2021/22 Bermuda Budget Snapshot
“A year like no other”

On Friday, February 26, 2021, the Honorable Dr. David B. Dennis, JP presented his third budget. The Budget speech, comments and questions from the Chamber of Commerce Budget Session (March 1) with a quote from John F. Kennedy: “Everybody has a plan until they get punched in the mouth.” This could not be truer of the 2021/22 year.

Minister Dickinson once again married his disciplined budgeting with the need for a global pandemic recovery strategy. He has returned to the vision of a sustainable economy and a collaborative approach to budget setting. We continue to look forward to forthcoming progress on value added tax reform and much needed immigration policy changes, as continued job and investment in Bermuda and grow the economy.

Bermuda’s 2020/21 results at a glance

<table>
<thead>
<tr>
<th>Revenues</th>
<th>EXPENDITURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>$2.394bn</td>
</tr>
<tr>
<td>GDP</td>
<td>6.8%</td>
</tr>
<tr>
<td>Inflation rate</td>
<td>0.2%</td>
</tr>
<tr>
<td>Visitor spending</td>
<td>$123.9m</td>
</tr>
<tr>
<td>Visitor numbers</td>
<td>106,708</td>
</tr>
<tr>
<td>COVID-19 related expenditures</td>
<td>$44.8% of total budgeted revenues</td>
</tr>
<tr>
<td>Value of new registrations for the first three quarters of 2021</td>
<td>$45.4%</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>$124.5m</td>
</tr>
<tr>
<td>Other revenues</td>
<td>$1.1bn</td>
</tr>
<tr>
<td>Customs duties</td>
<td>$124.7m</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>$77.5m</td>
</tr>
<tr>
<td>Licences, fees and receipts</td>
<td>$69.4m</td>
</tr>
<tr>
<td>Debt service costs</td>
<td>$3.35bn</td>
</tr>
<tr>
<td>Contingency</td>
<td>$935.6m</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>$4.477bn</td>
</tr>
</tbody>
</table>

Revenues

- In 2021/22 Bermuda is forecast to achieve a total revenue of $2.394bn which is a decrease of $47.6m (5.1%) from the original 2020/21 budget.
- The Government has forecast an overall budget deficit of $124.7m for 2021/22 which is $120.8m less than the revised estimated deficit for 2020/21 of $245.5m.
- Debt service costs for the fiscal year 2021/22 are estimated to be $127.8m, a decrease of $4.9m (3.7%) from the revised estimate for 2020/21.

Expnditures

- The total debt at March 31, 2021 is estimated to be at $3.35bn, after settlement of other liabilities in 2019.
- The Government has forecast an overall budget deficit of $124.7m for 2021/22.
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- In July 2020, the Government close to $200m as a result of the purchase of loans and contributions from the sinking fund, which will be approximately $348.8m.
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KPMG’s Perspective

- The challenges of 2020 have demonstrated Bermuda’s ability to respond to global and macroeconomic difficulties.
- Bermuda’s tax system remains heavily reliant on the taxation of international business. It will need to consider the OECD’s BEPS2.0 and continuing focus on economic substance.
- As Bermuda seeks to maintain its position as a premier jurisdiction for international business, it will need to consider the challenges presented by the US tax reform and the economic impact of the COVID-19 pandemic.
- We also strongly support the Government’s plans to enhance cleaning contracts, supporting small business through the provision of COVID-19 testing, vaccinations services, embodying the Bermuda Regiment, and customs duties.

COVID-19

- COVID-19 has demanded a comprehensive shift in the way we work together and think about social and economic activities. There is recognition that we face unprecedented circumstances.
- Unlimited rate | 0.2% | 0.3% |
- GDP decrease | 4.5% | 3.1% |
- Debt service costs | $127.8m | $123.9m |
- National debt | $3.35bn | $3.35bn |
- Online and in-person tax submissions are now available.
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