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Property Tax and Assessment News from Around the World

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The Government is aiming to more-than-triple annual real property tax collections to at least $400m as a key component in its ambitions to achieve a 25 percent revenue-to-GDP ratio.

Simon Wilson, the Ministry of Finance's financial secretary, told Tribune Business that it felt yearly property tax collections should be equivalent to 3.5 percent of Bahamian gross domestic product (GDP) or economic output as opposed to present yields of around 1 percent.

Noting that The Bahamas' property tax compliance rate was "around 25 percent", compared to the 90 percent average achieved by many countries on real estate-based taxes, he argued that the possibility of achieving greater returns from this and other existing levies was why no new and/or increased taxes may be required to achieve the Davis administration's revenue ratio target.

Many observers have suggested it the 25 percent revenue-to-GDP target cannot be attained solely through cracking down on tax dodgers and better administration/collection, but Mr Wilson responded: "No, it will not be impossible. It [the ratio] is higher than where we are now, but it's in the range where we used to be.

"A couple of things to bear in mind: Number one, we believe real property tax as a percentage of GDP should be around 3.5 percent. It's currently around 1 percent. The Government has been doing a lot of work on property tax for the last six years with Tyler Technologies and so forth. We believe that work will bear fruit in the coming years."

A 25 percent revenue-to-GDP ratio, which Prime Minister Philip Davis QC is aiming to achieve by the time his administration's term in office ends in 2026, is far higher than the Government's fiscal performance has ever before produced.

Data accompanying the recent supplementary 2021-2022 Budget shows that recurrent revenue, as a percentage of GDP, ranged from a low of 16.3 percent to a high of 18.9 percent over the past five fiscal years, with the latter outturn achieved in the COVID-ravaged 2020-2021 period when economic output slumped below $10bn to help produce the higher ratio.

The Government's forecasts, though, show the revenue-to-GDP ratio steadily increasing from 20.2 percent in this current fiscal year to 20.5 percent in 2022-2023 and 21.7 percent in 2023-2024 - a trend moving towards the objective set by Mr Davis. And, with other Caribbean nations enjoying revenue ratios near that target, it is thought there is significant scope for The Bahamas to improve.

Still, the extent of the revenue increase required to hit 25 percent of GDP is graphically illustrated by the Government's current fiscal and economic forecasts. Based on the $12.459bn and $13.279bn current price GDP projected for 2022-2023 and 2023-2024, respectively the Public Treasury's total income in those two years would need to be $3.115bn and $3.32bn to meet target.

Both figures are around $700m higher than the Government's previous record-setting year of 2018-2019, the last before COVID and Dorian, when some $2.426bn in recurrent revenue was collected. This gives an indication of the revenue increase being sought by the Davis administration as The Bahamas seeks to pull out of its economic and fiscal crisis.

Mr Wilson yesterday said that, based on 3.5 percent of GDP, the Government will be seeking annual real property tax revenues of around $400m rather than the $350m estimate initially ventured by this newspaper. "Property tax compliance is around 25 percent. Most countries' property tax compliance is around 90 percent," he added of the scope for increased collections.

The $400m goal would near-triple the $158.814m that the Government anticipates collecting in real property taxes during the current 2021-2022 fiscal year. Increases to $181.142m and $218.3m are forecast for 2022-2023 and 2023-2024, respectively, but the latter is still almost 50 percent below the level suggested by Mr Wilson.

Both PLP and FNM administrations have been working closely with US-based Tyler Technologies to improve the real property tax collection database, increase the number of properties on the tax roll, and set the foundation for improved collection, enforcement and administration.

Mr Wilson said the consultant's New Providence mapping exercise, begun under the previous administration, which aimed to capture and measure all land and buildings on New Providence, was "near completion" after being delayed by COVID-19 restrictions.

"The challenge is that we still have a significant number of properties in the system that are categorised as unknown; properties where there are no owners of record," the financial secretary revealed. "But it is near completion and we feel we're pretty happy with the product we've seen so far.

"There's been some gains. I don't have those numbers at the tip of my fingers, but it appears based on what we're hearing from the Department of Inland Revenue that a substantial amount of [new] properties have been registered and the increase in tax liabilities could be substantial. It depends on which approach the Government takes."

Mr Wilson said the Real Property Tax Act allows the Government to retroactively assess back taxes for up to ten years on properties which were eligible to pay, but which had not been registered on the roll. "It could be one year, five years," he added. "It's unlikely to be five years, but the question is what we do."

Speaking earlier at the Ministry of Finance's press briefing, Mr Wilson said: "One of the more interesting ones we uncovered was if you look at electricity bills throughout The Bahamas, you have more people on the BPL (Bahamas Power & Light) roll than you have land registered.

"For every house there should be an electricity connection. We have more electricity connections than we have homes on the real property tax system. We have a strategy for dealing with real property tax collections that we will unveil with the mid-year Budget."

Mr Wilson told Tribune Business that the Government is not solely focusing on real property tax to achieve its 25 percent revenue-to-GDP target. "We'll do a VAT gap analysis and look at VAT payments on a sectoral basis," he said. "We believe there are still significant compliance challenges with VAT which we can address and give additional revenue buoyancy.

"We believe that Customs, even if we forecast a decrease in the average tariff rate, compliance can be improved to increase revenue. The IMF report alluded to some of that." Mr Wilson said the upcoming mid-year and full-year Budget will allow the Government to lay out more details on its fiscal plans, and "what we see that gives us confidence the tax regime can accommodate 25 percent revenue-to-GDP".

The top Ministry of Finance official also revealed that a study on corporate income tax, given global pressures for such a levy with a 15 percent rate, has been initiated. "That might influence the tax mix going forward," he said. "But all things being equal, we feel we have enough tools to get us to 25 percent."