



Bermuda Finance Minister Optimistic About Island's Economic Outlook with 2010 Budget Statement

The Minister of Finance, the Hon. Paula A. Cox, JP, MP acknowledged that the economy has experienced the longest and deepest recession in our lifetime during the 26 February 2010 Budget Statement. However, Ms. Cox stated that even so, she considers the current economic outlook for Bermuda to be more positive than the last financial year. It is anticipated that there will be a return to positive growth, perhaps in the range of 1%.

Ms. Cox revealed that the National Budget for 2010/2011 is set at \$1.2 billion with a focus on education, public safety, social rehabilitation and health. The capital expenditure is set at \$144 million. There will be an appropriation from the Consolidated Fund for debt service and for the contribution to the Sinking Fund resulting in a balance of \$82 million.

In the upcoming fiscal year, the Government, intends to restructure components of the tax system on a temporary basis to provide relief for distressed industry sectors and to launch a dynamic and innovative energy policy that encourages the development of a vibrant entrepreneurial climate for 'green' technology.

Fairness, sustainability and a sharing of the burden are the guiding principles to the increase in taxes. The Government proposes to increase payroll tax, foreign currency purchase tax, and stamp duty on estates and vehicle licensing. Only details regarding payroll tax has been provided at this time.

Payroll Tax

From 1 April 2010 there will be an increase of 2% from 14% to 16% and the salary cap of \$750,000 from \$350,000. Employee tax will also increase from 4.75% to 5.75%.

Relief provisions are being established for the benefit of retail establishments during the months of January to March to allow for taxes to be payable at a reduced level.

Land Tax

As a result of the revised Annual Rental Value which came into effect in January 2010, the top tier incremental rate has increased from 18.23% to 19.20%.

The Land Title Registry Office will continue to compile an electronic record of land ownership to provide legal security for owners and other interested persons.

Government Tax

The fees for Government services provided to the public will increase by 3% and motor vehicle licensing will increase by 5%. Except that bus and ferry fares, passenger tax, hotel occupancy tax and company license fees will remain unchanged.

The customs tariff will be amended to reduce the rate of duty on certain consumer electronic items to bring them in line with other consumer electronics.

Energy, Telecommunications and E-Commerce

The Ministry of Energy, Telecommunications and E-Commerce will implement the telecommunications regulatory regime changes, continue to develop regulations designed to service the global satellite operator community and publish the White Paper on Energy.

There will be duty relief for duly certified energy efficient products.

Amendments

The Companies Act 1981 will be amended to reflect a recent policy change on landholding by companies with the first stage being to permit companies to acquire an interest in residential units forming part of a tourism development.

The National Pension Scheme (Occupational Pensions) Act 1998 will be amended to provide partial withdrawal of accrued benefits on the basis of financial hardship.

The Government Loans Act is to be amended to provide \$250 million as an additional buffer to the statutory debt ceiling, taking the ceiling to \$1.25 billion.

General

Through Bermuda's network of tax treaty partners, the Ministry of Finance is creating contacts in the area of international business related to Sharia-Middle Eastern finance and the general development of economic relations with the Middle East and Asia. Two additional contacts in the United States include (a) the National Foreign Trade Council and (b) the United States Council for International Business.

The Department of Airport Operations will be installing a new multi-million dollar radar system to provide radar coverage for inbound and outbound flights, including the flights that fly over Bermuda's airspace.

The Bermuda Maritime Operations Centre's existing vessel tracking surveillance system is going to be replaced.

The Department of Civil Aviation is considering establishing a satellite office in a European location to support current and future expansion of the aircraft industry.

To access a full copy of the Budget Statement for the financial year 2010/2011, delivered by The Minister of Finance, the Hon. Paula A. Cox, JP, MP on the 26 February 2010, please [click here](#).

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