



Government of Bermuda
The Ministry of Finance

Ministry of Finance Headquarters

Ministerial Statement
To the House of Assembly
By
The Hon. Everard T. Richards, JP, MP
Minister of Finance

Targeted Payroll Tax Relief for the Construction Sector

Date: 27th June, 2014

Mr. Speaker, I rise today to provide Honourable Members and the general public with further details of the proposed relief for the local construction industry announced in the Premier's address to the country on June 9th, 2014.

Mr. Speaker, the local construction industry has been particularly hard hit by the economic contraction of the last five years. At least 1,200 jobs have been lost. The proposed relief for the industry is intended to maintain existing business operations, promote job creation and attract much needed foreign investment.

Mr. Speaker, the construction industry makes a vital contribution to the competitiveness and prosperity of the economy and is often the object of much needed foreign investment. The relief we are proposing is similar to the new Bermudian hire payroll tax relief initiative that was introduced in the 2013/14 Budget. Initially this relief will be targeted towards the construction of specific projects of national importance that have been approved by the Economic Development Committee.

The proposed relief forms another part of Government's plan and efforts to promote job creation in our economy, specifically Bermudian jobs. Its purpose is to reduce the marginal cost of hiring a construction employee without cutting the remuneration of that employee. It reduces the “overhead” that construction employers have to pay for each construction worker thereby reducing the overall cost of a project to a potential developer.

Mr. Speaker, the relief proposal is to create a special situation in which a construction employer carrying out direct construction work on the designated projects is not charged the standard payroll tax rate, but a concessionary rate of 5.25%. The payroll tax cost to the construction company will be zero if the employer decides to deduct the full recoverable rate of 5.25% from the employee as per normal.

It is intended that the relief will apply to construction and all relevant construction activities and trades related to the designated project. Items such as plumbing, electrical, painting, welding, excavation, tiling, installation etc. would be covered.

Mr. Speaker, The Ministry of Finance has been in on-going discussion with the Bermuda Construction Association to determine the most efficient method to implement this relief. Following these discussions it is planned to implement the proposed relief by way of a payroll tax rebate programme.

The actual logistics of the payroll tax rebate programme is currently being worked through with the Construction Association and is anticipated to be fully operational by the October payroll tax filing period.

Mr. Speaker, similar to the new Bermudian hire payroll tax relief initiative, an employer can only benefit from this concession if they are in good standing with regard to their payment of payroll tax.

Direct foreign investment is going to be one of the critical ways in which we dig ourselves out of this economic stagnation that has seen job losses and business closures during the last five years. We must attract foreign capital to our shores that will provide jobs not just in the construction industry, but all the other sectors that benefit from a growing workforce with more money to spend and invest in our local economy. The Bermuda Government can't finance the projects and create jobs but we can provide a climate conducive to job creators to bring their capital, expertise and experience to get our economy moving again.

Thank you, Mr. Speaker.