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Property Tax Amnesty Gains ‘North of \$27m’

The Government has reeled in “north of \$27m” via its ongoing real property tax amnesty, a top official has revealed, with calls from additional delinquents for more time prompting a three-month extension.

Marlon Johnson, the Ministry of Finance’s acting financial secretary, told Tribune Business that the Government was persuaded to extend the initiative to end-August after receiving “sufficient” pleas from tax-paying deadbeats for extra time to accumulate the necessary funds to make good on their arrears.

Confirming that sums recovered to-date are “slightly ahead” of where the ministry had projected, he added that taxpayers were being given “every chance to get their affairs in order” so that there will be no cause for complaint or excuse when the Government takes enforcement measures to recover tax arrears estimated by the Auditor-General’s Department to exceed \$600m.

“Just north of \$27m has been collected as part of the real property tax amnesty programme,” Mr Johnson told this newspaper. “It has been extended for three months. We got a number of requests from taxpayers saying they were desirous of paying but just didn’t have the money, and felt they could have got the funds together if given a reasonable frame of time.

“We had sufficient of them to make a petition to the policymakers, which they have granted. It doesn’t bleed into the next billing cycle, so we didn’t think there was any harm from a technical standpoint. We want to give people as much chance to get their affairs in order, so that whatever enforcement steps we take moving forward, persons have sufficient time to take advantage of opportunities to bring their account current.”

Mr Johnson declined to detail the timing and nature of any compliance/enforcement measures the Government may take when it comes to outstanding real property taxes, but added: “Any measures we proceed to take, we want to be in a position to tell folks to use this opportunity to sort out their affairs.

“We’re comfortable going forward that persons will have had a chance, and a second chance, to get their accounts in order. Most people are heeding that. The response has been solid, it has been healthy. We hope everyone gets current by the end of this period.” The \$27m-plus collected via the amnesty initiative to-date is a relatively miniscule sum when set against the \$600.48m in outstanding real property tax arrears that Auditor General said were outstanding at the end of the 2017-2018 fiscal year. It is equivalent to just 4.5 percent of that amount, and the \$600.48m will likely have increased significantly since then.

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However, with the Government desperate for every cent of revenue it can generate post-COVID and Hurricane Dorian, the sums generated will likely prove valuable for the cash-strapped Public Treasury. “We’re satisfied with the results so far,” Mr Johnson added of the amnesty results so far. “We’re slightly ahead of where we thought we may have been.”

The ‘amnesty’ concept, though, has already been challenged for rewarding delinquent taxpayers while doing nothing for those who pay in full, on time every year.

The initiative, accessible to only Bahamian property owners, will see the Government waive up to 50 percent of a taxpayer’s total arrears, including overdue taxes and accumulated surcharges, if the full remaining 50 percent balance is paid by May 31, 2021. Arrears have to be outstanding for more than 180 days.

Alternatively, those who make a 25 percent “downpayment” on their arrears and enter into a payment plan for the balance will see all penalty surcharges waived if they do so by May 31, 2021. Again, the arrears have to be outstanding for 180 days or more.

David Morley, Morley Realty’s principal, previously told Tribune Business it seemed unfair to write-off 50 percent of the taxes and penalty surcharges owed by real property tax defaulters while at the same time failing to reward companies and individuals who have always been current with their payments.

Pointing out that the extent of the waiver exceeded the ten percent “credit” to next year’s property tax bill that those paying on time receive, Mr Morley questioned the wisdom of a tax amnesty that effectively rewards tax dodgers and deadbeats who face no consequence if they come forward.

Mr Johnson, when challenged on this, said The Bahamas was far from alone in using such amnesty-type initiatives and said of the concerns raised by Mr Morley: “That’s always the complaint whenever we have any amnesty programme.

“The policymakers have to weigh that feedback against any people who have substantial arrears, and getting them to settle and clean up their affairs going forward. We have had that charge, but it’s a balancing act policymakers have to consider.”

The acting financial secretary said the information obtained by the Ministry of Finance via the amnesty also enabled it to update ownership records, plus addresses and contact details, as well as add new properties to the tax roll “so we get valuable data and other benefits as well”.

Meanwhile, Mr Johnson said the New Providence-wide mapping exercise undertaken by Tyler Technologies for real property tax purposes “should be completed by the end of the year”. Having been delayed by COVID-19 restrictions and lockdowns, he added he was “confident it will wrap up by December”.

Disclosing that the project had added 14,000 properties to the tax roll “at the last count”, Mr Johnson said: “It has been wildly successful, and we have a robust database of pictures, property dimensions and know what they look like - existing and new. It has really recalibrated our data set from an information standpoint.”

Tyler Technologies was initially hired by the former Christie administration to update the real property tax rolls and collections system, then brought back following a hiatus of several months following the 2017 general election. The Revenue Enhancement Unit, also started by the previous government, was impacted similarly before being reconstituted by the current administration.

Once Tyler Technologies has completed its work, Mr Johnson said the Government plans to “engage stakeholders in the real estate space” such as realtors to determine whether its valuation assessments are in

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line with market prices. This, he added, would provide empirical evidence to better justify and support the Department of Inland Revenue's valuations whenever they are challenged by property owners.

"If we have feedback from Bahamian professionals in the space, we can develop valid positions that are empirically based," the acting financial secretary said. "We want to have an empirical basis to have a discussion on. We want to minimise the opinion element, and say we have the basis of the valuation and how it was done. We will have a much more solid base to settle disagreements between the tax authority and the taxpayer."

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