



# JAMAICA - March 2017

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## **MOST LANDOWNERS TO PAY MORE FOR PROPERTY TAX COME APRIL 1**

Finance Minister Audley Shaw is admitting that property taxes are going up for the majority of landowners.

In an emailed statement to Nationwide News this morning, Minister Shaw says 65-percent of property owners will experience an increase, with some larger than others.

The admission comes as several property owners have been complaining on social media about dramatic increases in their property tax due on April 1.

Some increases are as high as 1000-percent!

In announcing the measure on March 9 while opening of the budget debate, Minister Shaw said property taxes would come down for over 200,000 people.

He said another 61,000 people will see no change in their property tax.

However, some 504,000 property owners will now be facing higher taxes. The new rate is based on an updated valuation of properties.

The government had previously been calculating property tax based on the 2002 value of the property. They're now using the 2013 value.

Minister Shaw says property values have escalated sharply in the past 15 years.

Meanwhile, Minister Shaw says property owners may launch an objection with the National Land Agency, NLA, if they believe the new valuation is too high.

You'll have sixty days to launch that objection with the Commissioner of Land Valuations at the NLA.

Some persons can also apply to Tax Administration Jamaica, TAJ, for tax relief.

TAJ's Director of Communications, Meris Haughton, says pensioners and people with disabilities may qualify for hardship relief.

## **International Property Tax Institute**

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Lands used for agriculture are also eligible for a 50-percent discount on property tax.

The tax authorities say there are other categories under which you may apply for tax relief or object to your property valuation.

For example, you may apply for statutory relief if the value of your residence is inflated because it's located in a commercial area.

People who're unemployed may also be eligible for special discretionary relief.

And businesses may also get a 25-percent discount on their income tax, based on the amount of property tax they pay.

### TAJ outlines new property tax regime

Tax Administration Jamaica (TAJ) is advising landowners that the new property tax regime, recently announced by the Government, takes effect on April 1, which coincides with the property tax due date for fiscal year 2017-18.

As a result of the reform of the property tax system, the number of value bands has been expanded to nine, with reduced tax rates ranging from a flat rate of \$1,000 on properties valued at \$400,000 or less, up to high of 1.3 per cent on properties valued over \$30,000,000.

According to a TAJ release this morning, the lowered rates are being applied against 2013 property valuations and will also now apply on a graduating scale allowing property owners to benefit from the rate applicable to each preceding value band.

The ranges are as follows:

for the first \$400,000.00	...	...	\$1,000.00
for the next \$400,000.00	...	...	0.80 per cent
for the next \$700,000.00	...	...	0.85 per cent
for the next \$1,500,000.00	...	...	0.90 per cent
for the next \$1,500,000.00	...	...	1.05 per cent
for the next \$2,500,000.00	...	...	1.10 per cent
for the next \$5,000,000.00	...	...	1.15 per cent
for the next \$18,000,000.00	...	...	1.25 per cent
for every dollar thereafter	...	...	1.30 per cent

Based on the adjustments, more than 272, 000 property owners will benefit from a reduction in property tax assessed, or experience no change in the amount charged in 2016, while others will see increases of varying percentages.

TAJ said there are mechanisms in place by which people may object to their property valuation or to seek relief from property tax, where special circumstances apply.

Property owners may serve a Notice of Objection to the Commissioner of Land Valuation in respect of their valuation. Individuals may also apply for a special discretionary relief based on hardship; for statutory relief where the potential use of the land differs from its current use; or for agricultural de-rating in respect of agricultural lands, TAJ explained.

The tax authority also reminded that property tax payments may be made in half-yearly instalments on April 1 and October 1 or in quarterly instalments April 1, July 1, October 1, and January 1.

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However, payments in full, or any instalment, should be made by the end of the calendar month in which the amount is due.

Property owners are also advised that they may also consider making the payments on a monthly basis. It should be noted however that periodic payments do not apply to the flat rate charge of \$1,000, which should be paid in full by April 30.

TAJ said it has several channels of payment available to facilitate payments.

Payments may be made online via the Tax Portal [www.jamaicatax.gov.jm](http://www.jamaicatax.gov.jm); at any of the 29 tax offices island wide; at announced out-stations during the month of April to June; and via two recently commissioned Mobile Tax Collection Units, operated on a scheduled basis in partnership with the Ministry of Local Government and Community Development.

For added convenience, during the month of April, in addition to the Portmore Tax Office, several of TAJ's offices will be open to the public on Saturdays from 10:00am to 4:00pm.

### **JHTA calls for members to withhold property tax**

*THE Jamaica Hotel and Tourist Association (JHTA) is fuming at the levels of increases in property taxes being imposed on hotels, and has called on stakeholders to withhold payments until there is consultation with the Government.*

Minister of Finance Audley Shaw announced in the 2017/18 Budget Debate in the House of Representatives on March 9 that a new property tax regime will take effect on April 1, when property tax liabilities will be based on the adoption of the 2013 valuation roll.

"A valuation was done in 2013 and property taxes have not been adjusted since then to take account of that valuation. The last adjustment that was done took into account the 2002 valuations. The 2013 valuation is what we are working on," he explained.

Additional revenues from the adjustment in property tax rates are expected to yield another \$3.93 billion for the Government, in addition to its \$13.5 billion revenue package. Shaw stressed last week that the revenue from property taxes should not be lumped with the general revenue package, as property taxes go towards fulfilling Government's obligations at the local government level.

According to the JHTA, hotels across the island are being asked to pay as much as 980 per cent in increases.

"We think that's ludicrous, it is gouging ... and what is unfathomable about it is that there has been no dialogue. Nobody knows the computation of these formulae that were used to calculate them. We need to know how it is computed. I'm appealing to all members of the hotel association, all tourism operators, do not pay this tax until we can have some consultation. We want them to at least explain to us how they are justifying the increase. The range of increase is far too varied," Omar Robinson, president of the JHTA, insisted at a press conference held by the association at its headquarters in Kingston on Friday.

"Our operating costs are increasing. We can't go to our tour operators and increase our rates. We set rates a year or two in advance and most of the time, even the rates that we have agreed on, based on what is happening in the industry, we can't even get those rates – we have to go back and discount," Robinson lamented. He urged the Government to improve its efficiencies by removing bureaucracy in order to earn more.

The association has also taken issue with the additional increases in the special consumption tax (SCT) on alcohol, reminding that the industry had agreed to support the Government's initiative of one national SCT rate on alcohol, having had its previous preferential SCT eroded.

Robinson also warned that the sector expected a sharp increase in electricity bills as a result of the increase in the SCT on fuel.

"These increases will be done via the fuel factor on the bills, which doesn't need the approval of the OUR (Office of Utilities Regulation). The effect of the gas tax and increased vehicle-licensing fees will negatively impact our transportation providers," the JHTA head argued. He noted that transportation operators have already negotiated contracts up to 2018 with tour operators, with no room for adjustments.

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The JHTA is also upset about the Government's plans to divert funds from the tax on airline tickets originating outside of Jamaica and cruise passenger arrivals, intended for the Tourism Enhancement Fund, to central government. There are fears that the funds will not readily be available for the sector.

"We all know that once funds go into the Consolidated Fund, it will be used for other purposes. We are very concerned and disappointed that, as important stakeholders, we were not part of any consultation with Government on the proposed changes. We strongly oppose any co-mingling of this fund into the Consolidated Fund," Robinson stated.

The JHTA has written a stern letter to the finance minister requesting a meeting on the matter, making it clear that, "The JHTA cannot stand by and see this important fund dismantled by what seems to be an ill-conceived intent to garnish funds for use in areas that will not be for the growth and benefit of the tourism industry."

### **New Property Tax Regime April 1**

Minister of Finance and the Public Service, Hon. Audley Shaw, has announced that a new property tax regime will be adopted starting April 1.

Opening the 2017/18 Budget Debate in the House of Representatives on March 9, Mr. Shaw informed that as of April 1, property tax liabilities will be based on the adoption of the 2013 valuation roll.

"In other words, a valuation was done in 2013 and property taxes have not been adjusted since then to take account of that valuation. The last adjustment that was done, took into account the 2002 valuations. The 2013 valuation is what we are working on," he said.

He added that consistent with the Government's broader goal of reducing tax rates, the property tax rates will be reduced from the range of 1.5 per cent to two per cent, to a range of 0.8 per cent to 1.3 per cent.

"While we reduce the rate, we will be broadening the taxable base by increasing the number of bands from three to nine bands. Under the new regime, 27.1 per cent or 210,512 property owners will actually be paying less property taxes. This is a significant giveback and is consistent with this Government's principle of only taxing where the taxpayer can afford it," Mr. Shaw said.

He added that under the new regime, approximately eight per cent or 61,835 property owners will see no change in their property-tax liability.

"In other words, 272,000 people will either see no change or will have a lower tax rate," he noted.

The Minister also informed that persons will only pay a flat fee of \$1,000 for those properties that are valued at \$400,000.

Meanwhile, Mr. Shaw said the Government remains cognisant of the need to ensure that the payment of taxes is based on the ability of persons to pay.

He pointed out that special legal provisions are being made for persons who are physically and economically challenged, including the elderly and pensioners.

He noted that the relevant legislation is being amended to provide for rule-based special discretionary relief for these vulnerable groups.

"Taxpayers who are faced with difficulties in meeting their tax obligations will also be able to make use of the opportunities to pay the property tax monthly, quarterly, semi-annually or annually, without the requisite penalty being applied," Mr. Shaw advised.

He added that an additional \$3.9 billion will come from the revised property tax system, which will see the total gross revenues from property tax move from just under \$5 billion to \$8.62 billion

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### Over 272,000 to benefit from reduced property taxes

Come April 1, the property tax rate is to be reduced to 0.8 per cent with a cap at 1.3 per cent down from the current range of 1.5 per cent to two per cent.

According to Finance Minister Audley Shaw, the reduced rate will see over 272, 000 property owners benefitting from a reduction in taxes, or experience no change in the amount charged in 2016.

Shaw, who was speaking in Parliament today, said that this move is consistent with the government's thrust to create a more equitable and modern tax system which will benefit a wide cross section of Jamaicans.

A release from the ministry stated that the government has also taken steps to ramp up compliance with the introduction of a specially assigned team to collect outstanding property taxes from corporate entities and private citizens.

"In addition to recently rolling out mobile property tax units, which will be deployed in communities starting with those areas that have the lowest level of compliance, consideration is also being given to link the payment of property taxes to the issuance of a Tax Compliance Certificate. Currently the compliance rate is a mere 51 per cent with \$13.8 billion in property tax arrears," the release said.

It was also noted that increased compliance of property tax will allow the municipal corporations to provide street lighting, solid waste removal, and municipal road rehabilitation, among other social services at the level of a community.

Strata Corporations will also see a significant reduction in property tax liabilities under the new property tax regime, with the application of a Special Tax Treatment, which is based on the Unit Entitlement basis. Under the old system residents within Strata managed complexes would be required to pay based on the total property tax payable for the entire floor space of the complex. The Special tax Treatment is expected to come in effect sometime in May of the new fiscal year. Owners of Strata properties will therefore see a delay in their assessment for the 2017-18 fiscal year.

Property taxes were last revised in 2013 and the revaluation of properties was completed in September of the same year. Special consideration will also be given to those residences that are situated in communities that have been industrialised over time, once proof of dwelling for residential purpose is verified.

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