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Gov't senator proposes property tax amnesty

Government Senator Don Wehby is proposing an amnesty for the collection of property tax arrears in order to allow time for people to get regularised.

“The Minister of Finance and Public Service has stated that the Government has no intention of taking away anyone’s property because they are facing financial or other hardships. I support this position and believe that an amnesty for the collection of tax arrears, similar to the one done for outstanding traffic tickets, should be pursued to get persons to regularise their status,” he said.

Wehby was making his contribution to the debate on the Property Tax (Amendment) No 2 Act 2017 and the Property Tax (Validation and Indemnification) Act 2017 in the Senate today.

He further proposed measures to increase property tax collection. These include regular performance monitoring, conditioning property tax payments with other services such as vehicle registration, and providing incentives for staff to meet collection and enforcement targets.

Wehby noted that there are a number of relief mechanisms in place for people having difficulties in fulfilling their tax obligations and urged them to make use of these facilities.

He further encouraged people, who feel that their property was not assessed for a fair value, to lodge an objection to the Commissioner of Land Valuations to have their concerns addressed.

Wehby urged local authorities to improve transparency by producing annual reports and being more open with residents about how their property tax is spent. This, he argued, will promote trust and influence people to pay their taxes on time and in full.

Answers For Frequently Asked Property Tax Questions

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IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.

Finance Minister Audley Shaw on April 11 announced lowered rates for property tax calculations after significant public outcry over the initially announced rates.

Here are key details about the implementation of the revised property tax system.

1. Bands

There are eight bands plus the flat rate of \$1,000 for property valued at up to \$400,000. (See details of the bands at <http://jamaica-gleaner.com/propertytaxbill>)

2. Where To Check

Property Tax

Visit any tax office islandwide or use the query system on the Tax Administration Jamaica (TAJ) website (you must have your valuation or strata number): (<https://ptsqueryonline.fsl.org.jm/PTSONlineWeb/ptsquery.jsp>. Note that the TAJ's system is being updated to reflect reduced rates announced on April 11, 2017)

3. Challenges To Valuations

These must be made to the commissioner of land valuations within 60 days of service of notice of the valuation.

The forms to use can be found at tax offices or National Land Agency (NLA) offices islandwide.

Valid reasons for objections to valuations, according to the NLA:

- That the value assessed is too high or too low. Please note that objections may not be made on grounds such as 'the tax is too high'. Objections may be made only to the amount at which your land has been valued, not to the taxes due. So first, ask yourself whether the valuation of the land is fair, based on the market value prevailing at the valuation date, and if the answer is 'yes', then you have no reason to object on the grounds that the value is too high or low;
- That lands which should be included in one valuation have been valued separately;
- That lands which should be valued separately have been included in one valuation;
- That the person(s) named in the notice is/are not the owner(s) of the land.
- If your objection is to the value assessed, you may also submit a Declaration of Value indicating the amount for which, in your opinion, the land should be valued.

Even if you file a Declaration of Value, you must pay land tax on 75 per cent of the valuation as assessed by the commissioner of land valuations; or the valuation declared by you, whichever is the greater

4. Has The Basis For Agricultural D-Rating Changed?

There's been no change. The D-rating is for property being used primarily for agriculture. Owners can apply to the secretary, Land Taxation Relief Board, to get up to 50 per cent relief off their obligations. Forms can be found at NLA and tax offices or on the TAJ's website

5. Are There Changes In Payment Plans?

No change. Owners have the right to pay in instalments (quarterly, half-yearly or in full). Quarterly by end of April, July, October or January. Half-yearly deadlines are by end of July and by end of January. The yearly deadline is by end April.

6. Any Penalty For This 2017-2018 Financial Year?

No penalties will be applied once amounts are paid within the fiscal year.

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For additional information on the property tax structure, use the TAJ's property tax portal:
<https://www.jamaicatax.gov.jm/web/guest/property-tax-hub1>

KPMG recommends recalculating property taxes

KPMG Jamaica has advised its clients to recalculate property tax assessments in order to avoid overpaying.

It comes as the Government announced an adjustment to the property taxes last week.

"When you get your property tax assessment, do a recalculation," said Norman Rainford, head of tax at KPMG Jamaica, while citing one instance where an assessment for \$20,000 was reduced to \$14,000 after recomputing the information.

"Sometimes we just get it and pay - but I strongly suggest looking through the tables and recomputing," Rainford said during a Post-Budget Breakfast Forum hosted by KPMG in Kingston last Thursday.

Last Tuesday, Minister of Finance Audley Shaw announced that the Government would introduce a progressive tax regime above the flat rate for property taxes, with eight bands ranging from 0.5 per cent to 0.9 per cent.

The new rates were a reduction from the initial tax rates announced in March that ranged from 0.8 per cent to a high of 1.3 per cent of the land value. The flat rate of \$1,000 will remain on all properties with a value of up to \$400,000.

Yanique Jolly-Stone, tax manager and in-house counsel at KPMG Jamaica, indicated that property owners who are in disagreement with their assessment can object on specific grounds, including evidencing that the value assessed is too high or too low; the lands set for one valuation was valued separately; or the person named in the notice is not the owner of the land.

She added that persons can apply for discretionary relief on grounds of the use of the land, or second, the status of the owner being a pensioner, elderly, widower, physically challenged or other reason.

"We are hearing that the commercial sector, on average, will see property tax increases ranging between 200 to 600 per cent," Jolly-Stone said at the forum.

Those increases are well above Shaw's estimate. The minister has said that with the new rates, the average increase for commercial properties was around 58 per cent while residential properties would rise by roughly 10 per cent, relative to the property taxes paid last year.

A land valuation exercise was completed by the Commissioner of Land Valuations in 2013, which resulted in a "significant increase" in the unimproved value of all real estate located in Jamaica, KPMG indicated, adding that these new unimproved values form the basis for the assessment of property taxes.

Government plans to raise \$13.5 billion in new tax measures for the 2017-18 fiscal year, funds needed to help finance the increase in the income tax threshold to \$1.5 million. It aims to collect \$488.6 billion in taxes, overall

Mr Shaw's Property Tax Conundrum

The Government's decision to modify an unpopular property tax regime will extinguish many of the flames of anger and outrage that have been fanned because of an unprecedented rise in rates that, in some cases, topped 1,500 per cent.

Audley Shaw, the finance minister, has wound himself into knots in his attempt to fulfil an ill-conceived vote-catching scheme to raise the income tax threshold to \$1.5 million. The gig worked as that pre-election promise gave the Jamaica Labour Party momentum to pip the then ruling People's National Party in the February 2016 polls.

Andrew Holness had been warned that this would have thrown the Budget off kilter and resulted in more than \$30 billion in new taxes. But he allowed the wisdom of economic spin twins Aubyn Hill and Fayval Williams to prevail upon him. Reality sobered them up to phase in that \$1.5m tax-relief plan.

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As it stands, Mr Shaw still faces two major problems. His original property tax framework aimed at raking in an extra \$4 billion in the Government's bid to plug the Budget gap. With the realignment announced in Parliament on Tuesday, Tax Administration Jamaica will pull in a mere \$2 billion, half the intended amount.

Mr Shaw is now trying to convince us that the rise in disposable income eventuated by the adjustment in the income tax threshold will spark a consumption binge by the public. This was the same naïve reasoning that Aubyn Hill and Fayval Williams gave to Mr Shaw in Opposition as they crafted, and eventually implemented, this irresponsible plan. What's scarier now is that Mr Hill is an economic adviser to Mr Shaw, and Ms Williams is his state minister in the finance ministry.

It didn't work before, Mr Shaw, and that pie-in-the-sky hope won't work now. It is not inconceivable that the Government may have to come, tax hatchet in hand, later in the fiscal year to close the deficit or hack away at the budgets of other ministries to save face.

The other debacle facing Mr Holness' Government is similar to the one that influenced the administration to recalibrate its revenue strategy from direct to indirect taxation. The fact of the matter is that too few people are paying taxes.

As it regards property tax, 43 per cent of land owners are delinquents. That means that 57 per cent of property owners unfairly bear the burden of funding road maintenance, the servicing of street lights, and garbage collection. But everyone benefits - though marginally - because many roads are in disrepair, hundreds of street lights do not work properly, and garbage collection is unpredictable.

Mr Shaw's immediate challenge is to keep current property tax payers loyal lest they join the ranks of delinquency. Should that cohort swell, the tax-juggling act will become even more fraught. He can best achieve this by getting tough on those who ignore their property tax obligations with impunity, thus becoming a burden to the State.

The finance ministry must deploy more tax agents to knock on doors and hunt down delinquents. Perhaps a framework of granting commission, not dissimilar to that practised in the insurance and sales industries, to those agents who convert delinquents into tax roll disciples would pay off. Other more aggressive measures, including the acquisition of land, and or tying state-dependent transactions to property tax compliance, may have to be among the strategies.

Property tax debate to await Cabinet subcommittee report

THE Government announced last night that a special property tax subcommittee of the Cabinet has been formed to assess and evaluate concerns related to the new rate adjustments which became effective on Saturday, April 1.

The Jamaica Observer understands that with the setting up of the subcommittee two pieces of legislation related to the changes in the tax rates which were scheduled to be debated today in the House of Representatives will be postponed, pending tomorrow's report from the committee.

In a release last night, Minister of Education, Youth and Information Senator Ruel Reid stated that:

"In light of the concerns from property owners regarding new property tax rates, Cabinet has appointed a special subcommittee to assess and evaluate the concerns."

The minister's release added that the subcommittee is to report to cabinet with its findings for its consideration by tomorrow, Wednesday, April 5.

However, there was no reference in that release to the two Bills related to the property tax order made in March by Minister of Finance and the Public Service Audley Shaw which were listed in the schedule of events for today's sitting of the House of Representatives.

According to the schedule the two Bills are "An Act to Amend the Property Tax Act", and "An Act to amend the Land Valuation Act".

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The Property Tax Amendment Act includes provision for: (1) expansion of methods and hours for service of documents under the Act; and, (2) incorporation into the Act of special powers for remission of property taxes in respect of destitute, elderly and disabled individuals and pensioners under the tax collection.

The Act to amend the Land Valuation Act is a companion measure to the Bill amending the Property Tax Act.

The Cabinet met until after eight o'clock last night on the issue, following which the statement from the information minister was released to the media.

Bowing to pressure - Government to review property tax regime a day before implementation

The Government has bowed to public pressure and has signalled that it will be reviewing what the Opposition People's National Party (PNP) has branded the "wicked" revised property tax system that is due to take effect tomorrow.

Information Minister Senator Ruel Reid told RJR in an interview yesterday that the Cabinet would be having another look at the system. "We are hearing, listening to the outcry, and as a caring administration and Cabinet, we are going to have a discussion on it. We will be communicating back to the public one way or the other in terms of what reflections we have made."

The Jamaica Hotel and Tourist Association has argued that property owners in that sector would be worse off from the revised system. It's why the Government, Reid added, wants to see "how we can work with that group to make sure that for those who really are distressed, there are ameliorative measures that could be applied to make the situation far more manageable".

He did not say whether the Cabinet discussions would involve any consideration of a rollback.

Under the revised structure, new valuations that were settled on in 2013 under the then PNP administration will replace the one currently in place since 2002. The majority of property owners (65 per cent) will face various degrees of increases. The International Monetary Fund has been pushing Jamaica to implement the new system to get rid of the current "distortive" one.

In a statement yesterday, Opposition Spokesman on Environment and Land Senator Sophia Frazer Binns maintained the party's call for a rollback, saying: "To increase property tax at this rate, at a time when so many persons are already overburdened with other taxes, is wicked, immoral, unjust, and borders on being inhumane. Indeed, it runs against the philosophy of prosperity."

Meanwhile, pointing to a survey it did among its members, the Jamaica Manufacturers' Association said that businesses and citizens "require adequate time to adjust to the changes". The group said that based on the survey, the new property tax regime "would impact property owners with increases ranging from 25 per cent to more than 600 per cent". It also said that there are large variations in rates to be paid on similar properties by different owners.

Attorney General Marlene Malahoo Forte said that part of the problem relating to the implementation is linked to state agencies not doing their jobs. She raised that issue after questioning on Twitter, yesterday, the reason why land valuations were not updated in 2007 when re-evaluation is to be done every five years. She noted that new land valuation law would require yearly adjustments.

The issue has dominated public discourse even with attempts at reassurance by the finance minister, Audley Shaw.

He has said that the adjustments satisfy the criteria of Government's broader tax reform objective of lowering and unifying the rates, as well as broadening the taxable base.

He also noted that property owners can challenge the rates while pensioners, golden-agers, and the disabled have been allowed access to a special discretionary relief package.

Commissioner Of Lands Defends Valuation Process

Commissioner of Land Valuation Eric Allen yesterday defended the work of his agency in assigning property values to the estimated 835,000 lots across the country.

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Finance and Public Service Minister Audley Shaw, who announced the changes in property values recently, has subsequently advised landowners that they can lodge an objection with the commissioner of land valuations if they believe the valuations are too high.

However, Allen, in a Hotline interview with Radio Jamaica's Emily Crooks, gave the assurance that his department had carried out its job accurately. "In the majority of instances, we are confident that we got the valuations correct," Allen declared, noting that the agency was still open to objections from property owners.

He pointed out that the average increase in properties over the period 2002 to 2013 was in the region of 250 per cent. However, he noted that in some instances, there were significant percentage increases in the value of properties across the country.

The commissioner of land valuation explained that some areas in St Elizabeth have seen significant increases in the value of properties owing to an increasing number of returning residents acquiring lands and settling in those communities. In addition, Allen said lands that were previously used for agricultural purposes are now being converted to resort development and residential use.

Shocking Increase

At the same time, Minister Without Portfolio in the Ministry of Finance Faval Williams has conceded that the increase some Jamaicans will have to pay for property taxes has had a shocking effect on them. "The implementation of the tax could have been communicated better," she said.

"We agree that the difference in the tax liability for many persons has come as a shock and we are getting the feedback as well, so we have to stand up and acknowledge that," she said.

On Thursday, Minister of Information Ruel Reid told RJR, in an interview, that the Cabinet would be having another look at the property tax regime.

Greater Equity for Strata Owners under New Property Tax Regime

Strata property owners will benefit significantly from the new property tax regime when it takes effect on April 1.

A new methodology for property tax assessment will be applied to strata properties that will allow owners to pay tax for the value of their individual units rather than the entire strata as was the case previously.

Chief Corporate Communications Officer at Tax Administration Jamaica (TAJ), Meris Haughton, speaking at a JIS Think Tank on Thursday (March 30) said the new methodology will bring equity to the system.

She explained that under the old method, "if there are 10 units on a strata property and (it) is valued at \$100 million, what would happen is that the entire property would fall into the value band of \$100 million. The property tax would be assessed on that (figure) and then they would get their individual share of that property tax, but you would understand that with the tax rate being different for different value bands then they would be required to pay a higher amount," she explained.

"You would have had a neighbouring town house, for example; the value for that is \$10 million, but with the strata that is next door they would have been paying tax on a \$100 million value even though their individual value is \$10 million," Miss Haughton further explained.

However, as of the new fiscal year the value of individual units will determine the value band in which the property will fall.

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Miss Haughton said that property owners will receive their assessments by the end of April as the TAJ works to configure its system to accommodate the change.

With the new property tax regime the value bands have been expanded from the previous three to nine.

The ranges are as follows:

- for the first \$400,000.00 there is a \$1,000.00 (flat rate);
- for the next \$400,000.00, 0.80%;
- for the next \$700,000.00, 0.85%;
- for the next \$1,500,000.00, 0.90%;
- for the next \$1,500,000.00, 1.05%;
- for the next \$2,500,000.00, 1.10%;
- for the next \$5,000,000.00, 1.15%;
- for the next \$18,000,000.00, 1.25%;
- and for every dollar, thereafter, 1.30%.

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