



THE NATIONAL
BUDGET
2019/2020

Press Conference

Official Remarks

By

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Deputy Prime Minister and Minister of Finance**

On

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**Victoria Ballroom
The British Colonial Hilton**

INTRO

Yesterday I had the honour of presenting the budget communication for 2019/20. Once again, it is my privilege to speak to the Bahamian people to provide more clarity and context around the new budget and to answer questions.

This budget represents a country that is in transition and a government that is in transition. We are moving away from outdated, complicated, time consuming, inconvenient ways of doing things to modern, efficient, fast, and creative and consumer friendly ways of operating. The type of changes we are required to make to deliver a Government that is a better partner to the Bahamian people are structural in nature.

STRUCTURAL REFORM

What does that mean? Take Customs, for example, that means cutting out all of the paperwork, moving processes online and reducing the turnaround time Bahamians have to spend going here, there and everywhere. Structural change means we don't have to do the same thing over and over just because that is the way it has always been done.

What does the new budget tell us about the new way of doing business?

WALKING THE WALK

We are walking the walk. Last year we implemented tax policies like the increase in Value Added Tax with a plan in mind:

- 1) To pay off old bills
- 2) To reduce the deficit
- 3) To provide tax relief

During the course of the year, we did exactly what we said we would do, and now we are doing more.

- 1) We paid off \$129.6 Million in old bills so far, and we budgeted for another \$100 million. **THAT MEANS:** Money in the pockets of businesses who were left stranded by the government for not paying their bills
- 2) We cut the deficit dramatically this year, and our estimate for the New Year is \$137 million, which is the lowest deficit in 10 years. **THIS MEANS:** The Government does not have to borrow as much, and can protect the futures of young Bahamians
- 3) On tax relief we removed VAT on breadbasket items and medicine last year, this year, we are implemented duty reductions worth \$28 million in government revenue. That includes duty free school supplies, home fridges and stoves of certain sizes, and all home furniture. And this year, we are making the zero-rating for VAT on light and water bills permanent

My point is, we are walking the walk, and this budget is further proof.

EMPOWERMENT IS RELIEF

What else are we doing different?

This Administration believes the BEST KIND OF RELIEF IS EMPOWERMENT. The Minnis led government has a clear economic vision of a modern country where Bahamians are empowered and independent: free from dependency on political patronage and free from the limiting constraints of an inefficient government bureaucracy.

How are we delivering empowerment?

- Expanding opportunities in education to help break the cycle of poverty. **THAT MEANS** \$20 million to ensure Bahamians have access to free education from primary school to college.
- We are investing in entrepreneurs to build job creators. **THAT MEANS** an increased allocation from \$5M to \$8.5M in small business to give young people access to capital to pump into their businesses
- We are building 21st century infrastructure as a new foundation for growth. **THAT MEANS** \$170M invested in renewable energy over the next 10 years, with a focus on solar energy projects in the Family Islands. In the medium and long term, Bahamians will save money on electricity and the cost of living
- We are increasing the ease of doing business. **THAT MEANS** no more standing in lines at the passport office; you will be able to renew your passport online. **THAT MEANS** no more waiting weeks or months to renew your business licence. You can get it in 48 hours.
- Lastly, we are leading the digital transformation to a modern government with massive investments in technological integration. The Department of Technology is transitioning to the Department of Transformation and Digitization, with an increased allocation of \$15 million.

We are serious about citizen empowerment and the way we are spending tax payer money in the Budget is a reflection of that. The Best Relief is Empowerment and we are doing things that are meaningful and impactful.

TRANSPARENCY

Lastly I want to talk about our efforts with transparency. We are doing a number of things to educate the public more about the Budget and how the Government is spending tax payer money. That includes our quarterly budget performance reporting, efforts to strengthen the Auditor General's Department, and the implementation of the Fiscal Responsibility Act.

BUDGET WEBSITE

Today, however, I want to share, that the Ministry of Finance has developed a new Budget website at: BahamasBudget.gov.bs. The Budget website will help to simplify the national budget and break it down into non-technical language.

What type of information will it have?

It will show all of the benefits in the budget for:

- Individuals and families
- Young people
- The Family Islands
- The Business Community
- The Nation As a Whole

It will show:

- What are the Priority Projects being funded
- What policy initiatives are being implement
- A snapshot of the key budget numbers in the Fiscal Summary
- And a snapshot of Ministry Allocations, along with other information

Starting today, you can visit BahamasBudget.gov.bs and from the Coming Soon page, you can click to read an online version of the Budget Communication, and download the budget tables if you wish. Next week morning, before the Budget Debate starts, the full budget website with all of the details in the new budget will be online in a user friendly manner. The past budget will also have its own past budget website.

THE TAX PLAN

Now I would like to turn to the Government's Tax Plan for the new Budget. I will speak briefly about three components:

- Tax Relief
- Our transition to a Client-Centered or Customer Service focused tax administration and collection system
- New Tax Measures

I was also pleased to announce yesterday that in the 2019/20 Budget:

- there is NO increase in Value Added Tax, and
- there are NO new tax categories

Our central approach to revenue this year is about making the Government more efficient and productive in the administration and collection of existing taxes and increasing compliance by making the tax system more transparent and fair.

CLIENT-FOCUSED TAX ADMINISTRATION

We are doing a number of things to make it easier for Bahamians to interact with the tax authorities. It can feel difficult enough to simply have to pay taxes, so there is no excuse for the government making it difficult to comply, being disorganized and inefficient. That just makes Bahamians have to depend on that favor of a politician or bureaucrat to perform simple tasks.

- At Customs we are rolling out a new online system called Click2Clear that will make customs processing, fast, paperless and convenient.
- With Real Property Tax, we are updating the land register to bring about 9,000 unregistered properties into the fold so everyone pays their fair share. We are making the system of valuing properties more transparent and data driven.
- At Business Licence we are allowing businesses to file their annual returns at different times during the year. For new businesses that are deemed low-risk, we are providing a Provisional Licence, valid for 90 days. That means, you don't have to wait on the bureaucracy to get your business up and running.
- And to promote tax fairness, we are streamlining all of the different tax tribunals and appeal bodies into one Single Tax Appeal Commission

A major part of our tax plan this year, is getting the Government's affairs cleaned up so that we can be better partners to Bahamians.

TAX RELIEF

Now I will speak to direct tax relief measures. We have proposed a number of tax relief measures to provide some reprieve to all citizens and to encourage economic activity by making the import of certain items relatively cheaper.

To that end, we will, at this time, adjust the duty on selected frequently imported items. Generally, the focus of these reductions is around educational supplies and equipment, and household implements and goods.

- A package of school supplies will now be duty free
- Home refrigerators and stoves (of a certain size) will be duty free
- Household furniture was reduced from 45% to 25%
- Musical instruments are duty free
- The zero-rating for VAT on water and light bills are now permanent

The package of tax reforms would have equaled approximately \$28 million in revenue. That money is going directly back to the Bahamian people in the form of savings.

NEW REVENUE MEASURES

We do have a few new revenue measures in the budget, but they are focused on:

- Capitalizing on new and expanded revenue streams from existing areas that were not in the tax fold or were outdated compared to standard international tax rates. Examples include:
 - o Vacation Rentals (VAT regulations to be enforced)
 - o Boating Permits (Feels Increased)
 - o RPT Owner Occupied Homes (threshold increased to \$60k)
- We are also implementing new tax measures that create an equal playing field, especially with resident and non-resident individuals and entities
 - o New fee structure for Banks and Trust Companies
 - o No more offshore-onshore
- Expanding opportunities for Bahamians to do business with international clients
 - o B/L to omit Export Turnover

CONCLUSION

To conclude, I hope I have painted a picture of a Budget that sets the Bahamas on a new course for government efficiency and continued growth, productivity and opportunity for Bahamians.

This Budget stands for a Government that is a better partner to the Bahamian people. We are transforming our execution and service delivery so we can provide Bahamians with better results. We are refocusing our spending so we can provide Bahamians with better benefits. Not the type of benefits in the past that have increased the dependence of citizens on the government, but the type of benefits that allow Bahamians to be empowered and independent.

For too long, the Government has used taxpayers' money to feed a culture of political largess and Government inefficiency; to put Band-Aids over structural problems that undermine the Government's ability to play its true role.

This Budget invests in comprehensive structural reforms that are going to make the Government work better and be better. From ease of doing business, to the digital transformation; from the focus on tax fairness and the overhaul of revenue administration and collection; from the adoption of transparent and accountable fiscal practices to the overhaul of State Owned Enterprises.

This Budget invests in strategic projects and programs that are going to build 21st century infrastructure and set a new foundation for growth; that will make education more inclusive and help Bahamians to break the cycle of poverty.

The work this Budget will enable us to do is meaningful and substantive, although gritty and often unrewarding, but it will make the Bahamian Government a better partner to Bahamian people.