

## **Reduction of Customs Duty on Building Materials and Supplies to 10%**

Mr Speaker, home ownership, construction, and renovation are central to our economy and our way of life. As there is a national imperative to build and upgrade our existing housing stock, it is vital that we do all we can to reduce the cost of construction. Though the Government cannot regulate the rates charged for construction labour, we can reduce the amount of taxes paid on goods that are imported into Bermuda. Therefore, to support new homeowners, builders, and those improving their properties, the Government will reduce the customs duty rate on all building materials and supplies currently charged above 10%, such as air conditioners, paint, tile, steel, rebar, drywall, doors, windows, and bathrooms fixtures to a flat 10%. This reduction will reduce import costs for a wide range of construction materials, making construction and renovation more affordable for families and developers alike.

Importantly, the few categories of building materials that are currently subject to a duty rate below 10% will remain unchanged. This means that no duty rates will increase — only reductions will occur. The goal is simple: to reduce the cost of building and renovating homes to help stimulate economic activity in the construction sector.

Mr Speaker, I would like to give a practical example of what this reduction means for consumers. Prior to these reductions, if you were looking to replace the air conditioning units in your home or business, and those units cost \$4000 to import into Bermuda, you would have paid \$1400 in custom duty charges as the duty rate for air conditioners was set at 35%. With these reductions, the duty payable for these imports would only be \$400, a saving of \$1000 or 71%.

These duty changes will take effect from July 1 and are estimated to reduce custom duty revenue by \$4.6 million.

## **Further Reduction in Electricity Taxes**

Mr Speaker, electricity costs remain a significant burden for households and businesses, and we understand the frustration many feel when they open their BELCO bill. While the Government cannot control the cost of fuel on global markets, we are doing everything within our power to lower the underlying costs that contribute to those rates.

Two years ago, the fuel duty on fuel used to generate electricity stood at 20 cents per litre. In July 2024 we reduced that tax by 60% to 8 cents per litre. With this Budget we will reduce that tax to just 4 cents per litre. The combined effect of these changes will result in an 80% reduction in this tax over the last year.

To date, Government fuel duty relief has reduced the average monthly electricity rates by approximately 6%. The additional reduction announced today will bring the total relief to 8%, saving the average customer \$300 per year. This estimate is based on average residential usage, and actual savings will vary depending on consumption.

This measure demonstrates the Government's commitment to delivering sustained relief on energy costs. While there is more work to be done across the energy sector, this initiative ensures that our tax policy supports lower electricity costs for every household and business in Bermuda.

This further reduction in the duty paid on fuel will take effect from 1 July 2025 and is expected to reduce custom duty revenue by \$ 4.2 million.

## **Elimination of Customs Duty on All Motor Vehicle Parts**

Mr Speaker, recognising the strain vehicle repair costs can place on families and businesses, customs duty will be eliminated on all motor vehicle parts imported into Bermuda. Whether it is keeping a family car on the road or a company's fleet operating, this measure is aimed at lowering maintenance and repair costs while the Government works to repave Bermuda's roads.

Mr Speaker, I would like to give another practical example what this reduction will mean for consumers. Prior to these reductions, if you were looking to replace the tires on your vehicle, and those tires cost \$500 to import into Bermuda, the importer would have paid \$175 in custom duty charges as the duty rate for tires was set at 35%. With the elimination of custom duty, there would be no duty payable for these imports, saving the importer \$175.

The duty elimination for motor vehicle parts will take effect from July 1 2025 and is estimated to reduce custom duty revenue by \$2.9 million.

## **Increase of Duty Exemption for Returning Residents**

Mr Speaker, the Government will increase the duty exemption for returning residents by 50% from \$200 to \$300. This means that after any overseas travel, residents will be able to bring back up to \$300 worth of goods duty free. This adjustment will make it easier for families to manage travel-related expenses and provide immediate savings for residents who may shop overseas for necessities, clothing, and other goods. This rate allowance was last changed in 2012.

## **50% Reduction in Mobile Phone Taxes**

Mr Speaker, access to communication is essential — for work, for education, for staying connected with loved ones. To ease the financial burden of mobile services, the Government will reduce the monthly tax on mobile phones by 50%, from \$12 to \$6. This measure will result in immediate savings for every mobile customer and is a part of our commitment to lowering the cost of essential services.

This tax reduction will take effect from 1 July 2025 and is expected to reduce revenue by \$2 million.

## **Reduction of the Base Rate of Land Tax by 50%**

Mr Speaker, land tax is a significant revenue earner for the Government but can also represent a burden for homeowners and renters alike. In 2019, a new base rate for land tax was introduced and set at \$300 a year. Given the island's fiscal progress, the time is right to reduce this tax and provide more tax relief. The Government will reduce the base rate of land tax from \$300 per year to \$150. This reduction will apply to all homeowners and renters who pay land tax.

This land tax reduction will take effect from 1 January 2026 and is expected to reduce land tax revenue by \$2.5 million.