

# PRE-BUDGET REPORT

in advance of fiscal year  
**2026-2027**



GOVERNMENT OF BERMUDA

**Ministry of Finance**

# Chapter 1 – Introduction

## **What Is a Pre-Budget Report?**

A Pre-Budget Report (PBR) is a document released by the Government to outline its economic priorities and guiding fiscal principles in anticipation of the upcoming budget cycle. The PBR serves as a preview of the Government's approach to economic policy, covering both the internal factors and external influences that shape its medium-term financial strategy. It highlights the Government's primary fiscal goals, along with the anticipated challenges and intentions, to provide transparency about economic direction and priorities.

Bermuda's economy, similar to those of other small territories, faces particular vulnerabilities due to its interconnectivity with the global economy. This sensitivity, coupled with a national debt of \$3.2 billion, underscores the necessity for responsible fiscal planning. The Government remains committed to addressing these challenges through transparent policymaking, inviting the public and stakeholders to participate in the process by understanding and responding to the underlying factors that drive Bermuda's fiscal decisions.

## **Purpose of the Pre-Budget Report**

The primary aim of the PBR is to raise public understanding of the Government's fiscal objectives and budgetary outlook. It establishes a reference for evaluating the Government's fiscal policies and decisions.

Beyond increasing public awareness, the PBR encourages public debate on how effectively budget strategies address present economic and social needs. Through this document, stakeholders such as business groups and social organisations, gain insight into policy options under consideration, ensuring that the proposed budget is informed by broad public input and supported by long-term fiscal planning.

The PBR enables stakeholders to communicate potential risks, offer alternative policy suggestions, and improve the budget's alignment with community priorities. It also strengthens accountability, allowing the Government to be assessed on its fiscal intentions at two points: when the PBR is released and again at the end of the fiscal year, based on actual outcomes against the goals outlined in the PBR.

## **The Principles of Good Fiscal Policy**

Effective fiscal policy seeks to foster sustainable economic growth while expanding opportunities for all Bermudians. Fiscal decisions should contribute to social stability over both short- and medium-term periods.

To achieve these objectives, the Government's fiscal strategy is built on several core principles of responsible fiscal management, which include:

- Managing financial risks prudently to minimise fiscal vulnerabilities.
- Formulating policies that strengthen the Government's financial standing.
- Prioritising fiscal stability and predictability to support long-term planning.
- Upholding a fair and efficient tax system.
- Ensuring that policy choices support the economic well-being of future generations.

Amid today's economic uncertainties, the Government remains focused on delivering the objectives outlined in Bermuda's Economic Development Strategy. This strategy will ensure that Bermuda has a more resilient economy which produces stable tax revenues.

## Chapter 2 – Economic Review

### **Global Economy**

Despite concerns of economic weakness due to increases in trade barriers, including the introduction of higher tariff rates to a broader range of goods, the global economy has been more resilient than expected this year with global GDP growth projected to be 4.5% in 2025 and 4.0% in 2026. The full impact of the higher tariffs have yet to fully materialise, although there has been some increase in consumer prices which effect spending choices and business costs, especially in the United States.

Global trade growth has softened after positive levels of merchandise trading was reported early in the year in anticipation of tariff increases. There are also signs of inflation being below target and weakening labour demand in some countries. There is an expectation of continued interest rate declines and fiscal tightening is expected despite growing budgetary pressures. An anticipated softening in Labour markets will put additional downward pressure on labour costs growth and inflation. Annual consumer price inflation in the G20 countries is projected to moderate to 2.8% and 2.5% in 2026 and 2027 respectively.

### **US Economy**

Real GDP growth is projected to slow to 2.0% in 2025 and 1.7% in 2026 before increasing to 1.9% in 2027. According to the OECD, this slowdown results from continued cooling in employment growth, the sharp decline in net immigration, the pass-through of tariff increases to the price level, and large cuts to non-defence discretionary spending. As tariff effects dissipate, the level of inflation begins to slow and reductions in the federal workforce conclude, growth is projected to recover towards potential. A key downside risk to the projections is a correction to equity markets that have been buoyed by the hopes of high returns to investment in AI, although new advances in AI could boost growth in the years ahead.

Job growth has cooled considerably this year. However, there has not been an appreciable increase in the unemployment rate, as the sharp reduction in net immigration since 2024 has yielded markedly slower labour force growth. Household consumption growth moderated over the period, while government purchases began to contract after a long period of expansion. Headline inflation, already above the Federal Open Market Committee's 2.0% target, has edged up since tariff increases began to take effect. However, wage pressures appear muted and longer-term inflation pressures remain well-anchored.

The budget deficit on a general government basis is set to narrow a little in 2025, though at 7.5% it remains very large, especially for an economy that has been operating at or above potential. The deficit is expected to remain roughly the same size over 2026 and 2027 as new tariff revenues and cuts to non-defence discretionary spending are roughly offset by the net deficit-expanding measures associated with the One Big Beautiful Bill Act (OBBBA) and lower revenues from weaker economic growth.

Monetary policy needs to strike a delicate balance between responding to the softening of labour market conditions and addressing persistent above-target inflation. Further easing is warranted as long as inflation is judged to remain on track to return to target. Reducing the very large fiscal deficit and stabilising the debt ratio should be a priority.

### **Bermuda Economy**

Bermuda's economy continues to exhibit positive signs during a period when the global economy is facing increased trade barriers and significant policy uncertainty. The US economy is predicted to slow down this year and as our largest trading partner, we will continue to carefully monitor developments. Although the external environment is not ideal, Bermuda has experienced growth across key sectors, such as employment, international business, tourism, construction, and imports. Inflation has averaged below 2.0% over the last 12 months, while increases in employment income bodes well for consumer spending levels this year. Air arrivals and air visitor spending have shown positive results which is welcomed news for the hospitality sector.

In 2025, the Government intends to build on the momentum created last year when the country experienced the first Consolidated Fund surplus in over 20 years. The Government will continue to exhibit fiscal discipline and effective economic policy decision making to move the economy forward on a positive and sustained trajectory.

Real GDP was estimated to have grown by 1.1% in the first quarter of 2025. This growth was supported by increases in both Final Consumption and Gross Capital Formation. Household Final Consumption increased by 1.5% due in large part to higher expenditure for personal care services, catering, and air transport services. Government Final Consumption also grew by 1.5% as a result of greater expenditure on wages, salaries, and insurance. Gross Capital Formation rose by 5.2% due in part to higher imports of industrial and agricultural machinery and transportation equipment. Conversely, the External Balance on Goods and Services decreased by 0.5%.

## **Credit Ratings**

Credit ratings provide an independent assessment of a country's fiscal health and economic stability, signalling its risk level to investors. For Bermuda, maintaining stable ratings reinforces confidence in the economy and supports fiscal integrity.

In 2025, Bermuda retained strong ratings from Standard & Poor's (S&P), Moody's, Kroll Bond Rating Agency (KBRA) and Morningstar DBRS, reflecting the Government's effective fiscal management and economic resilience:

- **S&P** reaffirmed Bermuda's A+ rating with a stable outlook, stating that "Steady performance in Bermuda's key insurance industry, along with smooth implementation of the new corporate income tax, will support fiscal consolidation and lower government debt".
- **Moody's** upheld an A2 rating with a stable outlook, highlighting Bermuda's high per capita income, stable Government debt ratios, and strong offshore financial services sector as strengths which support the country's capacity to absorb potential shocks.
- **KBRA** maintained an A+ rating with a stable outlook, praising Bermuda's strides in fiscal consolidation, high level of wealth, strong institutions, and regulatory environment. They also mention that Bermuda's new corporate income tax is prompting considerable increased fiscal flexibility.
- **Morningstar DBRS** upgraded Bermuda's rating to A (high) with a stable outlook. The rating agency stated that credit rating is supported by the country's high GDP per capita, strong fiscal track record, and stable political environment.

## Chapter 2 Key Takeaways

**Positive Economic Results During Global Uncertainty:** Bermuda's economy continues to demonstrate strong resilience, with key sectors like international business, tourism, and construction driving growth in a climate where the US economy is predicted to weaken.

**Positive Tourism Figures:** Air arrivals increased by 2.6% during the first two quarters of 2025 and air visitor spending grew by 0.7%, contributing to broader economic recovery.

**GDP Growth:** Real GDP grew by an estimated 1.1% in Q1 2025, driven by increases in Final Consumption and Gross Capital Formation.

**Inflation and Income:** As of July 2025, the year to date and 12-month average Consumer Price Index was 1.8%. The largest contributor to the level of inflation was the rent sector. Employment income rose by 6.3% during the first quarter of 2025.

**Credit Ratings Stability:** Bermuda maintained strong ratings from S&P, Moody's, KBRA and Morningstar, reflecting continued fiscal responsibility and investor confidence in the economy.

## Chapter 3 – Government Fiscal Performance

### **2024/25**

In fiscal year 2024/25, the Government demonstrated strong fiscal management, achieving a more favourable financial outcome than originally anticipated. Key elements of the 2024/25 fiscal performance include:

- **Revenue Performance:** Total revenue of \$1.265 billion, surpassing the original estimate of \$1.232 billion by \$33 million (2.7%). This increase is primarily attributed to higher-than-expected payroll tax receipts, which reflect the positive impact of economic and employment growth in Bermuda.
- **Current Account Expenditure:** Current account expenditures of \$1 billion, slightly exceed the original estimate of \$992 million by \$13.7 million (1.4%). This relatively minor increase was in spite \$38 million of additional expenses during the year, such as funds required to pay adjustments for public officers and teachers as part of union salary negotiations and additional support for the BHB. These unforeseen expenses were offset by savings in other areas.
- **Capital Account Expenditure:** Spending on capital projects was \$101.7 million, \$10.6 million below the original budgeted amount of \$112.3 million. Notable allocations include infrastructure and equipment investments: \$9.7 million for new ferries, \$7.8 million in grants to the Bermuda Housing Corporation to address affordable housing needs, and \$5.7 million for education facility upgrades.
- **Interest and Guarantee Management Costs:** The Government's costs related to interest and guarantee management were \$129.1 million, aligning closely with the budgeted amount of \$127.8 million.

As a result of these efforts, the budget surplus for fiscal year 2024/25 was \$29 million, representing a significant increase from the original estimate of \$210 thousand, and 50% more than the revised estimate of \$19.7 million that was contained in the 2025/26 Budget Statement. This outcome reflects the Government's successful implementation of the Economic Recovery Plan, which has driven revenue growth and enabled Bermuda's economy to exceed expectations.

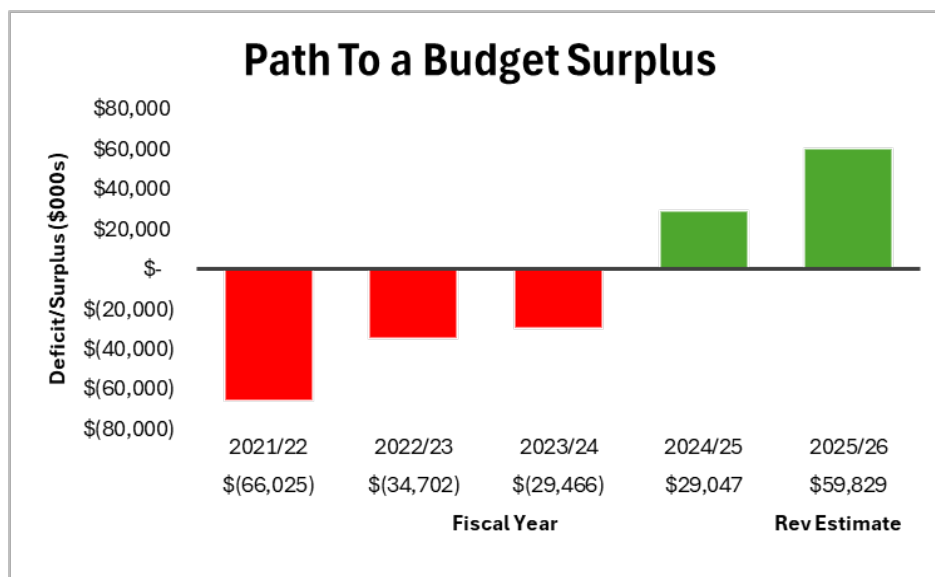


## 2025/26

The 2025/26 fiscal projections reflect continued growth in revenues alongside careful management of operational expenditure. Recent adjustments and updates highlight the following:

- **Revenue Performance:** Total revenue for 2025/26 is now projected to reach \$1.47 billion, an increase of \$38.3 million (2.1%) from the original estimate of \$1.43 billion. This increase is driven by continued economic recovery and an increased provision for global minimum tax receipts.
- **Current Account Expenditures:** Current Account Expenditures are expected to total \$1.13 billion, \$17.3 million (1.8%) above the initial budgeted figure of \$1.11 billion. This increase reflects the \$17.3 million supplemental spending estimate introduced on 5 December in the House of Assembly.
- **Capital Account Expenditures:** Capital expenditures for 2025/26 are projected at \$154.9 million, exceeding the initial estimate of \$149.8 million by \$5.1 million. This increase includes allocations for essential infrastructure upgrades, public safety improvements, and the development of community spaces to enhance local environments contained in the supplemental spending estimate introduced on December 5 in the House of Assembly.
- **Interest and Guarantee Management Costs:** Interest and guarantee management costs are projected to remain steady at \$127.5 million, consistent with the original budget.

The 2025/26 budget estimated a \$43.3 million surplus. Based on the revised estimates and increases in revenue detailed above, the Government now anticipates a budget surplus of \$59.8 million for 2025/26.



2025/26 Budget Performance	2025/26 Original Estimate	2025/26 Revised Estimate	October 2025/26 (7 months)	October 2024/25 (7 months)	Difference b/w YTD for FY 25/26 & 24/25
	\$000	\$000	\$000	\$000	\$000
<b>Revenue</b>					
Custom Duties	214,887	219,378	130,222	132,523	(2,301)
Corporate Income Tax	187,500	200,000	0	0	0
Payroll Tax	621,663	637,009	474,591	454,276	20,315
International Companies	70,200	70,200	6,194	10,946	(4,752)
Foreign Currency Purchase Tax	32,972	32,972	26,106	23,219	2,887
Land Tax	87,000	87,000	47,836	46,453	1,383
Hotel Occupancy Tax	7,100	7,100	4,578	3,671	907
Vehicle Licences & Registration	31,540	31,540	15,699	15,455	244
Passenger Tax	23,200	23,200	21,526	22,107	(581)
Transport Infrastructure Tax	10,900	10,900	9,574	10,417	(843)
Stamp Duty	25,113	25,113	17,484	15,242	2,242
Financial Services Tax	15,252	14,594	11,105	11,054	51
Telecommunications Receipts	15,208	15,208	8,820	9,959	(1,139)
Immigration Receipts	18,561	19,167	11,884	10,719	1,165
All Other Receipts	69,552	75,592	39,093	39,367	(274)
<b>Total</b>	<b>1,430,648</b>	<b>1,468,973</b>	<b>824,712</b>	<b>805,408</b>	<b>19,304</b>
<b>Expenditure</b>					
Current Account Expenditure	1,110,028	1,126,726	631,994	588,827	43,167
Capital Account Expenditure	149,763	154,888	68,422	49,525	18,897
Interest On Debt	127,527	127,527	74,391	74,891	(500)
<b>Total</b>	<b>1,387,318</b>	<b>1,409,141</b>	<b>774,807</b>	<b>713,243</b>	<b>61,564</b>
<b>Surplus / - Deficit</b>	<b>43,330</b>	<b>59,832</b>	<b>49,905</b>	<b>92,165</b>	<b>(42,260)</b>

The above chart helps to demonstrate that in comparison to the same period last year:

- The Government has increased its revenue in many categories, resulting in an increase of \$19 million.
- While current and capital expenditure has also increased, much of this was planned as a result of the noticeable increase in revenue.
- Given the further expected spending for this fiscal year, the Government is still on track for its continued fiscal surplus.

### **Chapter 3 Key Takeaways**

**2024/25 Results:** The budget surplus increased to \$29.0 million, driven by higher revenues and prudent expenditure management.

**2025/26 Revised Estimate:** A projected \$59.8 million surplus which will mark Bermuda's continued balanced budget as anticipated.

- **Revenue Growth:** 2025/26 revenues are expected to increase by \$38.3 million, supported by economic recovery and growth in tourism and payroll tax collections.
- **Social Investment:** A \$17 million social investment package addresses public safety, education, and senior care.

## **Chapter 4 – Reform Bermuda’s Tax System**

As we enter a transformational tax change following implementation of the CIT, the Tax Reform Commission was empanelled to put forward policy recommendations aimed at reshaping Bermuda’s tax system.

The Tax Reform Commission (TRC) was established under the Tax Reform Commission Act 2017, with the aim of advising the Government of any measures to advance Bermuda’s system of taxation and revenue collection. In accordance with the Act, the Commission examined Bermuda’s Tax system for the purpose of determining any measures that may be taken to best enable a system of taxation and revenue collection that is equitable, effective, efficient, competitive, and transparent. The Commission was also tasked with preparing and submitting its reports and recommendations.

The Tax Reform Commission Report was published by the Minister of Finance on 27 August 2025. The report contained policy recommendations aimed at reshaping Bermuda’s tax system to reduce the cost of living and the cost of doing business, and to promote job creation, economic growth, social equity, and healthy public finances.

The report is the result of extensive consultation and research based on available data. The Tax Reform Commissioners met with more than 500 people across a broad cross-section of society, including policymakers, local and international business leaders, and representatives of unions, seniors, youth, and community organisations. The TRC also hosted a public town hall meeting and met with more than 30 stakeholder groups.

The Government congratulates the TRC on a comprehensive, practical report and accepts the recommendations put forward, noting that there may be changes in the sequencing and detailed structure of implemented proposals, depending on the prevailing fiscal and economic conditions at the time.

### **Progress Made to Date**

In accordance with the timelines proposed by the TRC, the Government has implemented a series of tax credits to encourage investment in strategically important areas. Further details regarding these credits can be found in the Corporate Income Tax Section. We will now do the necessary research in preparation for implementation of housing and innovation credits in 2026.

### **Next Steps**

Amongst the recommendations in the report, which address many aspects of the overall tax system, is the proposed introduction of initiatives geared towards building a more equitable and affordable Bermuda. The Ministry of Finance has selected three tax reduction initiatives to consider for partial or complete implementation in the 2026-2027 Budget. The three initiatives are as follows:

- **Employer Payroll Tax reduction (TRC Waterfall #5 – Recommendation 4.3.10):** The Tax Reform Commission recommends a reduction in the employer portion of payroll tax rates, effectively capping the higher rate bands at 7% for all taxpayers. It is estimated that this measure will reduce Government revenue by approximately \$68 million per annum.
- **Bulk Electricity Generation Incentives (TRC Waterfall #7 – Recommendation 4.4.7):** The TRC has made two recommendations regarding bulk electricity generation. The first is the elimination of all remaining duty related to the production, supply, and delivery of electricity. The second is the removal of the employer portion of payroll taxes for entities engaged in regulated bulk power generation and distribution using fossil fuels. Eliminating these taxes will reduce the overall cost of electricity. These measures are estimated to reduce annual government revenue by \$4.5 million in lost duty and \$3.5 million in payroll taxes.
- **Adjustment to the Employee Portion of Payroll Tax (TRC Waterfall #8 – Recommendation 4.3.9):** The recommended changes to the employee portion of the tax rates are aimed at increasing the progressiveness of the payroll tax. The main idea related to the adjustments is to lower the rates for employees earning below \$96,000 per year and increase the rates for those earning over that amount. The primary focus of these adjustments is to lessen the burden on lower and middle-income earners, while maintaining fairness in the tax system. Based on the recommendations, it is estimated that changes to the employee portion of the payroll tax decrease Government’s revenues by \$24 million per year.

## Reducing Payroll Taxes for Workers

Since returning to office, the Progressive Labour Party Government has lowered payroll taxes for workers on four occasions. These reductions were designed to boost the take-home pay of hardworking Bermudians and help address Bermuda’s high cost of living.

For example, before the PLP took office, a worker earning \$48,000 annually would pay \$2,280 in payroll taxes. As a result of the Government’s tax reductions, that same worker now pays only \$240 per year—a significant decrease of \$2,040. Over the past six years, this amounts to a cumulative tax saving of nearly \$9,480 for that worker.

<b>PLP Has Reduced the Tax Burden on Workers in Bermuda</b>						
	<b>Reduction in Taxes in 2018</b>	<b>Reduction in Taxes in 2020</b>	<b>Reduction in Taxes in 2022</b>	<b>Reduction in Taxes in 2023</b>	<b>Total Annual Reduction From 2017-2025</b>	<b>Cumulative Tax Savings from 2017 - 2025</b>
\$36,000	-\$270	-\$720	-\$180	-\$360	<b>-\$1,530</b>	<b>-\$7,110</b>
\$48,000	-\$360	-\$960	-\$240	-\$480	<b>-\$2,040</b>	<b>-\$9,480</b>
\$60,000	-\$270	-\$720	-\$180	-\$450	<b>-\$1,620</b>	<b>-\$7,380</b>
\$72,000	-\$180	-\$480	-\$120	-\$420	<b>-\$1,200</b>	<b>-\$5,280</b>
\$84,000	-\$90	-\$240	-\$60	-\$390	<b>-\$780</b>	<b>-\$3,180</b>
\$96,000	\$0	\$0	\$0	-\$360	<b>-\$360</b>	<b>-\$1,080</b>
	First PLP Payroll Tax reduction	Further Payroll Tax reduction	Further Payroll Tax reduction	Last Payroll Tax reduction	The difference in annual Payroll Tax b/w the OBA (2017) & PLP (2025)	The total amount of tax savings for a worker over the last 8 years

## Corporate Income Tax

The Government of Bermuda enacted a Corporate Income Tax (“CIT”) in 2023 which came into effect for fiscal years beginning on or after 1 January 2025 for companies that fall in scope. The legislative provisions have since been updated and amended to reflect developments in international tax at the OECD level, as well as separate enactments to provide for the administrative mechanisms for the assessment, reporting, and collection of tax, and the provision of a tax refund reserve fund to manage the flow of funds relating to instalment payments. The first instalments of CIT were made in August 2025 and further payments were made in December 2025, for taxpayers with a calendar fiscal year. The amendments to the principal CIT legislation are part of what is expected to be an ongoing program of updates to ensure that Bermuda’s tax laws are appropriately aligned with the Global Minimum Tax rules internationally.

Following the publication of the Tax Reform Commission’s Report, and in view of its recommendations with respect to incentives, the Tax Credits Act 2025 was enacted which provides for refundable substance-based tax credits for insurers, as well as utilities infrastructure credits, and community benefit credits for charitable giving. The Act provides

those credits to incentivise industries that are instrumental in the growth and development of the Bermuda economy to invest in their on-island operations.

Specifically, the Act aims to encourage such investment where it results in increased employment in Bermuda and increased job opportunities for Bermudians; to further encourage such investment where it results in increased expenditure on domestic goods and services and thereby benefits the wider local Bermuda economy; and, lastly, to recognise and encourage charitable contributions where such charitable contributions represent a meaningful contribution to the community.

The legislation, as with all significant laws and rules relating to corporate income tax, was the subject of a public consultation process, reinforcing Bermuda's commitment to transparency and stakeholder inclusion in the legislative process.

The Government of Bermuda remains committed to working with all stakeholders to ensure that Bermuda remains an effective and cooperative partner while addressing global tax matters appropriately.

#### **Chapter 4 Key Takeaways**

**Tax Reform Commission:** The Government is seeking to implement the various recommendations from the Tax Reform Commission Report that are believed to be of benefit to the country.

**Corporate Income Tax (CIT):** The Government of Bermuda has implemented and continues to refine its Corporate Income Tax and related Tax Credit framework to align with global standards while incentivising local economic investment and maintaining a transparent, collaborative approach with stakeholders.

**Payroll Tax Reductions:** Since 2017, workers earning \$48,000 annually have saved over \$9,480 in cumulative payroll taxes.

## **Chapter 5 – Framing The 2026/27 Budget**

The formulation of the 2026/27 Budget will be guided by a clear commitment to building a sustainable fiscal future for Bermuda. A clear focus in past years on moving to a budget surplus position has left the Government well placed to set money aside from the successful implementation of the Corporate Income Tax (CIT) to repay debt, continue increasing investments in our digital and physical infrastructure, and invest in enhancing access to healthcare for all.

The Government's proposed fiscal framework will prudently manage CIT receipts while reducing taxes that increase the cost of living and cost of doing business.

The Government's policy position is to advance the substantive recommendations of the Tax Reform Commission (TRC). The Commission did extensive work in studying Bermuda's tax system with significant recommendations for reform. Given the significant work done by members of the TRC, the Government will advance their recommendations.

While we look to implement the recommendations of the TRC, it is vital that the Ministry of Finance continues to tightly manage our current account expenditure, as we maintain our focus on repayment of \$605 million in debt that will be due in January 2027. Additional fiscal headroom is proposed to be allocated to targeted investment in structural healthcare reform with tax reductions to reduce the cost of living and boost take home pay for lower wage earners.

### **Policy Options Under Consideration**

One of the main objectives of a Pre-Budget Report is to provide a document that elicits discussion from stakeholders. In preparation for such discussion, the Government sought policy proposals for consideration from the following bodies:

- Association of Bermuda Insurers and Reinsurers
- Association of Bermuda International Companies
- Bermuda Bankers Association
- Bermuda Chamber of Commerce
- Bermuda Hotel Association
- Bermuda International Long-Term Insurers and Reinsurers
- Bermuda Trade Union Congress
- Bermuda Employers' Council



The policy options below contain proposals from the TRC, the Government, and the above-mentioned bodies. The Ministry of Finance will engage with the public and other stakeholders regarding these proposals prior to finalising the 2026/27 budget. It is important to note the proposals below are suggestions for consultation, and none of the proposals are final.

### **Revenue Increasing Considerations:**

Given the steady economic growth, improving fiscal position, and future revenue projections, the Government is not considering any broad-based tax or fee increases for the upcoming fiscal year.

### **Tax Reduction Proposals from the Government:**

Over the last four years the Government has provided significant tax relief including:

- Reduced payroll taxes for 86% of the workforce
- Reduces payroll taxes for all local businesses
- Expanded the child daycare allowance
- Eliminated customs duties on essential goods
- Cut energy taxes by 80% reducing energy bills
- Reduced private car licensing fees by 10%
- Abolished land tax for charities and nursing homes
- Froze local fuel prices during global price surges
- Reduced the base rate of land tax by 50%
- Reduced duty on building materials and eliminated duty on motor vehicle parts
- Reduced mobile phone taxes by 50%

In the 2025/26 Budget Statement, the Government stated its intention to continue reducing taxes to ease cost-of-living pressures in Bermuda in future budget cycles. The following proposals represent the Government's intentions for tax and fee relief in the upcoming budget cycle and are being shared for feedback as part of the pre-budget consultation process:

- **Customs Duty Reductions**

- Cabinet has supported the Ministry of Home Affairs in expanding the list of essential goods under the Cost of Living Commission Act. Commensurate with this will be the reduction or elimination of duty for items on the expanded list.
- In accordance with recommendations from the Tax Reform Commission, the Ministry proposes to revise thresholds for motor vehicle duty, with a view to reduce the cost of purchasing private cars.

- **Reduction in Vehicle Licensing Fees**
  - As stated in the 2025/26 Budget Statement, it is planned to reduce vehicle licensing fees by 10% for all private cars starting April 1, 2026
- **Further Reduction of Employer Payroll Tax**
  - The Government proposes to implement a plan to reduce or eliminate payroll taxes for employers that retain employees over 65
- **Threshold for Local Dividends**
  - The Government proposes to increase the tax-exempt threshold for dividends from \$10,000 to \$25,000.
- **Utility Tax Relief**
  - In accordance with recommendations from the Tax Reform Commission (4.4.7), the Government proposes to reduce or eliminate remaining customs duties on electricity production and reduce or remove employer payroll taxes for utility bulk electrical generation, contingent upon savings being passed directly to consumers through reduced electricity rates.
- **Employee Payroll Tax Reductions**
  - In accordance with recommendations from the Tax Reform Commission (4.3.9) the Government proposes to implement reductions in employee payroll tax for low and middle-income workers.

**Tax Reduction Requests from Stakeholder Consultation:**

The following proposals were received from stakeholders and are being considered by the Government as part of the upcoming budget. They are being shared for feedback as part of the pre-budget consultation process:

- **Contributory Pension Fund Reform**
  - The Government has been asked to consider any reforms to the Contributory Pension Fund be delayed until full consideration of the Corporate Income Tax can be factored into the calculations.
  - The Government was also asked to consider that reforms to the Contributory Pension Fund be phased in gradually and timed alongside potential payroll tax savings which will help to avoid a disproportionate increase in employer costs while maintaining progress toward pension stability.
- **Reduction of Employer Payroll Tax**
  - It is requested that the Government adopt a recommendation by the Tax Reform Commission to reduce the employer portion of the payroll tax rates and cap the higher rate bands at 7% for all taxpayers. A minimum of 1% has been suggested as a meaningful reduction to the employer level of payroll tax.

## **Fiscal Year 2026/27 Budget Proposals:**

The Government recognises the importance of a clear fiscal framework to guide medium-term financial planning.

The Fiscal Responsibility Panel highlighted in its 2025 report the importance of a framework to support the elimination of debt and a durable foundation for intergenerational equity.

The Government is proposing implementation of a framework that subscribes to two clear rules:

1. A deficit rule: the current budget should remain in balance or surplus, excluding net CIT revenues, capital spending, interest payments, and structural transformational investment. This latter item has been added to the proposed FRP rule to allow for investment that addresses structural challenges that have a material impact on the cost of living and doing business in Bermuda.
2. A debt and assets rule: over a rolling period (three years), at least 70% of net CIT revenues should be devoted to paying debt interest, reducing net debt, and/or accumulating net financial assets.

## **FY 2026/27 Revenue:**

Initial payments for CIT were paid in August 2025. Consistent with the 2025/26 Medium-Term Expenditure Framework (MTEF), the Government is currently projecting \$600 million in corporate income tax collections. There is significant volatility around this number, and it will be updated as part of the 2026/27 budget submission once we have further data from second deposits and tax credit returns to better inform our projections.

For FY 2026/27, the Government is expecting non-CIT revenue to remain stable at \$1.28 billion. Non-CIT revenue will remain stable due to the proposed tax/fee reductions stated earlier in this section, which total an expected \$45 million in tax/fee relief. The Government will implement tax reductions from the options presented above to an estimated value of \$45 million. Without these proposed tax reductions, non-CIT revenue would increase to \$1.33 billion.

## **FY 2026/27 Current Expenditure:**

On the spending side, the Government is making a provision for \$1.2 billion in current account spending. This expenditure is an increase of 4% on the 2025/26 original estimate. This increase will allow for continued expansion of educational & social programmes, and includes investment of \$75 million for the upcoming fiscal year to make healthcare more accessible, affordable, and preventative for Bermuda's residents.

The Tax Reform Commission made specific recommendations regarding the expansion of healthcare provision from the CIT, and the Government will review three specific recommendations to examine the feasibility of partially or fully implementing these recommendations in FY 2026/27.

- **TRC Waterfall Item #3 - Seniors Healthcare support – Section 4.2.6**
  - The program would provide a base level of benefits (Future Care) for seniors who are below the prescribed household income threshold. It is anticipated that the program would cost approximately \$30 million annually and provide coverage for up to 4,500 participants, representing about 30% of the senior population. This would be a significant saving for the targeted group of seniors who can pay up to one third of their pension income on Future Care premiums. It is also proposed that any unused funds from the program would be redirected to homecare subsidies to eligible seniors.
- **TRC Waterfall Item #4 - Underinsured Healthcare support – Section 4.2.7**
  - The program would provide for a base level of the Government provided Health Insurance Plan (HIP) benefits to individuals who are unemployed or working below a threshold that provides for legislatively mandated employer-provided insurance coverage. The estimated cost of the program is approximately \$12 million and would provide coverage for up to 2,100 participants.
- **TRC Waterfall Item #6 - Low Income Healthcare subsidy – Section 4.2.8**
  - The programme would provide support based on the HIP cost for families falling below the prescribed household income threshold. It is proposed that the HIP premium would be refunded to the extent that it exceeds a prescribed percentage of household income. It is anticipated that this programme would target families earning less than \$72,000 and is estimated to cost \$18 million.

In addition to these measures, the Government will look to boost funding to the Bermuda Hospitals Board, as well as continued investments to ensure the launch of Phase 2 of Universal Healthcare in October 2026. Additionally, the Government will look to allocate funding to improve the Government Employee Health Insurance Scheme which is critical to public officer retention.

**FY 2026/27 Capital Expenditure:**

According to the MTEF, capital spending for 2026/27 is projected to increase to \$170 million, which will enable work on the replacement of Swing Bridge, and significant improvements to our infrastructure, including our roads and schools to public safety and digital services. This capital investment will also enable continued works on the replacement of the Tynes Bay waste-to-energy facility, the completion of the Agricultural Management Centre, and the purchasing of more electric buses to complete the electrification of the fleet. Additional capital funds will be invested into more affordable housing projects, healthcare investments, long-term care and public education infrastructure to ensure education reform is supported by modern facilities and technology.

## **FY 2026/27 Budget Surplus:**

The Budget surplus is projected to be \$414 million in FY 2026/27. This amount, alongside carried forward sinking fund balances from 2025/26, has been earmarked for repayment of debt in January 2027.

## **Future Fiscal Year Outlook**

In future years, the MTEF makes a provision for further tax reductions to reduce the cost of living and the cost of doing business in Bermuda. The Government is not making any specific proposals at this time for tax reductions in fiscal years 2027/28 and 2028/29, however, the Government broadly accepts the Tax Reform Commission's waterfall proposal (TRC Recommendation 4.1.8)

The MTEF projects that current expenditures will increase by 3% in fiscal years 2027/28 and 2028/29.

Capital spending is projected to rise to \$203.5 million by FY 2027/28, meeting the OECD's recommended target of 2% of GDP.

## **Debt Reduction**

Whilst recognising the potential volatility of CIT receipts, the Government forecasts that adhering to its fiscal rules and ongoing judicious management of public finances will support a significant reduction or elimination of government debt over the next ten years.

In this report, the Government is setting out a provisional medium-term expenditure framework that provides for repayment of \$500 million of the \$605 million due in January 2027. Net debt to GDP is expected to fall from 28.5% in FY 2026/27 to 20.8% in FY 2028/29. Interest payments are projected to reduce from \$128 million in FY 2026/27 to \$105 million in FY 2028/29.

Following repayment of the bond maturing in January 2027, the Government accepts the TRC's recommendation (Waterfall items #1 & 2) to allocate funding to the Stability Fund (TRC Recommendation 3.3) and Debt Sinking Fund (TRC Recommendation 3.4) of \$100 million and \$200 million respectively, on average, over a rolling three-year period. Allocations to these funds will both reduce net debt.

The Sinking Fund balance is expected to stand at \$392 million at the end of FY 2028/29, which will provide a sound base to repay debt that will become due in February 2029. During FY 2026/27 the Government will re-empanel a debt management committee to support an effective treasury management strategy as we seek to reduce our net debt, as it may be advantageous for the Government to reduce outstanding debt prior to it coming due.

**FY 2026/27 MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)**

	<b>AUDITED ACTUAL 2024/25 \$000</b>	<b>BUDGET ESTIMATE 2025/26 \$000</b>	<b>REVISED ESTIMATE 2025/26 \$000</b>	<b>BUDGET ESTIMATE 2026/27 \$000</b>	<b>BUDGET ESTIMATE 2027/28 \$000</b>	<b>BUDGET ESTIMATE 2028/29 \$000</b>
<b>Revenue and Expenditure Estimates</b>						
Non-CIT Revenue	1,265,611	1,243,148	1,268,973	1,283,732	1,263,081	1,241,604
Provision for Global Minium Tax Receipts		187,500	200,000	600,000	600,000	600,000
<b>Total Revenue</b>	<b>1,265,611</b>	<b>1,430,648</b>	<b>1,468,973</b>	<b>1,883,732</b>	<b>1,863,081</b>	<b>1,841,604</b>
Current Account Expenditure	1,005,711	1,053,778	1,060,156	1,097,261	1,130,179	1,164,085
Additional Healthcare Investments	0	56,250	67,250	75,000	95,000	100,000
<b>Total Current Expenditure</b>	<b>1,005,711</b>	<b>1,110,028</b>	<b>1,127,406</b>	<b>1,172,261</b>	<b>1,225,179</b>	<b>1,264,085</b>
Interest on Debt/Guarantee Mgmt.	129,134	127,527	127,527	127,527	105,053	105,053
Fiscal Balance (Before Capital)	130,766	193,093	214,040	583,943	532,849	472,467
Capital Expenditure	101,719	149,766	154,211	170,000	203,489	211,629
<b>Budget Surplus (Deficit)</b>	<b>29,047</b>	<b>43,327</b>	<b>59,829</b>	<b>413,943</b>	<b>329,359</b>	<b>260,838</b>
<b>DEBT &amp; SINKING FUND</b>						
<b>Gross Debt</b>	<b>3,293,892</b>		<b>3,293,892</b>	<b>2,793,892</b>	<b>2,793,892</b>	<b>2,793,892</b>
Sinking Fund Balance	<b>22,746</b>		<b>83,712</b>	<b>1,841</b>	<b>231,201</b>	<b>392,039</b>
Debt Repayments				<b>(500,000)</b>		
TX to "Stability Fund"					<b>(100,000)</b>	<b>(100,000)</b>
Stability Fund Balance					<b>100,000</b>	<b>204,000</b>
<b>Net Debt</b>	<b>3,271,146</b>		<b>3,210,180</b>	<b>2,792,051</b>	<b>2,462,691</b>	<b>2,197,853</b>

## Chapter 5 Key Takeaways

**Tax Reform Commission:** The Tax Reform Commission made a concrete recommendation for tax reform and healthcare relief – the Government is considering some recommendations for implementation during fiscal year 2026/27.

**No Major Tax Increases:** The Government is not considering any major tax or fee increases, prioritising economic stability and support for residents.

**Debt Reduction:** The Budget includes a focus on debt reduction through CIT revenues.

**Targeted relief:** Options include reducing payroll taxes, customs duties, and utilities, aimed at addressing the cost of living and doing business.

**Infrastructure Investment:** Capital spending will continue to increase towards the target of 2% of GDP.

**Strategic Healthcare Investment:** Investment is built into the MTEF to address structural issues in Bermuda’s healthcare system and to develop universal healthcare.



## Chapter 6 – Conclusion

The Pre-Budget Report plays a key role in shaping Bermuda’s annual budget by allowing the public to provide input before decisions are finalised. The proposals in the previous chapter are open for discussion, and no final decisions have been made. Public feedback has influenced past budgets, so we encourage everyone to participate in this important part of the budget process.

### **Commitment to Budget Transparency**

The International Budget Partnership suggests governments release eight key reports throughout the budget cycle to ensure transparency. Bermuda is committed to this standard by publishing the following:

- **Pre-Budget Report:** Released at least a month before the Budget Statement, giving the public time to review and provide input.
- **Budget Statement:** The Government presents the Budget Statement each year, a tradition we will continue.
- **Citizens’ Budget:** A simplified version of the budget to help residents understand the main points. A Citizens' Budget will accompany the 2026/27 Budget Statement.
- **Enacted Budget:** This is the final budget passed by the legislature, fulfilling the requirements of the Bermuda Constitution.
- **In-Year Reports:** Quarterly fiscal reports are provided to keep the public informed on financial performance.
- **Mid-Year Review:** Issued halfway through the fiscal year to show progress and any budget adjustments.
- **Year-End Report:** The Government publishes audited financial statements, with highlights shared in the House of Assembly.
- **Audit Report:** The Auditor General publishes an independent audit report each year.

In line with international standards, the Government is committed to providing these reports throughout the next budget cycle and the 2026/27 fiscal year, reaffirming our commitment to transparency and good governance.

### **We Want Your Feedback**

The Government values your feedback on this report. In addition to accepting comments online, we will host sessions in January 2026 to discuss the ideas in this document and gather input from residents and stakeholders.

To submit your comments, visit [forum.gov.bm](https://forum.gov.bm) or email [openbudget@gov.bm](mailto:openbudget@gov.bm) by January 16, 2026.



