



**MINISTERIAL STATEMENT**  
**To the House of Assembly**  
**By The Hon. David Burt, JP, MP**  
**Premier and Minister of Finance**  
**Mid-Year Financial Update and tabling of the Pre-Budget Report & Report of the Fiscal**  
**Responsibility Panel**  
**15th December 2023**

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Mr Speaker, It is an honour to rise today on behalf of the Government, in our last sitting of 2023, to provide an Economic and fiscal Update to this Honourable House and the people of Bermuda. This statement will cover the latest report from the Fiscal Responsibility Panel, the Government's mid-year financial performance and the Government's Pre-Budget Report tabled moments ago.

Mr Speaker, earlier today, I laid for the information of this Honourable House the Bermuda Fiscal Responsibility Panel Annual Assessment Report 2023 (the Report), which can be found on the Ministry of Finance section of the Bermuda Government portal.

The Report represents the ninth annual report of the Fiscal Responsibility Panel (the Panel), a reputable and independent committee to review, monitor, assess and publicly report on the fiscal progress of the Bermuda Government. The Panel is composed of a team of international experts, chaired by Jonathan Portes, a former government chief economist and UK Treasury official and now a lecturer in economics and tax policy at Kings College in London.

The other members of the Panel are Marian Bell, a former external member of the Market Policy Committee at the Bank of England who also previously advised on fiscal matters to the Government of Jersey; and Victoria Perry, a US tax lawyer who recently retired from the International Monetary Fund, having spent many years providing technical advice to countries on tax policy and revenue administration.

Mr Speaker, as part of their assessment, the Panel met with members of the Government, Opposition, trade unions, international business, and local business with the aim of listening to a breadth of information and perspectives for their Report.

As a result, the Report contains a comprehensive analysis of Bermuda's fiscal and economic position, its strategy, and related actions. Also, within the Report, the Panel highlights their assessment of critical risks facing Bermuda and provides recommendations for several key areas impacting Bermuda's economic outlook.

Mr Speaker, I'm pleased to advise this Honourable House that after their assessment, the Panel endorsed key aspects of the Government's fiscal and economic strategy, including the Government's commitment to remain within its fiscal guardrails as well as positioning itself to achieve a balanced budget in 2024/25 and a surplus of \$50 million in 2026-27.

Within the Report, the Panel stated the Government *"has done well over the past few years to maintain a creditable path towards a balanced budget, despite a number of adverse shocks, most obviously the pandemic. **Spending has generally been kept under control**, and steady revenue growth has therefore largely fed through into deficit reduction."*

Mr Speaker, I'm also pleased that the Panel envisions the implementation of a Corporate Income Tax regime as having huge potential benefits for the country while acknowledging a number of associated risks.

Also, within their report, the Panel stated, *"The combination of the introduction of the Corporate Income Tax and relative economic stability means Bermuda has a chance to put things on a better footing now, for the long term. The Government's objective that the Corporate Income Tax should not result in an increase in the cost of living or doing business in Bermuda is understandable."*

Mr Speaker, although we may not agree on every recommendation, the Government sees value and appreciates the members of the Bermuda Fiscal Responsibility Panel as they represent an independent assessment of the Government of Bermuda's financial position, and I urge all Honourable Members to take note of their report and their recommendations.

Mr Speaker, I will now provide updates on the Government's fiscal performance to this Honourable House. Before I give a mid-year update for the current fiscal year 2023/24, it's important to touch on the results from the last fiscal year.

Total revenue for fiscal year 2022/23 is projected to be \$1.113 billion, \$35.2 million above the original estimate of \$1.078 billion; current account expenditure is expected to be \$950.3 million, \$5.2 million above the 2022/23 original estimate of \$945.1 million; capital account expenditures are projected to be \$68.2 million, \$4.8 million less than originally budgeted.

Mr Speaker, I'm pleased to announce that the 2022/23 budget deficit is now expected to be \$46.9 million, \$23.1 million (33%) below the 2022/23 original estimate of \$70.0 million and \$30.4 million below the 2022/23 revised estimate of \$77.4 million. The projected deficit also represents a \$13.1 million reduction compared to the previous fiscal year. This reduction was achieved in spite of not receiving \$30.1 million of budgeted revenue due to the impact of the Russia/Ukraine war on the aircraft register, forgone Customs Duty to freeze fuel prices, and forgone Customs Duty as a result of eliminating Duty on essential goods - and in spite of \$15.2 million of unbudgeted COVID-19 expenditures, a \$15 million grant provided to the Bermuda Hospitals Board and additional funding for firefighters at the airport to ensure we meet the necessary requirements to keep the airport open.

This demonstrates that despite the global economic challenges, the Government's sound financial management is resulting in continued progress towards a balanced budget.

Turning to the current Fiscal Year 2023/24, the Government's mid-year assessment indicates that total revenue is projected at \$1.16 billion, which is on track with the original budgeted figure. The revenue figure represents continued economic recovery, evidenced by expected increases in tourism-related revenues, Payroll Tax, and Land Tax.

Mr Speaker, Total Current Account Expenditure is revised to be \$984.5 million, \$11.9 million above the original estimate of \$972.6 million. The projected increase is primarily due to a further \$16.4 million grant to the Bermuda Hospitals Board in support of the hospital.

Interest/Guarantee Management costs are projected to be \$130.4 million, which is on track with the original budgeted figure as, at this time, there are no unbudgeted or unexpected costs this fiscal year.

Mr Speaker, Capital Account Expenditures are projected to be \$85.0 million, \$11.0 less than the original estimate of 96.0 million. This anticipated underspend in capital account expenditures is mainly due to the availability of construction resources and continuing supply chain delays.

Mr Speaker, the revised budget deficit for 2023/24 is \$44.4 million, \$0.9 million more than the original budgeted figure of \$43.5 million. This projected deficit is relatively on track with the original estimates despite unbudgeted costs associated with the funding boost for the hospital and a negotiated increase in salaries and wages for public officers. Keeping the deficit in line with estimates despite these additional unbudgeted expenses is a laudable achievement.

The balance of the Sinking Fund as of September 2023 was \$199.2 million. The Ministry of Finance's aim is to maintain a minimum balance of \$100 million in the Sinking Fund, and therefore, after funding the projected deficit for this fiscal year, making the \$50 million debt repayment, and with a balanced budget projected for next year, the Government expects to achieve this objective, and the \$100 million in the Sinking Fund will be set aside for future debt repayments.

Mr Speaker, this Government continues to demonstrate sound fiscal prudence and the ability to be good stewards of the public purse. Though the Opposition may focus on a few missteps - I remind the public that no government gets it 100% right 100% of the time. But Mr Speaker, we have delivered relief to Bermudians challenged with the highest global inflation seen in 40 years through tax and duty cuts, we have made investments in affordable housing and critical infrastructure, we have maintained our credit ratings, today are repaying \$50 million in debt, thus reducing our gross national debt for the first time in almost 20 years! Yes, Mr. Speaker, things are moving in the right direction.

But Mr. Speaker, the positive news does not stop there. During this year's budget statement, the government pledged to collect at least \$7.5 million in back taxes during this fiscal year. Mr Speaker, I'm pleased to report to this Honourable House and the people of Bermuda that the Office of the Tax Commissioner, through the month of November, has collected **\$15.7 million in back taxes** far exceeding the full-year budget target. This is a result of the Office of the Tax Commissioner (OTC) implementing a new debt management system, which has proven to be effective,

Mr Speaker, when we return to this Honourable House next year, it will be for our budget session. One of the key steps in the budget process is the publishing of a Pre-Budget Report. Earlier today, I tabled the Pre-Budget Report in advance of fiscal year 2024/25 on behalf of the Ministry of Finance.

As Honourable Members will be aware, the Pre-budget Report is a document produced annually by the Government to provide the public with a better understanding of our fiscal aims and objectives, an update on our economy, a summary of the policies under consideration, and to solicit feedback.

Mr Speaker, like most small states and territories, Bermuda's economy is extremely vulnerable to external events, underlining the need for financial and fiscal prudence. This vulnerability is compounded by Bermuda's level of government net debt, which is currently at \$3.1 billion.

Accordingly, this Government must take appropriate action to address the problems the island faces head-on. It is also important that stakeholders and citizens understand these challenges, are aware of the factors influencing the government's fiscal policy decisions, and utilise the opportunity to give their views, as it will help to ensure we achieve the best outcome for Bermuda.

Mr Speaker, the key factors which therefore, must be considered in the framing and composition of the 2023/24 Budget are as follows:

- The Government's 2020 General Election Campaign Platform and the 2022 Throne Speech - to ensure that the commitments made are appropriately met
- Relevant economic considerations - whether globally, in relation to our major trading partner the United States, or the economic realities that exist in the Bermuda context
- Taxation sensitivities - recognising that international business is a key contributor to tax revenue, consideration has to be given to the potential impact of decisions on this sector
- The need for continued fiscal discipline to further reduce deficits on the path towards a balanced budget in Fiscal Year 2024/25 and ultimate reduction in net debt levels
- The requirements for continued investment and support for the initiatives within Bermuda's Economic Development Strategy
- Continued effective use of zero-based budgeting and the use of public value assessment outputs to enhance efficiency and cost-effective utilisation of resources.

- The appropriate evaluation of the highlighted risks and implementation of the recommendations from the 2023 report of the Fiscal Responsibility Panel, whose role, and work have already been addressed in this statement.
- Feedback from the Pre-Budget Report consultation.

Mr Speaker, during preliminary discussions with key stakeholder groups the following policy initiatives were included in the Pre-Budget Report for consideration and feedback:

- Amendments to the existing New Hire Relief that is set to expire this year
- Consideration Increasing Boat Licensing Fees for large pleasure craft
- Consideration Further reduction of Employer Payroll Tax for the hospitality industry
- Consideration of the reduction of immigration fees for work permit applications
- Consideration for the reduction of Land Tax
- Consideration towards expanding the list of items subject to Customs Duty relief

Mr Speaker, I'd like to emphasise that none of the mentioned proposals included in the Pre-Budget Report are policy positions of the Government. They are simply options put forth for consideration, and the Government is inviting the public to be a part of that process by making recommendations for changes in tax policy and spending priorities.

Mr Speaker, the pre-budget report is an important document that promotes transparency in the budget process, reinforces accountability and allows for effective collaboration on matters that will have a significant impact on individuals and businesses in the community. As a result, in January, during the consultation period, we will arrange meetings with members of the International Business community, the Chamber of Commerce, the Trade Union Congress, Bermuda Bankers Association and other key stakeholder groups to ensure the upcoming budget is a reflection of the wider community.

Mr Speaker, it is worth noting that during the consultation period, we also encourage the wider public to read the Pre-Budget Report and submit their thoughts, recommendations and concerns by email to [openbudget@gov.bm](mailto:openbudget@gov.bm) or via the Government consultation portal, which is found at [forum.gov.bm](http://forum.gov.bm). Once the consultation period has ended, on January 17, we will evaluate all responses as the Ministry of Finance looks to finalise the Budget for presentation to the Cabinet and, ultimately, to this Honourable House.

Mr Speaker, as we have stated on many occasions, this Government is committed to taking care of its people while ensuring its fiscal and economic policies contribute to sustained growth and stability. Our track record has been positively assessed by independent reviewers, our deficits are narrowing, our debt is being repaid, back taxes are being collected and we remain committed to a path that will ensure a bright future for generations to come.

Thank you, Mr Speaker.