

John Wight, president of the Bermuda Chamber of Commerce, on tax reform

The following comments reflect my opinion, having not yet had the opportunity to discuss with my Chamber Executive colleagues.

The Tax Reform Commission report is in. It has now been sent to the Premier, and Ronnie Simmons and the Tax Commission should be commended for the engagement with all sectors of Bermuda's community that preceded its preparation. It was not an easy task. But this report will play a pivotal role in the Government meeting its financial objectives.

Bermuda has a \$2.6 billion debt bill - perhaps in excess of \$5 billion when unfunded health and pension liabilities are included. The status quo for Bermuda's tax model was not an option. Income on labour has played too prominent a role in the Bermuda tax system for too long. And if Bermuda is serious about increasing disposable income—especially for those Bermudians at the lower end of the pay spectrum—then lessening the labour tax burden on them and broadening the tax base to capture revenue from others not paying their fair share, is surely a good thing.

The objective of the Tax Reform Commission was set out clearly in the introduction: "to enable a system of taxation and revenue collection that is equitable, effective, efficient, competitive and transparent." This is unequivocally both appropriate and desirable. The mandate provided to the Tax Reform Commission was very broad and the recommendations made are far reaching. There are proposals for new taxes to be created and existing taxes to be reformed. If the recommendations are adopted, every business in Bermuda will be impacted, some more adversely than others.

Many of the Chamber's members, particularly those in the hospitality sector, will be pleased to see the Commission being "unequivocal in its view that a workable alignment between tax, growth, and immigration policies is required if the best outcomes for Bermuda in the areas of future economic growth and financial stability are to be attained". With an increasingly ageing population, one which will not be able to sustain Bermuda's economy into the future, tax reform to generate additional revenues and immigration reform go hand in hand. In fact, the report says that "if the tax policy recommendations are implemented, an additional yield of approximately \$147 million could be generated over a 2 to 3 year period". It also says that "since 2008, Bermuda's workforce has declined by over 6,500 people as a result of the emigration of expatriates and Bermudians which represents approximately \$250 million of lost payroll tax revenue".

There appears to be no reference in the report to Government spending. Given that one of the stated objectives of tax reform is fairness both in appearance and in substance, then Bermuda businesses will need to see the shared commitment extended to Government and the civil service. It remains to be seen whether this report constitutes a foundation for further discussion and input from Bermuda's affected stakeholders, or whether that ship has sailed and Government will adopt some or all of the recommendations without further consultation. I am hoping for the former.

Bermuda's future depends upon our ability to grow our economy. Growth is mission critical. I trust Government will now determine, carefully and thoughtfully, how each recommendation in the report serves to achieve this mission.