



GOVERNMENT OF BERMUDA
Ministry of Finance

Office of the Tax Commissioner

Minimum Wage Policy Statement

This notice is to clarify the tax implications on the minimum wage.

The Minister of Economy and Labour has implemented a mandatory minimum wage of \$16.40 with effect from June 1, 2023. This wage could consist of a base wage paid by an Employer *plus* any combination of gratuities, services charges or commissions paid by customers or received by the Employer for services provided by the Employee. (Refer to the [Employment \(Minimum Hourly Wage\) Order 2023 \(bermulaws.bm\)](https://bermulaws.bm)).

Under section 7 the Payroll Tax Act 1995 tax is applicable on wages and commissions while gratuities and service charges are not subject to tax. Thus, if an Employee receives a minimum wage which consists of the base wage plus commissions then tax is applicable on the entire wage. If the minimum wage consists of the base wage plus gratuities and service charges then tax is only applicable on the base wage.

In cases where the base wage is lower than the minimum wage of \$16.40 and where the employee does not receive commissions to establish the minimum wage then the Employer must provide the difference in lieu of such payments. This additional payment made by the employer *above* the base wage is subject to tax.

In such cases where the base wage is lower than the minimum wage of \$16.40 and where the employee does not receive any gratuities or service charges to establish the minimum wage then the Employer must provide the difference in lieu of such payments. This additional payment made by the employer *above* the base wage would not be subject to tax.

For example, an Employer would be required to supplement an Employee's wage in the amount \$6.40 where the Employee has a base wage of \$10 and does not receive any gratuities, commissions or service charges. If the \$6.40 is in lieu of commissions, then the tax is applicable on \$16.40. If the \$6.40 is in lieu of gratuities or service charges then tax would only be applicable on the base wage of \$10.

The above advice is only for instances where the additional Employer supplemental payment brings the payment to the Employee up to the minimum wage. Any additional wages or benefits paid to an Employee which surpass the minimum wage payment would be subject to tax.

A handwritten signature in black ink, consisting of a stylized, cursive name.

Tax Commissioner
June 2, 2023