

2025 Economic Policy

Introduction

Objective: To build an interdependent Bermuda by reducing debt, empowering Bermudians, cultivating private sector growth, and tackling the high cost of living.

Economics is about more than money—it’s about people. Our goal is to encourage healthy competition, starting locally, expanding regionally, and ultimately positioning Bermuda as a standout on the global stage. By focusing on lowering costs and reducing barriers, this framework will shape a vibrant economy where Bermudians excel as innovators, entrepreneurs, and leaders.

Core Principles

1. **Fiscal Responsibility:** Reduce debt and interest payments, redirecting savings toward transformative investments in infrastructure, education, and essential services.
2. **Market-Driven Growth:** Unlock economic potential by removing regulatory barriers, driving innovation, and advancing diverse industries. Healthy competition—locally, regionally, and globally—will ensure Bermuda’s economic relevance while lowering costs for households and businesses.
3. **Empowerment through Economic Participation:** Create pathways for Bermudians to actively participate in the economy, from entrepreneurship to community-driven initiatives.
4. **Accountability and Transparency:** Establish and enforce high standards for government operations, ensuring all activities are audited, monitored, and publicly accessible. Transparent governance and disciplined financial management will reduce waste, easing the economic pressure on Bermudians.

1. Fiscal Responsibility and Debt Reduction

Context: Bermuda spends approximately \$140 million annually on interest for its \$3.5 billion national debt, with extended liabilities of \$6.5 billion, including pensions and

unfunded obligations. Reducing this debt is essential for fiscal health and reallocating resources to critical services.

Policy Actions:

- **Corporate Income Tax (CIT):** 80% of realized Corporate Income Tax (CIT) revenue will be held in a dedicated account for a minimum of five years and used exclusively for debt retirement. This holding period will provide valuable insights into the practical operation of this tax and support more accurate budgeting, including considerations such as deferred tax assets.
- **Budget Surplus:** Commit to running a surplus to accelerate debt reduction and achieve a balanced budget within three years.
- **Government Guarantees:** Issue no new government guarantees while reviewing existing contracts and commitments.
- **Streamline Operations:** Eliminate inefficiencies, consolidate underperforming programs, and prioritize funding for essential services, infrastructure and education.

2. Tax Reform and Meritocracy

Context: Bermuda's current tax structure relies heavily on customs duties and payroll taxes, which tax productivity—land, labor, capital, and entrepreneurship. This approach hinders economic growth and innovation. Reforms will directly reduce household expenses for families, significantly increase take-home pay for workers, and lower operating costs for businesses, encouraging economic growth and competitiveness. Corporate Income Tax (CIT) will play a targeted role in Bermuda's tax reform strategy, with 80% of its realized revenue earmarked exclusively for debt reduction over the next five years. This prudent approach ensures that CIT revenue contributes to long-term fiscal stability without over-reliance, allowing for the evaluation of its practical impact. A balanced and diversified tax system will support economic participation, reduce burdens on households and businesses, and sustain Bermuda's fiscal health over the long term.

Policy Actions:

- **Simplify Customs Duties:** Implement a flat 15% rate for items currently taxed above this threshold, reducing costs for 90% of imports and making goods more affordable for families and businesses.

- **Payroll Tax Reform:** Lower payroll tax rates for all employees, increasing take-home pay and supporting household financial stability.
- **Operational Cost Reductions:** Reduce customs duties for incorporated businesses. When combined with payroll tax reforms, this will decrease operational costs.
- **Unified Business Portal:** Introduce an online platform to simplify business registration and compliance, lowering startup costs and barriers.
- **Dividend Tax Elimination:** Abolish the dividend tax for local companies to encourage reinvestment and growth.

3. Accountability and Efficiency

Context: Good governance is built on transparency, accountability, and efficient resource management. By addressing inefficiencies, implementing stricter compliance measures, and leveraging technology, this policy ensures public trust and positions Bermuda as an attractive destination for local and international investment. Promoting responsible fiscal management through asset monetization and integrating Auditor’s Report recommendations will enhance operational efficiency and create a more reliable government framework that benefits all Bermudians.

Policy Actions:

- **Auditor’s Report Implementation:** Adopt 100% of Auditor’s Report recommendations within three years, improving fiscal discipline and public trust.
- **Non-Compliance Penalties:** Enforce strict penalties, such as fines or imprisonment, for non-compliance. Outsource underperforming functions to private entities or public-private partnerships.
- **Transparency Tools:** Clear Bermuda’s long standing audit backlog, which the Auditor General estimated at 131-years in 2022 and launch a real-time digital dashboard for government spending and project updates.
- **Monetize Assets:** Sell unused government properties to generate \$100 million over five years, reinvesting proceeds into infrastructure, education, and essential services. This will convert unused government properties into productive assets, creating housing and spaces for small businesses and entrepreneurs.
- **Performance-Based Funding:** Transition 50% of publicly funded entities to performance-based funding within three years to ensure resource allocation aligns with measurable outcomes.

4. Economic Diversification

Context: Diversification reduces Bermuda's reliance on international business while creating locally driven opportunities. By embracing emerging industries, enhancing education, supporting community-led enterprises, and leveraging resources, Bermuda can establish new revenue streams, create employment and encourage innovation. This approach not only strengthens economic resilience but also contributes to safer communities by disrupting illicit trade and providing legal avenues for economic participation.

Policy Actions:

- **I-Gaming:** Amend the Bermuda Casino Gaming Act to establish a robust I-Gaming industry, modeled after successful jurisdictions like Malta and Gibraltar. This initiative is projected to generate \$50 million annually within three years, attract foreign investment, create skilled jobs, and create local business opportunities.
- **Cannabis Industry:** Legalize licensed domestic production and recreational growth for personal use, while prohibiting imports and exports to reduce crime and retain revenue locally.
- **Offshore Fishing:** Expand operations within and beyond Bermuda's Exclusive Economic Zone (EEZ), managed by the Bermuda Fishermen's Association, to boost exports and generate foreign currency.
- **International Education:** Transform Bermuda College into a university, hosting 200 international students annually to generate tuition and other related revenue.
- **Community-Driven Enterprises:** Promote the growth of Friendly Societies and Cooperative Enterprises by removing regulatory and tax barriers, allowing them to operate freely and efficiently. Launch public awareness campaigns and educational programs to encourage grassroots leadership and participation, fostering community-led economic resilience and diversifying Bermuda's economy.

5. Revitalizing Tourism and Strategic Trade

Context: Bermuda's economic resilience has always depended on its ability to leverage its unique identity and entrepreneurial spirit. Tourism has long been a pillar of the economy, built on authentic, personalized experiences rather than large-scale, cookie-cutter models. Revitalizing this industry requires focusing on policies that lower costs, streamline

regulations, and create space for local entrepreneurs, vendors, and cultural leaders to thrive.

Bermuda's historical pro-growth environment also enabled the emergence of a world-class international business sector. By replicating these conditions in tourism and trade, we can create sustainable opportunities for Bermudians while showcasing our unique heritage and aligning with Bermuda's natural and cultural identity.

Policy Actions:

- **Restructure Tourism Leadership:** • Replace the Bermuda Tourism Authority (BTA) with a privately funded Tourism Stakeholders' Council led by private sector leaders to focus on marketing and innovation without reliance on government funding.
- **Vendor Access:** Create flexible spaces on government-owned assets for vendors and small businesses to operate freely, enhancing our unique tourism experience.
- **Promote Local Products:** Link Bermuda's tourism identity to locally produced goods like alcohol, honey, and spices, refunding duties on raw materials to reduce production costs.
- **Relax Regulations:** Extend operating hours for entertainment establishments and allow multiple vendors on public beaches and parks to enhance visitor experiences.

Real-World Benefits

For Families and Individuals:

- Lower cost of living and increased disposable income through reduced customs duties and payroll taxes.
- Safer communities through diversified industries and legitimate economic opportunities.

For Workers and Businesses:

- Reduced operational costs through lower payroll taxes and customs duties, encouraging businesses to grow.
- New job opportunities in industries like I-Gaming, offshore fishing, and international education will create well-paying jobs and entrepreneurial opportunities.

For the Economy:

- Diversifying revenue streams and a resurgence in tourism will reduce reliance on international business and build a more stable economy.
- Debt reduction will free up resources for critical investments in infrastructure, education and other essential services.