

Mid-Year Budget Statement 2021/22

Summary and
Analysis



March 2022

Mid-Year Budget 2021/22

The Prime Minister of the Commonwealth of The Bahamas and Minister of Finance, The Hon. Philip Edward Davis, Q.C., presented the Mid-Year Budget for The Bahamas on 11 March 2022. He outlined plans for the country's continued economic recovery, as well as future measures designed to increase the nation's income during an uncertain global economic outlook.

How The Bahamas compare

Prime Minister Davis gave a comparison between the global and Bahamian economic performances, based on the International Monetary Fund (IMF)'s forecasts for 2022:

- **Worldwide** – global growth output forecast was reduced from 5.9% last October to 4.4% last month. This was mainly due to the outbreak of the Omicron variant infections globally.
- **The Bahamas** – economic growth to increase by approximately 8% in 2022. This figure was forecasted last October and has not yet been adjusted to account for the rise in commodity prices.

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We remain confident that the upward momentum that we have witnessed to date will largely be sustained.

Philip Davis,
Prime Minister & Minister of Finance



The Bahamian economy – performance

- **Inflation** – peaked at 4.12% last September and the Government expects inflationary pressures to continue throughout this fiscal year.
- **No tax or fee increases** planned in the short term.
- The reduction of Value Added Tax (**VAT**) to 10% is intended to help reduce the impact of inflation on Bahamian households.
- **Tourism** continues to improve, but still below pre-pandemic levels. There were about 1.2 million visitor arrivals in the last quarter of 2021 (compared to 55,000 for same period in 2020).
- **Net fiscal deficit** is \$285.7 million – a reduction of 61.1% (\$448.6 million) compared to the same period last year.



The economic numbers and IMF assessment so far are encouraging in helping to form a stable foundation on which businesses and investors can build.

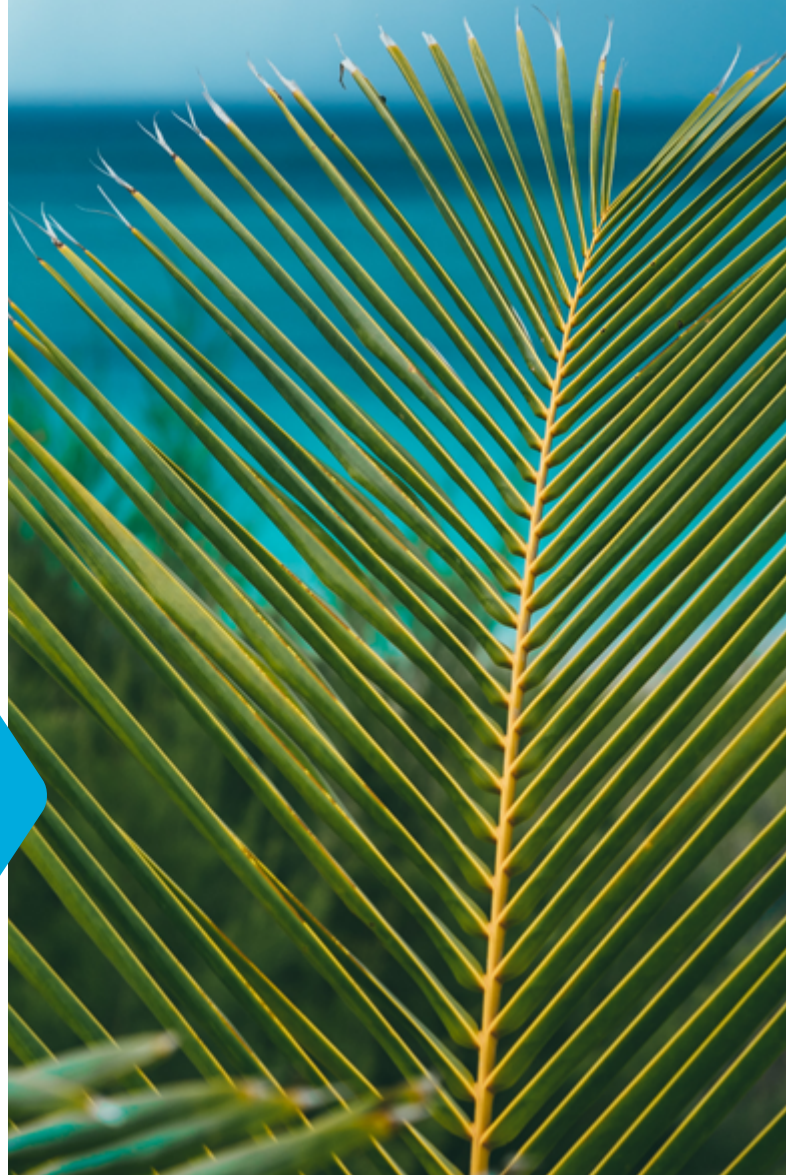
It is a question of finding the best opportunities at the right time.

Sean Rolle,
Partner at Kreston Bahamas



We must remain steadfast in carefully monitoring our fiscal position, and remain firmly committed to our guiding principles, thereby avoiding the mistakes of the past.

Philip Davis,
Prime Minister & Minister of Finance



Measures

New policy on digital assets

This follows one of the key players in the sector setting up in The Bahamas. FTX, the cryptocurrency exchange, has shown its long-term commitment to The Bahamas by investing substantially in real estate.

Prime Minister Davis said the country has a “unique opportunity to be a leader in the area of Digital Assets”. The new policy will create a regulatory framework so approvals and licences can be granted in a transparent manner.

Corporate income tax

This would apply to multinationals with global turnover exceeding 750 million euros. International talks have proposed a minimum tax of 15% for those countries, which include The Bahamas, that have signed up to the scheme. The tax rate for The Bahamas has not yet been decided, however, an impact study is underway.

Environmental excise taxes

These are intended to help reduce emissions and offset fossil fuel use. The excise taxes would apply to road gasoline and diesel. The Bahamas Government’s target is to reduce greenhouse gas emissions by 30% below ‘business-as-usual’ levels by the year 2030.

Legislative amendments

These are intended to help increase transparency, while accommodating the need for operational efficiency. The amendments relate to the Fiscal Responsibility Act, 2018, the Public Procurement Act, 2021, the Public Financial Management Act, 2021, the Debt Management Act, 2021 and the Statistics Act, 2021. The Bahamas Government’s goal is to improve governance in The Bahamas.



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The drive to Digital Assets is a very interesting initiative in attracting new businesses and international investment.

We will watch these developments closely and help our clients adapt to any changes.

Pretino Albury,
Partner at Kreston Bahamas

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Sean I. Rolle

Partner

+1 242 603-1597
srolle@krestonbs.com



Pretino P. Albury

Partner

+1 242 603-1590
ppalbury@krestonbs.com

 **+1 242 603 0591**

 **hello@krestonbs.com**

Visit us at
www.krestonbs.com



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