

“Recover, rebuild and restore”

2013 Bermuda Budget Highlights

“Our starting point as we begin the important work to recover, rebuild and restore the promise of Bermuda.”

The Minister of Finance The Hon. Bob Richards, JP, MP

Budget highlights:

	Actual 2011/12	Original estimate 2012/13 \$'000	Revised estimate 2012/13 \$'000	Estimate 2013/14 \$'000
Revenue	914,182	909,634	869,002	871,199
Current account expenditure	(990,146)	(939,767)	(971,968)	(983,883)
Interest on debt	(67,592)	(35,000)	(35,000)	(96,675)
Sinking fund contribution	(25,726)	(30,750)	(30,750)	(37,625)
Capital expenditure	(59,486)	(76,190)	(74,833)	(84,609)
Budget deficit	(228,768)	(172,073)	(243,549)	(331,593)

Financial position summary:

	2010/11 \$'000	2011/12 \$'000	Revised Estimate 2012/13 \$'000	Estimate 2013/14 \$'000
Consolidated fund deficit	(1,238,364)	(1,491,528)	(1,735,077)	(2,066,670)
Government debt outstanding	(1,087,490)	(1,235,973)	(1,468,999)	(1,757,632)
Guarantees outstanding	(200,357)	(200,357)	(279,180)	(279,180)
Sinking fund	85,508	114,747	96,000	138,960
Statutory debt limit	1,250,000	1,250,000	1,450,000	2,500,000

“It’s a budget that recognises the seriousness of our fiscal situation, while taking actions to make the Island more competitive and stimulate foreign investment, and still meets the immediate needs of Bermudians.”

Tom Miller, PwC

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Points of interest:

Summary

- Increase in annual budget deficit from \$243 million to \$331 million
- Increase in debt ceiling from \$1.45 billion to \$2.5 billion
- Debt service now represents 15.4% of projected total revenues
- In the medium term the Government is counting on job growth to build the revenue base

Revenue

- Payroll tax concessions for hotel, restaurant and retail sectors will be extended
- Two year payroll tax holiday for employers for new Bermudian hiring
- Decrease in license fees for non-Bermudians’ purchase of Bermuda property value from 25% to 8% for the first 18 months, rising to 12.5% thereafter. Similarly licence fees for condominiums (not used for tourism purposes) will be decreased. For PRC holders it is proposed to reduce licence fees to 4%, increasing to 6% in 18 months
- “Sin taxes” will be raised from April 2013 to achieve estimated additional revenue of \$2 million
- Land tax increase on ARV bands above \$90,000
- Increase in all vehicle license fees of 3%
- Exemption to seniors for vehicle licence fees in vehicle classes E, F, G and H will be rescinded
- Corporate Service Tax Rate will be raised from 4% to 6% to increase revenue by \$1.5 million
- Cost of bus passes will be raised resulting in increased revenue of \$0.5 million
- More aggressive collection of overdue taxes; Government will work with struggling businesses to make suitable arrangements for collection

Expenditure

- Increase in current account expenditure (excluding debt and Sinking Fund)
- Additional funding to increase police manpower and Police Complaints Authority
- Increase of \$4.2 million for the Ministry of Health and Seniors
- Interest on debt expected to increase to \$96.7 million from \$85 million in the prior year which included \$50 million from the Sinking Fund
- Salaries and benefits expected to increase by \$33.2 million (7%) to \$509 million, remaining at 45% of total expenditures. Government to commence negotiations with the unions regarding reduction in staff compensation

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