

'The war on spiraling public debt'

2016 Bermuda Budget Highlights

"We must get to grips with the deficit and debt problem because they stand between us and a secure future"

The Minister of Finance, The Hon. E.T. Richards, JP, MP



Summary

- With no overall decrease in Government expenditure, the goal of debt reduction falls on higher taxes and significant tax reforms



Revenue

- Increase of 6.2%, being \$62M, from last year
- Further tax increases in 2016/17, including:
 - Payroll tax increase to 15.5%, employee's portion rising to 6%
 - Continued roll-back of payroll tax concessions to 8%
 - Fuel duty rising by 8 cents per litre; increases in duty on alcohol, cigarettes and tobacco
 - Land tax rate rises to result in tax take in line with 2015/16
 - Increase of 1% on most other tax categories
- Introduction of 5% General Sales Tax on services provided to the public, effective on or after April 2017 (exemptions for healthcare, banking and insurance, small service providers)



Debt

- Gross public debt at \$2,444M, and debt net of sinking fund will stand at \$2,357M
- \$150M new borrowings were required in 2015/16
- \$110M net new borrowings expected in 2016/17
- Debt service is expected to total \$187M in 2016/17, up from \$170M in 2015/16



Growth

- Five consecutive quarters of GDP growth
- Positive trends in economic activity seen in retail sales, construction, company formations, hotel developments, consumer confidence, tourism, bank lending
- Government deficit has slowed – current account in 2015/16 expected to record a surplus of \$13M before debt service - first time in more than 7 years
- Airport project and infrastructure preparation for the America's Cup to create many job opportunities for Bermudians
- \$1.8B of infrastructure plans for the next 5 years



Expenditure

- \$203K decrease (.02%) in current account, excluding debt service
- Debt service cost increase to \$187M (10.3%)
- Capital expenditure of \$88M, up from \$57M
- The Medium Term Expenditure Framework goal of 15% reduction will not be met without a significant change of approach

Budget highlights:

	Actual 2014/15 \$M	Original estimate 2015/16 \$M	Revised estimate 2015/16 \$M	Estimate 2016/17 \$M
Revenue	880	931	935	997
Current account expenditure	935	913	922	922
Interest on debt	113	118	116	129
Sinking fund contribution	48	52	52	58
Capital expenditure	50	69	57	87
Budget deficit	265	220	212	199

Financial position summary:

	2013/14 \$M	2014/15 \$M	Revised estimate 2015/16 \$M	Estimate 2016/17 \$M
Budget deficit	(299)	(265)	(212)	(199)
Government debt outstanding	(2,305)	(2,185)	(2,335)	(2,444)
Guarantees outstanding	(521)	(527)	(538)	(538)
Sinking fund	533	136	118	87
Statutory debt limit	2,500	2,500	2,500	2,500

"The Minister points out that there are many people still not yet feeling the economic recovery and the tax burden will need to be restructured with less reliance on consumption and more on those with an ability to pay." - Tom Miller, Managing Director, PwC

Let's talk

Growth and change are two realities that no business can afford to ignore. PwC Bermuda's Advisory & Private Company Services teams can help you take a more strategic approach to both.



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