

## Opposition Leader's Remarks on Tax Proposals

Bank robber Willie Sutton was once asked why he robbed banks. His answer was, "Because that's where the money is." It appears that the Minister of Finance is trying his best to emulate Willie Sutton by soaking International Business with much higher taxes.

While the Minister is not a bank robber, ***his job is, at the very least, is to make fiscal decisions to fund the Government without damaging the economy in the process.***

The new tax proposals announced by the Minister of Finance are likely to have a significant negative impact on the economy by solely targeting the International Business sector and virtually no one else. Factually, IB is the ONLY economic growth engine in Bermuda. They already infuse millions of dollars of taxes, corporate spending, and spending by their staff. Tourism was weakened by Covid, the closure of the Southampton Princess and Elbow Beach. No other sector is significant enough in size other than the Public Sector.

The first rule of public finance for a jurisdiction like Bermuda, is to mitigate its spending, to the greatest extent practicable. **When the OBA was the government, we reduced public personnel costs by 12% without laying anyone off. Since that time, spending has increased back to levels not seen since 2012.**

So far, we haven't heard anything from the Minister regarding cuts in government spending, yet he is demanding that IB increase its funding of a government whose spending is out of control. This is what business means when they say that the PLP's proposals are not "Responsible."

It is not responsible because the Payroll Tax proposals hit IB especially hard. as traditionally, they pay both the employer and employee portions of payroll tax.

The OBA fully supports making Payroll Tax progressive with higher earners paying a greater percentage than lower earners. In fact, the OBA Government first introduced a progressive rate scale to Payroll Taxes, despite 14 prior years of Progressive Labour Party rule. We believe that all taxpayers should share in the tax burden to some degree, as all taxpayers reap the underlying benefits from government services. Therefore, **we do not agree with the proposal that those earning below a specific amount should have zero tax. Lower earners should pay proportionately less, but not zero.**

The idea that there should be a withholding tax on business that outsources certain functions to other countries may play well at Alaska Hall, but it is sheer fantasy.

What the PLP government may not realize is that in today's business world, outsourcing is an economic imperative. Companies do it to cut costs and remain competitive. If they don't, or are prevented from doing so by the Government, they become less competitive and lose business, and may end up either closing their businesses or worse, pulling up stakes and leaving the island. The cost differences of some of these functions locally and globally can be huge. Everyone is aware that Bermuda is the most expensive

jurisdiction in which to conduct business and live. This proposal will further exacerbate this problem.

Interestingly, this government is looking to IB for new taxes when they cannot collect the hundreds of millions of taxes that are already owed to it. Somehow, it has never been able to create a government bureaucracy to effectively collect those back taxes. Where are they going to get another bureaucracy to police and collect withholding taxes from those companies that outsource functions outside Bermuda? And if they can do so, they will likely want IB to pay for the new bureaucracy.

**IB, represented by ABIR, are especially careful in their public utterances, especially when it comes to public policy and finance. Their public statement that Government should “Pause,” is as aggressive a disapproving public statement as you will get from them, but do not underestimate the weight of their sentiment, as the statement that follows indicates that “Such moves could also lead to firms cutting staff numbers on the island.”**

The fact is that most of the benefit of IB to the Bermuda economy is the spending of their staff in Bermuda. **If their staff footprint is reduced, their contributions to Bermuda’s GDP will also be reduced – it’s as simple as that.** I cannot overstate, that if IB is forced to reduce staff, the amount of payroll taxes, customs duties, and TCD fees etc., which Government can collect will also decrease, which defeats the entire exercise.

The bottom line is that government taxes, budgets and fiscal policies cannot be put together in a vacuum. Neither can they be prepared just to please a certain political audience. They have real world consequences. **These government proposals are glaringly anti-business, particularly anti-international business, and is epically unrealistic at a time when we rely on international business more than ever.**

**These proposals are reckless, and irresponsible and, if enacted, they are doomed to damage the standard of living of all Bermudians.**