding debt service)	992,017	992,145	1,053,778
Healthcare Investment	-	-	56,250
Current Account Balance (excluding debt service)	240,324	256,323	320,620
Interest on Debt/Guarantee Management	127,777	128,760	127,527
Surplus (Deficit) Available for Capital Expenditure	112,547	127,563	193,093
Capital Expenditure	112,337	107,870	149,766
Budget Surplus	**210**	**19,693**	**43,327**

Revenues

Total revenues

- Total revenue for 2024/25 was $1.248b, a 1.3% increase over the original forecast of $1.232b, driven by higher-than-expected payroll tax receipts.
- Payroll tax collections totaled $606.5m, up 4.5% from budget and $69.5m higher than the previous year.
- Revenue is forecast at $1.43b for 2025/26, an increase of 16% year-over-year. This includes the first projected receipts from Bermuda’s new Corporate Income Tax.

Key changes in revenues

- Payroll tax rates remain stable, but revenues are expected to rise by $11m due to job growth, particularly in international business.
- A provisional $187.5m in revenue from Corporate Income Tax is included for the first time.
- Customs duties are forecast to decline to $214.9m (↓ 8%) following duty reductions on construction materials, vehicle parts, and fuel.
- Land tax and telecommunications receipts are also expected to decrease due to announced tax cuts.

Expenditures

Total expenditures 2024 / 2025

- Current account expenditure is expected to be $992.1m, holding steady against the budget.
- Capital expenditure is $107.9m, slightly under the $112.3m original estimate but still the highest in over a decade.
- Interest on debt is $128.8m, slightly above forecast but $2.7m lower than the prior year.

Total expenditures 2025 / 2026

- Current account expenditure is budgeted at $1.11b, up 11.9%, reflecting new investments in healthcare, education, and wage increases.
- Capital expenditure is budgeted at $149.8m, a 33% increase, and the highest level since 2008.

Key changes in expenditures:

- $56.25m committed to launching Universal Health Coverage, expanding HIP and FutureCare benefits, and supporting BHB.
- Public sector wage agreements adds $22.3m in salaries and $3.8m in benefit contributions.
- Major capital projects include road paving, the Swing Bridge replacement, Tynes Bay upgrades, affordable housing, and new school infrastructure.
- Despite increased appropriations, actual spending in the coming fiscal year is expected to come in below estimates due to recruitment lags and operational delays.

Future changes outlined in the Budget

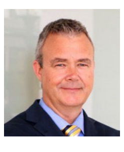
- The Government projects a second **consecutive surplus of $43m in 2025/26** and a $398m surplus in 2026/27, positioning Bermuda to repay $500m in gross debt which is scheduled for maturity in 2026/27. Fiscal responsibility remains a priority, with a focus on prudent use of CIT revenue, building reserves, and supporting cost-of-living relief and infrastructure renewal.
- Phased **pension reform** is expected to address structural deficits in the Public Service Superannuation Fund and Contributory Pension Fund, including gradual contribution increases and potential changes to the retirement age.
- The Government will continue **laying the foundation for Universal Health Coverage**, with $56.25m allocated to HIP, FutureCare, and hospital support in preparation for wider implementation in 2026.
- The Government is also **investing in economic diversification**, including the fintech sector, family office legislation, and enhanced investment promotion through the BDA. Ongoing migration of systems to the cloud and cybersecurity upgrades follow recent risks, reinforcing digital resilience.
- The Tax Reform Commission (TRC) will deliver recommendations in the coming year to **rebalance Bermuda’s tax system** — with a focus on making it simpler, fairer, and more growth-oriented. The Government has paused further payroll tax reform until the TRC concludes its work, underscoring its importance in shaping the next phase of fiscal policy.
- The Government has committed to **boosting affordable housing**, particularly within Economic Empowerment Zones (EEZs). A $50m Government guarantee is in place to stimulate residential development, and new applications under the Approved Residential Scheme signal increased private sector engagement.
- The Budget acknowledges **global risks**—such as trade tensions, inflation, and geopolitical instability—underscoring the need for continued fiscal discipline and economic resilience.


James Berry
CEO
jamesberry@kpmg.bm
+1 441 294 2643


Adam Smith
Head of Advisory
adamsmith@kpmg.bm
+1 441 294 2683


Gary Pickering
Head of Audit
garypickering@kpmg.bm
+1 441 294 2713


Will McCallum
Head of Tax
willmccallum@kpmg.bm
+1 441 294 2645


Steve Woodward
Partner, Sector Lead
KPMG Enterprise
stevewoodward@kpmg.bm
+1 441 294 2675


Dyon Rek
Manager, Advisory
dyonrek@kpmg.bm
+1 441 294 2664