



## BAHAMAS – February 2021

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#### ***Property Tax Woe ‘A Colossal Mess’***

- Top realtor suggests private sector outsource
- Calls for auction-off warning as ‘wake up’ call
- Colleague says 2021 bills only arriving now

Leading realtors yesterday branded the real property tax system “a colossal mess” that needs to be outsourced to the private sector after it was revealed that up to 40 percent of bills go astray.

Mario Carey, the Better Homes and Gardens Real Estate MCR Group Bahamas principal, told Tribune Business that it was “just crazy, crazy” for the Department of Inland Revenue (DIR) to still be relying on the mail system to dispatch annual real property tax bills when the world has long moved into the digital age.

With the Auditor General’s Office pegging outstanding real property tax arrears at more than \$600m some two-and-a-half years ago, Mr Carey argued that it was impossible to “have a country with no income tax and a dysfunctional real property tax collection process” such as exists in The Bahamas and not escape a fiscal crisis.

Suggesting that administration and collection be fully outsourced to the private sector, he added that the government should “put teeth in it” and issue a nationwide alert that all properties with outstanding taxes owed have one year to settle or agree a payment plan for the arrears otherwise they will face foreclosure and auction.

Asserting that this will act as a “wake up” call for delinquent taxpayers, Mr Carey said it would also overcome the cultural aversion to not paying real property taxes and “head in the sand mentality” held by many that there are no consequences for non-compliance.

Mr Carey was backed to an extent by fellow realtor David Morley, Morley Realty’s principal, who agreed that the “bigger picture” answer was for the Department of Inland Revenue to follow the lead

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established with VAT and business licences by automating real property tax billings, collections and compliance.

He added that the Post Office's mail system had "long been proven not to be reliable", and disclosed that 2021's real property tax assessments - which were supposed to be mailed out in October last year - are only now just being received.

Marlon Johnson, the Ministry of Finance's acting financial secretary, responded to the Auditor General's revelation that up to 40 percent of real property tax bills never reach the intended taxpayer because of incorrect mailing addresses, by saying he has been "dissatisfied" with collections ever since taking office more than three years ago.

He said the Ministry's Revenue Enhancement Unit now has a "team" dedicated to chasing down bill-ducking taxpayers, and it plans to expand the number of private sector collection agencies it employs beyond the existing three. Mr Johnson added that there were also several "high profile cases" of real property tax delinquency working their way through the courts towards settlement.

Mr Carey, though, was more blunt, telling Tribune Business: "It's just a colossal mess. To be reliant on addresses in this day and age versus e-mail is just crazy, crazy. For us to be reliant on a PO Box system that doesn't work, that relies on a policy of people's discretion as to whether they pay or not, and when they come in they negotiate what they pay, it doesn't make sense.

"I don't know anywhere in the world where there's a national identity of people not paying real property tax. The whole system needs to have a rethink. I feel that they should allow this [collection] process to be privatised.

"I think it can be run more efficiently if it is privatised. This has got private sector opportunity written all over it. It's an ideal case where the private sector should come in and take over this critical sector of our economy."

To drive immediate compliance, Mr Carey argued that the Government should issue "a systematic notice" demanding that all taxpayers liable to pay real property tax settle any outstanding arrears within a period of 12-24 months or otherwise their properties will be subject to foreclosure and auction.

"They need to put teeth in it," he added, asserting this would show the Government is serious. "If taxes are not paid, we don't hear from you in one year, we will deem your property ready for auction. When you start foreclosing on people and to auction off, people will wake up.

"You cannot have a country with no income tax and a dysfunctional property tax collection process. It doesn't go hand in hand. You're going to run into a financial crisis. Who's going to pay for all the costs of maintaining the roads, schools and hospitals? Where's the money coming from? Isn't that why taxes are supposed to be collected?"

The Government is presently seeking to update New Providence's real property tax roll via a \$7m project being undertaken by Tyler Technologies, which involves visiting and surveying every property on the island, in an initiative it believes will boost collections by some \$21m per annum. Mr Johnson last night said he believed this project was now "70 percent" complete having been delayed by COVID-19.

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Mr Carey, though, argued that the Government was ignoring the “wealth of knowledge” that the real estate industry could provide on property locations, sizes, valuations and owners. Capturing the necessary data to support accurate assessments and collections, he added, was vital to creating a fair and equitable tax system.

“Anybody paying their taxes now shouldn’t be offended by the Government adopting a sensible business plan to correct this problem,” Mr Carey added. “Anybody who is offended is not paying their fair share of taxes and has got something to hide.”

Mr Morley, meanwhile, said the Department of Inland Revenue needs to replicate what it has done for VAT/Business licence payments and filings - to which it has recently added substance reporting - and create an online portal for real property tax billings and payments.

“If the Department of Inland Revenue is serious about collecting this type of tax in this day and age, it has to come up with a reliable and responsive automated system. They need to make it automated like the other taxes,” he added, noting that he has only just started receiving 2021 real property tax assessments that should have been mailed out in October last year.

“They just need to improve what they [the Department of Inland Revenue] have now on their portal and get it up and running to the same standard that they have for business licences and VAT in terms of convenience, accessibility and reliability. I know they’re trying, but they need to refine and improve what they have there.”

Mr Morley also recalled how he had been unable to access the Department of Inland Revenue’s online portal to pay a real property tax bill from 2020 prior to the year-end deadline, forcing him to instead pay via his online banking account.

“When I got my 2021 assessment in the third week of January, it showed me as being charged a penalty surcharge as I’d not made payment [for 2020],” he explained. “I had to give evidence that I had by showing them the relevant portion of my bank statement. I e-mailed them the information, and have yet to get a response saying they received it and are dealing with it.

“I will probably have to go to the Department of Inland Revenue and let them deal with it. If it was automated it would be that much easier.”

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