



MINISTERIAL STATEMENT
To the House of Assembly
By the Hon. David Burt, JP, MP
Premier and Minister of Finance
Fiscal Update and tabling of the Pre-Budget Report
13th December 2024

Mr Speaker, I rise today to address this Honourable House and the people of Bermuda by providing an update on the Government's fiscal performance and to share the details of the Pre-Budget Report for the fiscal year 2025-26 tabled earlier today. This document represents a vital step in the budget process, underscoring this Government's commitment to fiscal responsibility, transparency, collaboration, and our unwavering dedication to reducing the financial burden on the people of Bermuda while making the required investment to improve the quality of life in Bermuda.

FY 2024/25 Update:

Mr Speaker, I am pleased to announce that Bermuda is still firmly on track to achieve Bermuda's first balanced budget in 21 years. Despite the challenges we have faced, including global economic uncertainty, the Government continues to deliver sound fiscal management.

For fiscal year 2024/25, total revenue is projected to reach \$1.26 billion, an increase of \$30 million from the original estimate. This growth is driven by a recovering tourism sector, robust payroll tax collections, and strong overall economic performance. Revenue has increased across all but one category, demonstrating the diversity of our economic growth beyond International Business.

Mr Speaker, on the expenditure side, we remain disciplined and are on track to meet our budget targets. Current account expenditures are projected at \$1 billion, reflecting the \$25 million social investment package addressing critical needs such as public safety, education, infrastructure, mental health, and senior care.

Despite these additional investments and the 60% reduction in taxes on energy bills passed earlier this year, we are on track to deliver a surplus of at least \$4 million. This is a remarkable achievement when we consider that Bermuda was in the midst of a global health crisis just four years ago, which crippled our economy and devastated our tourism industry.

FY 2025/26 Pre-Budget Report:

Mr Speaker, I will now turn my attention to the Pre-Budget Report, which is a strategic document that outlines the Government's economic priorities and fiscal principles in anticipation of the upcoming budget. It provides transparency, encourages public engagement, and ensures accountability by inviting feedback on proposed policies and initiatives. The Pre-Budget Report allows stakeholders and the wider public to help shape the final budget, aligning it with the needs and aspirations of our community.

Mr Speaker, the theme of the 2024 Speech from the Throne was 'A Fairer Bermuda for All.' This theme reflects a vision that guides every decision we make as a Government because fairness is more than a goal—it is the foundation of a just society. Fairness in taxation, housing, banking services, social services, and access to resources and opportunities underpins a good quality of life. And a good quality of life in a fairer society is nothing less than what every Bermudian deserves.

Since returning to office, this Government has made delivering fairness our mission. We have worked to reduce the financial pressures on hardworking Bermudians and provide support where needed. Through initiatives such as reducing payroll taxes for 86% of workers and all local businesses; expanding the Child Daycare Allowance, which has benefited hundreds of families; and eliminating customs duties on essential goods; we have demonstrated our commitment to easing the burden on families and doing our part to ensure that more of the money that Bermudians work so hard for, stays in their pockets.

But, Mr Speaker, we know that the drive for fairness is a continuous battle and that for economic progress to be felt by all, we must continue to reduce the burden faced by many in our community. We are not just trying to undo decades of inequality and unfairness that benefitted the few over the many - but Bermuda is also confronting new challenges. Rising food costs due to global inflation, high healthcare & energy costs, limited housing options, and ageing infrastructure remain at the forefront of the challenges our people face every day.

This Pre-Budget Report lays out the next set of bold steps that this Government will take to tackle these challenges head-on, ensuring that our policies and investments deliver tangible benefits to the people of Bermuda.

FY 2025/26 Revenue Proposals:

Mr Speaker, the Pre-Budget Report states clearly that the Government **does not propose any broad-based tax or fee increases for the next fiscal year.** This Government has a strong record of reducing the burden of taxation, and the Pre-Budget Report proposes additional measures to provide relief and continue this Government's commitment to addressing the cost of living and the daily struggles faced by families across the island.

Mr Speaker, electricity bills affect every person and business in Bermuda. Earlier this year the Government reduced the tax on energy by 60%. In the next budget, the **Government proposes to reduce the tax on energy by a further 20%, representing a total reduction of 80% in taxes on energy.**

Mr Speaker, housing is a critical issue in Bermuda, and the Government must do all it can to support the building of new homes and the renovation of vacant or derelict units. To support this critical national priority, **the Government proposes to eliminate customs duties on all building materials** This will directly lower the costs of building, renovating, and maintaining homes which will further boost construction activity in Bermuda.

Mr Speaker, many Bermudians rely on their vehicles daily, and transportation costs remain a significant expense for many in our community. So, to provide further relief and build on previous reductions, **the Government proposes to lower private car licensing fees by a further 10%.** Further, recognising the strain placed on vehicles travelling on our roads, **the Government proposes to eliminate customs duty on parts used to maintain or repair motor vehicles.** This elimination is proposed to include all motor vehicle parts and tyres.

Mr Speaker, the personal allowance for duty when returning from overseas has not been adjusted since 2012. Therefore, **the Government proposes to raise the personal Duty-Free Allowance for returning residents from \$200 to \$300.**

Mr Speaker, connectivity is no longer a luxury but a necessity in our modern world. We recognise the financial strain of paying mobile phone bills, and to address this, **the Government proposes to reduce the monthly tax on mobile phones by 50%.**

Mr Speaker, land tax is a significant revenue earner for the Government but can also represent a burden for homeowners and renters alike. In 2019, a new base rate for land tax was introduced and set at \$300 a year. Given the country's financial progress, the time is right to reduce this tax and provide more tax relief. Therefore, the Government proposes to **reduce the base rate of land tax for all residential properties by 50% to \$150.**

Mr Speaker, these measures are designed with fairness at their core. They focus on the areas that touch every Bermudian's life—energy, housing, transportation, and connectivity. Each of these initiatives reflects this Government's understanding of the real challenges faced by our people and our determination to provide meaningful relief to taxpayers.

FY 2025/26 Current Expenditure Proposals:

Mr Speaker, regarding current account expenditure, the Government is proposing a 3% increase in current account spending. All department budgets will remain at 2024/25 levels into 2025/26, inclusive of the funds allocated in the Mid-Year review. The 3% increase in overall current expenditure is solely for additional employee expenses attributable to the need to increase public sector salaries and benefits to keep public sector employment competitive with the private sector.

This year's Throne Speech highlighted the fact that the Government has conducted a review of public sector salaries and aims to make revisions to public sector salaries & benefits to ensure that the public service remains competitive with the private sector. This will require improving the Government Health Insurance scheme and ensuring that revised salary structures and expected negotiated pay increases are all funded within the 2025/26 Budget.

FY 2025/26 Capital Expenditure Proposals:

Mr Speaker, Bermuda's infrastructure underpins the quality of life our residents enjoy and supports economic growth. Bermudians are reminded daily of the impact of over a decade of underinvestment in infrastructure. As we have restored public finances and delivered a balanced budget, this Government is committed to investing in projects that enhance our communities, create jobs for Bermudians, and improve their everyday lives and experiences.

In last year's budget, we passed the largest capital expenditure budget in 15 years. In the last three years alone, we have committed \$25 million to bring 71 more affordable housing units online, with 118 more on the way to provide greater options for Bermudian families.

However, Mr Speaker, this Government will continue to do more because Bermudians need and deserve more. For the fiscal year 2025-26, the Government proposes to increase capital spending by \$33 million to \$145 million, which will fund an increase in the pace of road repaving following the installation of the new asphalt plant. This \$145 million allocation will also support critical infrastructure projects, including:

- Replacement of the Swing Bridge, a vital link for our communities;
- Additional investment in affordable housing to provide safe, secure shelter for all Bermudians;
- Investments in public education infrastructure to support reforms and ensure our schools are equipped for the future;
- Construction of a Senior's Day Care Facility to support our ageing population;
- Construction of the new Agricultural Service Centre to boost domestic food production.

Mr Speaker, these projects are not just about bricks and mortar; they are about creating opportunities, improving lives, and delivering on the pledges made by this Government.

Corporate Income Tax:

Mr Speaker, 2025 marks a significant milestone as Bermuda will begin to receive payments from the Corporate Income Tax (CIT). As outlined in the 2024/25 Budget statement, the Government has conservatively projected \$187 million in CIT revenues for the upcoming fiscal year. These funds will be used strategically to support the initiatives outlined in the Pre-Budget Report and ensure Bermuda's long-term fiscal stability.

Mr Speaker, access to quality, affordable healthcare is fundamental to building a fairer Bermuda. The Pre-Budget Report outlines our plans to allocate \$50 million from the new Corporate Income Tax revenues to launch universal healthcare. This investment will improve services at the hospital, and expand access to preventative care and specialist visits, to ensure that we improve the overall health of our population.

Budget Surplus, Debt Reduction & Future Fiscal Year Outlook:

Mr Speaker, The Budget surplus is projected to be \$84 million in FY 2025/26. This amount, though much higher than expected, is necessary for the Government to build up reserves in the sinking fund to reduce Bermuda's debt.

While the Government plans to invest in reducing healthcare costs for residents and businesses while boosting capital spending, we must also ensure that the \$605 million of debt due to be paid in 2027 can be repaid in full without the need to refinance that debt at what may be higher interest rates.

Therefore, in this report, the Government is setting out a provisional Medium-Term Expenditure Framework (MTEF) that provides a path with future CIT revenues to repay the \$605 million of debt due in January 2027. Net debt to GDP is expected to fall from 36% in FY 2024/25 to 23% in FY 2027/28. Interest payments are projected to reduce from \$128 million in FY 2025/26 to \$105 million in FY 2027/28.

Mr Speaker, It is important to note that these projections have been made on conservative estimates of CIT revenues, as the Government has not projected the expected \$750 million in the MTEF projection in fiscal years 2026/27 and 2027/28. If CIT revenues are higher than the \$600 million that has been used in these projections, the sinking fund will have higher balances to enable accelerated debt repayments while also considering any recommendations from the Tax Reform Commission for strategic investments, such as setting up a Sovereign Wealth Fund for future generations of Bermudians.

In future years, the MTEF provides for further tax reductions to reduce the cost of living and the cost of doing business in Bermuda while increasing capital spending to the 2% of GDP target. The Government is not making any specific proposals for tax reductions in future fiscal years as we await the Tax Reform Commission's recommendations.

The Public is Invited to Participate:

Mr Speaker, the Government invites the people of Bermuda to participate in shaping the policies and priorities that will impact their lives. We encourage the public to review the Pre-Budget Report and the proposals contained within and share their feedback and recommendations through the Government consultation portal at **forum.gov.bm** or by emailing **openbudget@gov.bm**.

Prior to delivering the Budget, the Ministry of Finance will hold meetings with key stakeholders, including the Bermuda Trade Union Congress, the International Business community, local business representatives, and the most important stakeholder - the Bermudian taxpayers. These consultations will ensure that the upcoming budget reflects the needs and aspirations of our community.

Conclusion:

Mr Speaker, as I close, I wish to affirm my sincere expectation that 2025 will be a transformative year in Bermuda. With the first revenue collections from the Corporate Income Tax, we will not only deliver relief, but also make strategic investments to ensure long-term prosperity and set Bermuda on a path to repay its national debt. From universal healthcare to critical infrastructure projects like the replacement of Swing Bridge we will lay the foundation for a stronger, more resilient Bermuda.

This government remains steadfast in its mission to ensure that every Bermudian feels the benefits of our sound fiscal management. Through careful planning, prudent decision-making, and inclusive consultation, we are reducing costs for Bermudians while investing in our future.

Mr Speaker, Bermuda has come a long way, from the challenges of the global financial crisis, a long way from the OBA's austerity budgets, and a long way from the impact of a once-in-a-century pandemic. However, this Government has remained steadfast in our commitment to rebuilding Bermuda with Bermudians at heart to ensure that Bermudians are the beneficiaries of this island's economic success.

This Pre-Budget Report proposes bold initiatives to ease financial pressures, invest in critical infrastructure, and improve access to healthcare, all while maintaining fiscal responsibility. It is a plan that will ensure that this Government delivers on its mission of **Building a Fairer Bermuda for All**.

Thank you, Mr Speaker.