

# Key Bermuda Payroll Tax Updates from the Government's Budget Statement for 2023-2024

Mar 21, 2023 | Payroll and Benefits



Significant changes to Bermuda's payroll tax code were recently revealed in the [Government's Budget Statement](#). As an accounting firm, Abacus are committed to keeping you updated on the latest developments that may impact your business operations.

The Government has made some important changes with the intention of creating a positive impact on businesses operating in Bermuda. The key updates from the Budget Statement are:

## Expansion of Custom Duty Relief for Capital Upgrades

One of the key changes announced by the Government is the expansion of custom duty relief for capital upgrades. While restaurants and retailers have been exempted from customs duty, the Government has decided to extend this exemption to investments in plant and equipment to the personal care and personal fitness sectors as well. This means that businesses operating in spas, beauty salons, and fitness centres will also be eligible for customs duty relief when investing in plant and equipment. This move is expected to boost the competitiveness of these sectors and encourage businesses to make necessary upgrades and investments.

## Payroll Tax Exemption During Parental Leave

The Government has also made a significant change regarding payroll tax. Employers will now be exempted from paying payroll tax on salaries paid to employees while they are on maternity and paternity leave. This is a positive step towards creating a more family-friendly workplace.

## New Tax Rates

Finally, the Government has introduced new tax rates that will come into effect from April 1, 2023. The new tax rates are published in full below, but some of the highlights from the budget statement are:

- No Bermuda businesses will have their employer payroll taxes increase.
- Small businesses in Bermuda will see a payroll tax liability decrease of up to 43%.
- Hotels and restaurants that are still fighting to recover from the effects of the pandemic will see a payroll tax liability decrease of 17%.
- Individuals earning \$132,000 or less each year – which represents 86% of the Bermuda workforce — will see their payroll tax decrease this year.

One of the key goals of these changes is to spur growth in the Bermuda business community. The government hopes these updates will make Bermuda an attractive location for business owners, startups, and future entrepreneurs that will become the drivers of Bermuda economic growth.

The new tax rates are as follows:

| Updated Employer Payroll Tax Rates Effective 4/1/23 |                |           |          |                                       |
|---|----------------|-----------|----------|---------------------------------------|
| Business Tax Bands                                  | Previous Rates | New Rates | % Change | Reduction in Tax Bill from Prior Year |
| Annual payroll < \$200,000                          | 1.75%          | 1.00%     | -0.75%   | <b>-43%</b>                           |
| \$200,000 ≤ Annual payroll ≤ \$350,000              | 3.50%          | 2.50%     | -1.00%   | <b>-29%</b>                           |
| \$350,000 ≤ Annual payroll ≤ \$500,000              | 6.50%          | 5.25%     | -1.25%   | <b>-19%</b>                           |
| \$500,000 < Annual payroll ≤ \$1,000,000            | 9.00%          | 7.50%     | -1.50%   | <b>-17%</b>                           |
| Annual payroll > \$1,000,000                        | 10.25%         | 10.00%    | -0.25%   | <b>-2%</b>                            |
| Exempt Undertakings                                 | 10.25%         | 10.25%    | 0.00%    | <b>0%</b>                             |
| Gov., Gov. Boards, Parish Council, & Bda College    | 0.00%          | 0.00%     | 0.00%    | <b>0%</b>                             |
| Self Employed Farm, Fish                            | 1.75%          | 0.00%     | -1.75%   | <b>-100%</b>                          |
| Educ, Sport, Scient Inst.                           | 1.75%          | 1.00%     | -0.75%   | <b>-43%</b>                           |
| Char, Schl, Relig and Cult. Organisations           | 0.00%          | 0.00%     | 0.00%    | <b>0%</b>                             |
| Economic Empowerment Zone                           | 0.00%          | 0.00%     | 0.00%    | <b>0%</b>                             |
| BHB Corp of Hamilton and St. George's               | 3.50%          | 3.50%     | 0.00%    | <b>0%</b>                             |
| Qualifying Retail                                   | 7.00%          | 6.00%     | -1.00%   | <b>-14%</b>                           |
| Hotels & Rest. w/annual payroll ≥ \$350,000         | 6.00%          | 5.00%     | -1.00%   | <b>-17%</b>                           |

| Updated Employee Payroll Tax Rates Effective 4/1/23 |                |                         |                |
|---|----------------|-------------------------|----------------|
| Previous Income Bands                               | FY 22/23 Rates | New Income Bands        | FY 23/24 Rates |
| \$0 – \$48,000                                      | 1.50%          | \$0 – \$48,000          | 0.50%          |
| \$48,000 – \$96,000                                 | 9.00%          | \$48,000 – \$96,000     | 9.25%          |
| \$96,000 – \$235,000                                | 9.00%          | \$96,000 – \$200,000    | 10.00%         |
| \$235,000 – \$900,000                               | 9.50%          | \$200,000 – \$500,000   | 11.50%         |
|   |                | \$500,000 – \$1,000,000 | 12.50%         |

These changes are expected to benefit both employers and employees, and we encourage you to review your financial plans and strategies in light of these updates.

## Contact Abacus for Assistance

At Abacus, we are committed to providing our clients, neighbors, and fellow business owners with the latest updates and advice on how to navigate the changing tax landscape in Bermuda. If you have any questions or concerns, please do not hesitate to [contact us](#).

Thank you for your continued trust in our services.

 Search

### Categories

- Accounting and Bookkeeping
- Business Planning
- Firm News
- Management Consulting
- Payroll and Benefits
- Series: Payroll Tax