



BAHAMAS – October 2020

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Realtor Chief 'Annoyed' Over Tax Hike Proposals

The Bahamas Real Estate Association's (BREA) president yesterday admitted she was "a little annoyed" that proposals have been made to increase taxes related to the sector without its input.

Christine Wallace-Whitfield told Tribune Business there was too often a "disconnect" between the industry and government on matters affecting Bahamian real estate after the latter's Economic Recovery Committee (ERC) recommended increases in economic permanent residency fees and the \$60,000 real property tax 'cap' or ceiling.

The Committee also called for real property tax to be levied on "high end" Bahamian-owned properties in the Family Islands, ending what has long been regarded as a major tax break for some, but Mrs Wallace-Whitfield voiced concern that the first two proposals might "unnerve" wealthy foreign buyers just when this nation needed to capture all the foreign direct investment (FDI) it can get.

"The Government has not reached out to BREA, so I don't know what to tell you at this point," she said of the Committee's report. "This is the problem we continue to have; they never reach out to us and ask us for our opinion, and what we should do. This is the disconnect we have. I was a little annoyed we weren't reached out to once again."

Mrs Wallace-Whitfield said that while the Association had just invited K Peter Turnquest, deputy prime minister, and Dionisio D'Aguiar, minister of tourism and aviation, to help promote The Bahamas and real estate industry during a virtual trade mission involving realtors from Florida's Royal Palm Coast, there was no reciprocity when it came to inviting industry feedback on government initiatives.

"We are the third largest industry in The Bahamas," she added. "Why not reach out, discuss it and ask one of our members to come on the Committee? Come on. We have to work at this together. We are a small country of 400,000 people. Get our feedback, and have a few licensed realtors on the Committee to give feedback. Not necessarily myself, but there are brokers who have years of experience."

No Bahamian realtor or member of BREA appears to have been represented on the Economic Recovery Committee, or its many sub-committees, which may explain why increased real estate-related taxation appears to have been a consistent theme in its report.

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However, many Bahamians will likely welcome increased fees and taxes being levied on wealthy foreign buyers as a means to generate some revenues for a cash-strapped Public Treasury that is facing a \$1.327bn deficit for the 2020-2021 Budget year.

They will perceive such buyers as having the means to afford such increases, even amid the COVID-19 pandemic, and there is an increasing view that taxation should be linked to ability to pay.

Mrs Wallace-Whitfield, though, said talk of fee and increases will be "unnerving" for foreign real estate buyers at a time when The Bahamas needs to grow this market as one of the few alternative foreign exchange earning sources to tourism.

"We have concerns for that," she added. "Right now we're trying to get foreign buyers. They are out there and looking. They're looking to get away and have cash to spend. We can't deter that. There are many Caribbean islands trying to attract foreign investors and investment. We have to be mindful of the competitive position."

Mario Carey, the Better Homes and Gardens Real Estate MCR Group Bahamas principal, told Tribune Business that increasing real property taxes by raising the existing \$60,000 ceiling was "the wrong way to go" given the continuing problems with compliance and enforcement.

He instead argued that the Government should instead focus on collecting more than \$500m in real property tax arrears by first offering incentives for taxpayers to clear outstanding balances by year-end 2020, and then mandating all accounts be brought current by year-end 2021 otherwise enforcement measures will be taken.

"I know a lot of my clients, if they go up on taxes, they will leave. The message doesn't sit well with them," Mr Carey said. "They need to be sensible. If people get over-taxed they'll leave. They have many other places to go."

However, levying real property tax on high-end Bahamian-owned real estate in the Family Islands could provide an economic boost by forcing persons to actually develop their holdings rather than sit on them in the absence of carrying costs.

The Committee's report proposed increasing the fees for economic permanent residency permits but offsetting the impact by "a stipulation/guaranteed processing time of 90 days from the date of submission of a completed application". No suggestion was made as to the extent of the increase, though/

And, besides increasing the present \$60,000 real property tax ceiling, the Committee also recommended: "Expand the reach of real property tax by increasing the tax ceiling on high-end properties, introducing real property tax to higher end Bahamian properties on the Family Islands with funding of the same to support Family Island councils in those islands," the Committee urged.

However, the Committee is likely to find some support for recommending that Business Licence fees be based on 'gross profit' rather than revenue or turnover.

"The Bahamas' historically regressive tax regime is viewed largely as both inequitable and unsustainable," the report conceded. "Tax contributions are disproportionately higher for lower income citizens/businesses largely because of the regressive nature of the country's tax regime.

"Beyond this, the sustainability of the current regime in light of population growth, the rising cost of living and other factors remains an impediment to its growth and development prospects."

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