



## BAHAMAS December 2020

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#### ***Realtors: 'Stop Going To Same Taxation Well'***

Realtors yesterday slammed the IMF's renewed call to increase real property tax rates on high-end homes as akin to "going to the same well and finding it's always dry".

Christine Wallace-Whitfield, the Bahamas Real Estate Association's (BREA) president, told Tribune Business that tax increases would only serve to undermine The Bahamas' competitiveness and deter foreign direct investment (FDI) at a time when this nation needed every cent of foreign currency it can get.

Responding to the International Monetary Fund's (IMF) suggestion that The Bahamas increase the real property tax rate for "higher value residences", she argued that this market segment first needed to be better defined for BREA to properly respond.

"Raising taxes on anything right now I don't think is a wise decision," she said. "We're trying to come out of this pandemic and we're still trying to recover from Hurricane Dorian, especially Abaco and Grand Bahama.

"It's a bad time to think about raising anything at this point. We've had devastation after devastation in the Out Islands with Hurricane Dorian and then the pandemic. It's not been easy. Raising the tax on the high end, we're trying to encourage foreign direct investment and get them to come here. We don't want to put anybody off."

The IMF's latest call mirrors some of the recommendations recently unveiled by the Government-appointed Economic Recovery Committee (ERC), which suggested increasing the \$60,000 real property tax 'cap' or ceiling, and for real property tax to be levied on "high end" Bahamian-owned properties in the Family Islands.

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. There will also be some who view the real estate industry as desirous of imposing tax increases on any sector but their own.

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However, Mario Carey, the Better Homes and Gardens Real Estate MCR Group Bahamas principal, argued to Tribune Business that simply looking to the same revenue sources time after time was a "non-visionary and very lazy approach" to addressing the tax shortfalls created by COVID-19.

Besides questioning the focus on the "dysfunctional" real property tax system, given that the Auditor-General has consistently said more than \$500m in revenues and penalties remain uncollected, Mr Carey argued that the Government should switch its revenue-raising gaze from the land to the sea.

Calling for The Bahamas to tax yachts visiting and transiting its waters based on the miles they have travelled, Mr Carey said seabed leases - which the Crown often agrees with developers for a nominal annual fee - and dock slips also represented areas for increased revenue earnings.

"I think that seems to be an easy statement to make," he added of the IMF's call for a higher rate than the present 1 percent on upper-end properties. "It's easy to say tax the wealthy. I always say the wealthier are the worst ones to get money from. I still don't think that should be the only thing."

Questioning why the IMF would call for a rate increase, rather than the Government collect the existing nine-figure sum in outstanding real property taxes, Mr Carey said the absence of serious enforcement and penalties for non-compliance meant there was little merit to its suggestion.

"It doesn't make sense," he told this newspaper. "How can they have this conversation when you have a dysfunctional system in place? They just think land-based taxation? What about sea-based taxation? How can you give a guy a seabed lease for \$1 a year and he's selling dock slips for \$10,000 a foot? Why go after the same group of people instead of fixing the problems?"

Mr Carey, asserting that dock slips were being sold at between \$10,000-\$12,000 per foot in high-end marinas on the upper end, and \$3,500 feet at the bottom, continued: "Ninety-nine percent of the people making these deals, the sellers, are foreigners, and the buyers are foreigners. You don't see many Bahamians buying dock space for \$10,000 a foot.

"It's a non-creative, non-visionary and very lazy approach if you ask me. It's like going to the same well and finding there is no water there again instead of trying to find another well, or giving somebody fish instead of teaching them how to fish.

"The wealthy are very sensitive to being punished with tax increases. They won't give you their money without some good reason. They need to talk about new sources of revenue that are under-taxed, under-utilised. Look at all the old agreements for tax concessions," Mr Carey added.

"The point is to get it done instead of coming back to real estate and taxing the wealthy all the time. It's so easy to have that conversation, but the hard work is coming up with ideas that make sense."

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