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GOVERNMENT OF BERMUDA

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Tax Reform Commission

10 November, 2023

The Tax Reform Commission



Mr. Speaker, Today I rise to provide an update to this Honourable House on the Tax Reform Commission.

Honourable Members may recall the Tax Reform Commission was established under the Tax Reform Commission Act 2017 with an aim of advising the Government of any measures to advance Bermuda's system of taxation and revenue collection. The Commission will act in accordance with the functions set out in Section 5 of the Act and the Terms of Reference agreed with myself as Minister of Finance.

In accordance with the Act, the Commission shall examine Bermuda's Tax system for the purpose of determining any measures that may be taken to best enable a system of taxation and revenue

collection that is equitable, effective, efficient, competitive and transparent; and prepare and submit its reports and recommendations.

Mr. Speaker, in this year's Budget Statement, I explained that the Tax Reform Commission will be empaneled to look at the changes imperative to our existing system of domestic taxation to ensure it is in line with the requirements of the Global Minimum Tax while also examining what other changes to our local taxes are needed to ensure Bermuda's economy remains competitive.

Mr. Speaker, significant work has been done, since that time, including establishing an International Tax Working Group to examine the best way to implement the new Global Minimum Tax in Bermuda and provide recommendations on these matters.

The International Tax Working Group completed the first phase of their work in July 2023 and submitted their recommendations to the Government. Having assessed the recommendations of the Working Group the Government began its consultation period by issuing a consultation paper on the proposed new corporate income tax regime. The Government is currently in the third and final phase of the consultation period and expect the proposed corporate tax to be effective for 2025.

It should be emphasized that the proposed Corporate Income Tax would only apply to Bermuda businesses that are part of Multinational Enterprise Groups with annual revenue of €750M or who will otherwise be required to pay tax under the GMT to another jurisdiction.

Mr. Speaker, I am cautiously optimistic of the potential this material change in Bermuda's approach to taxation may bring as it presents a real opportunity to significantly reduce the cost of living and the cost of doing business by eliminating existing taxes and Customs duties.

That's right **Mr. Speaker**, many successive governments have struggled with the challenge of tackling the cost of living in Bermuda and this Government is currently reforming our tax system which has the potential to significantly reduce our cost of living.

Mr. Speaker, the Commission will review data and other input from the Working Group as part of their deliberations and include these findings in their report and recommendations.

The Commission is asked to consider and recommend a set of policy options, with the aim of causing the Bermuda tax system:

- To share the payments and benefits fairly and equitably.
- To maintain, and if possible, enhance Bermuda's global competitiveness.
- To broaden the tax base, reduce the variability of payments, and consider alternate forms of taxes.
- To reduce the impact of taxes on the cost of living in Bermuda and to consider how earners below a threshold of income might benefit from reduced taxes.
- To consider how the Government's revenue management can be improved including appropriate guardrails and approaches to fiscal optimization

Mr. Speaker, as previously reported in this Honourable House, the Commission will be chaired by Mr. Darren Johnston who is a highly reputable individual, notably with over 30 years' experience in the financial services industry. As a reminder, Mr. Johnston was previously the CEO of Price Waterhouse Cooper Limited – Caribbean Region and is currently the Chief Operating Officer of Orbis Investments, and a Director of Orbis Holdings Limited and other subsidiaries.

The other Tax Reform Commission members are:

- Mr. Albert Benchimol – the International Business Representative, who is the Former President and CEO of AXIS Capital Ltd. and currently serves as a Strategic Advisor
- Mr. Brian Holdipp JP – the Progressive Labour Party Representative and who is currently Corporate & Finance Counsel at MJM
- Mr. Douglas DeCouto JP – the One Bermuda Alliance Representative and who currently serves as OBA Shadow Finance Minister
- Mr. Chris Furbert JP – the Bermuda Trade Union Congress Representative, who is currently President of the Bermuda Industrial Union,
- Mr. Jonathan Howes representing the Bermuda Chamber of Commerce, who is the Chief Executive Officer of Bermuda Press Ltd.

Honorable Members should also note that the Commission will consist of an additional member to be appointed later.

Mr. Speaker, I am pleased to announce this highly qualified and experienced group of individuals who will take forward this task critical to Bermuda's continuing success. I have faith that each Commissioner will respect the integrity of their deliberations and keep all communications internal until the appropriate time. I am further confident that Bermuda and its economy will reap significant benefits from the work undertaken by this Commission. I certainly look forward to receiving their report and the recommendations which will be contained therein, during this parliamentary session.

Mr. Speaker, in closing I would again like to thank the Commission members for agreeing to provide this important service to the Bermuda community. I must also express my appreciation to the members of the International Tax Working Group who have invested considerable time and effort to create the framework for the new corporate income tax regime, and whose deliberations and input have now created a strong and comprehensive foundation for the Tax Reform Commission to build on. All this work and that to be done by the Commission will no doubt allow the Government to continue its work to create a better, fairer Bermuda.

Thank you, **Mr. Speaker**.

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