



February 2009

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**The Bermuda Budget 2009 introduced no major tax increases taking a “steady as she goes” approach. The “Government’s main objective in this period of economic challenge is to facilitate and stimulate economic activity”.**

### **Budget 2009/2010**

The Minister of Finance, the Hon. Paula A. Cox, J.P., M.P. (the “Minister”) presented the Budget Statement for the financial year 2009/2010 on 20 February 2009.

The Minister acknowledged that the global economy is in recession and that the 2009/2010 Budget is presented at a time when Bermuda is facing economic and financial challenges. The Ministry of Finance is confident that Bermuda will overcome these challenges and anticipates a slow recovery in 2010 to the hardships of 2009. The Ministry has estimated that Bermuda’s Gross Domestic Product will decline by 1% – 1.5% in 2009.

As part of the Government’s fiscal stimulus package (which focuses on a short to medium term fiscal framework) and in order to promote confidence within the private sector, the Minister announced that there are no increases in major taxes for the financial year 2009/2010.

The Budget for 2009/2010 is set at \$1.1 billion, the same figure as 2008/2009. The stated aims of the Government this year are strengthening the family and supporting youth development, in addition to bolstering our economic pillars of international business and tourism.

### **Payroll Tax**

There will be no change in the standard rate of Payroll Tax or the salary cap, therefore each of which will remain at 14% and \$350,000 respectively. The Minister pointed out that despite projected job losses in 2009, the overall revenue from Payroll Tax is expected to remain the same as 2008/2009 due to salary and wage increases.

In anticipation of tighter cash flows for businesses, the Office of the Tax Commissioner will institute a payroll tax amnesty programme. Under specific circumstances, this will provide relief to businesses including the waiver of all penalties and additional taxes levied on outstanding payroll taxes.

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## **Land and Property**

First-time home purchasers will be relieved of stamp duty on the conveyance of property, if the price of the real estate is below \$750,000. Seniors will continue to benefit from the exemption of land tax on the home that they occupy and families will continue to benefit from the primary family homestead exemption.

The Land Title Registry Office is now established and in the coming year there will be a range of activities to facilitate the Land Title Registry Office, including (a) the completion of the provisional registration of the Government estate, and (b) the preparation and implementation of legislation in order to facilitate the registration of private land.

## **Import Duties**

The import duties on boats and associated parts will be reduced from 55% to 22.25%.

## **Energy, Telecommunications and E-Commerce**

Further to recent policy statements from the Ministry of Energy, Telecommunications and E-Commerce, the Government is committed to reforming the telecommunications regulatory environment. The reform will include the development of an independent regulatory authority and the replacement of the current telecommunications licensing structure with a single communications licence framework. In addition, the Department of E-Commerce is tasked with developing a data protection and privacy policy.

Government further proposes to extend some of the existing tax concessions on capital imports for major building and renovation projects in the telecommunications sector.

## **Ministry of Finance**

The Minister proposed that the Government Loans Act is amended to provide the Minister with additional capacity to respond to severe economic conditions that may impair Government's tax yields. The amendment would allow interest charged on long-term public debt to be paid from the Sinking Fund during a recession or to postpone the annual contribution into the Sinking Fund. Following the adoption of the proposed amendment, interest on long-term debt in 2009/2010 will be paid out of the Sinking Fund.

Additionally, the statutory debt ceiling will be increased by approximately \$250 million to cover any future extraordinary strategic response to an economic threat to our economy. The proposal will result in a debt ceiling for long-term debt at \$1 billion.

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