



TRINIDAD AND TOBAGO – March 2017

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Evaluations to begin for implementation of property tax

Government is in the final stages of rolling out the property tax regime.

Notices of assessment are expected to be sent out in about two weeks' time to the owners and occupiers of properties.

Speaking at the Post Cabinet media briefing on Thursday Finance Minister Colm Imbert said this is the first step in initiating the collection of property tax, which will be carried out in accordance with the Property Tax Act.

Based on the annual rental value of a property, Imbert said this should not be confused with the property's capital value.

"I have seen on numerous occasions, this error being made, where persons take the actual capital value of a property...and multiply that value by three percent, which is the figure in the legislation and then arrive at a notional property tax and scare everybody."

"The tax is based on the rental value, so that after the annual rental value is determined based on a formula, and based on reasonableness as well."

"So if you take a typical property renting for \$5000 a month, the annual rental value would be \$60,000. That is then reduced by 10 percent...so then it would be reduced to \$54,000 and then you multiply that by three percent and you would get a little over \$1500 per year...So that works out at maybe \$120 to \$130 per month for a typical house."

Due to the enormity of the task in ensuring that each property is evaluated, the Evaluation Division of the Finance Ministry will hire 248 new staff to complete the exercise. The Minister said advertisements are now closed, with over 2000 applications for those positions having already been received.

Asked about the timeframe within which the property tax would be operationalised, Imbert gave a hopeful estimate of 12 months for each property to be recorded.

The Minister said information on the implementation and application of the property tax would be disseminated to the public in the coming months.

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Property tax to raise \$500 million

Approximately 400,000 households in T&T, expected to begin paying property taxes this year, will raise around \$500 million in revenue for the Government.

This, according to the Estimates of Revenue available on the ministry of finance website.

At a post-cabinet press conference this week, Finance Minister Colm Imbert announced that notice of assessment of properties for collection of the Property Tax will be posted or hand-delivered to owners and occupiers within the next week or two.

The issuing of notice of assessments will be the first step towards collection of the property tax which was announced in the Government's first (2016) budget.

It was not collected that year, but was re-stated in the 2017 budget for collection starting this year.

In response to questions sent to the Ministry of Finance, the communications unit said the Valuation Division at the ministry has commenced the necessary preparations and Valuation Return Forms will be made available to residential property owners first.

The ministry said the hiring process for the 248 job vacancies had also started and should be completed soon, adding that not all 248 of those hired will be field staff.

The 248 people would be hired on a three-year contract, though ministry officials did not give an estimated cost for the labour component of property tax collection.

Forms are expected to be mailed to property owners, as well as they will be available at the Valuation Division Offices and via the ministry's website.

Opposition members have raised concerns over implementing the tax during an already uncertain financial period for citizens, with MP Bhoë Tewarie asking why the property tax was being implemented during this tough economic period.

In Parliament Friday, Tewarie said "T&T's 600,000 workers have become the working poor, the middle class is under real strain...given all the circumstances being faced today, is this the most opportune time to institute this additional tax?"

According to economist Roger Hosein, Government had lost about \$80 million per year in property taxes since the decision was taken by the People's Partnership coalition in 2010 to suspend the collection of the tax.

Hosein had said then, using Central Bank figures, if we compared what existed today with the 2006-2007 fiscal year, we were losing about \$80 million a year in property tax.

- In fiscal year 2008, the revenue generated from property tax was 92.9 million.
- In fiscal 2007, the revenue generated from the property tax was 102.5 million.

In an interview this week, when asked about the disparity between his then estimate of \$80 million and the Government's figure of \$500 million, Hosein said the figures never really crossed 80 to 100 million "The minister is probably going to update the registry of houses and collect tax from that expanded registry," said Hosein.

He said the estimate of 400,000 seemed like a reasonable estimate based on the current population figure.

Calculating the rate of tax

The 2009 Property Tax Act makes it the responsibility of the Board of Inland Revenue to prepare a roll of all lands liable for taxation under the act, the valuation of which is to be done by the Commissioner of Valuations. According to section 11 of the Act: The tax payable on land shall, in respect of the annual taxable value of the land, be based on the percentages set out in Schedule I."

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Schedule I makes it clear that the rate of tax on a residential property is three per cent, on commercial property is five per cent, industrial property is six and three per cent, while agricultural property is one per cent.

In an explanation of how the tax would work, following concerns in 2016, Imbert had said that using the existing law, the tax on a \$1 million property would be about \$1,500 a year.

Imbert had then pointed out a frequent mistake that people were making, which he said was that the Property Tax, as presently configured, was based on rental values not capital values.

He said a \$1 million apartment or house, for example, would rent for about \$4,500 per month, or \$54,000 a year. The annual taxable value (ATV) is calculated by deducting ten per cent for voids, resulting in a taxable value of \$48,600.

The rate of three per cent for residential properties is then applied to this, resulting in an annual Property Tax of \$1,458 and this is using the existing formula, which we intend to revisit.

The act also allows for property owners to query assessment values.

At section 22, the act allows a property owner to object to assessments on grounds that include:

- that the annual rental value of any land appearing in the Valuation Roll is incorrect or unfair having regard to other annual rental values therein;
- that land should not have been included in the Valuation Roll;
- that land omitted from the Valuation Roll should be included therein;
- the assessed tax is incorrect; and
- that the Valuation Roll is incorrect in some other material particular.

Govt getting ready for property tax

GOVERNMENT is moving forward to implement the property tax and will hire 248 people to staff the Valuation Division of the Finance Ministry to conduct assessments of properties.

Speaking at the post-Cabinet news conference at the Diplomatic Centre in St Ann's yesterday, Finance Minister Colm Imbert said the Ministry was in the final stages of rolling out the implementation of the property tax regime and within the next week or two, notices of assessment will be posted or delivered to owners and occupiers of properties throughout Trinidad and Tobago in accordance with the Property Tax Act.

Imbert said it was expected that every property in the country will be on the books.

He said there was a process to file an appeal and pose a challenge if the property owner was not satisfied with the valuation. However, he said Government could not do anything with respect to landlords who may move to increase rents.

Surveyor body launches Property Tax position paper

Nobody seems to know what exactly is government's next move with property tax. But this isn't preventing the Institute of Surveyors of Trinidad and Tobago (IST) from making its views known.

The institute launched its position paper on the issue on Tuesday, and in a time of waning energy earnings their approach is that the tax's reintroduction is inevitable.

"Property tax is coming, there is no doubt about it," Dr Sunil Laloo, the body's assistant secretary told Business Day. "We would like to suggest the best way forward."

One of the institute's proposals is that government could be more communicative about its plans for the roll out of the tax. Laloo said that as one of the bodies best poised to advise on property issues in the country, the IST was in the dark about how government planned to implement the tax.

He said this lack of clarification extended to the public, whom the government should be educating about the tax, particularly since no one has had to pay the tax since 2009.

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“We want to see education drives for the public, so that the public is kept up to date,” said Lalloo. Part of this would be to re-orient how people see the tax. The IST assistant secretary said the tax’s image was not helped by the People Partnership’s ‘Axe the Tax’ campaign and that the public was likely to view it as an additional burden, especially if the rate they were previously paying increased.

He told Business Day, however, that if people saw property tax revenues at work in their communities, they were less likely to view the tax negatively. This is why he said the IST was supporting use of property tax revenues in Local Government.

“The assumption we have had to make is that the revenue will just be going into the Consolidated Fund. This is will not have public buy in and people are not going to like if the money is just lumped into the public purse, with the government having ultimate discretion on what happens to it. We would strongly suggest that the revenues are not consolidated, but used specifically for local government and community development.

“If people in an area were paying \$50 and then they are asked to pay \$500, it is reasonable that they would expect to see improvements. They would want to see their roads paved faster, they would want to see better garbage collection. They would to see better water supply. If people know that they are going to get better service delivery then they will not have a problem paying,” said Lalloo.

Noting that the Finance Ministry’s valuation division had already started recruiting property assessors, Lalloo also expressed concerns about data collection and security.

“With the current crime situation, people have a lot of anxiety about people coming to their homes to collect information and do assessments. We want to know what security measures the government is going to put into place,” he said.

Beyond this, Lalloo told Business Day that the rates charged needed to be equitable and transparent to all.

“When they send out assessors, who collect information on the properties and property owners get a notice of assessment, our question is, will this be publicised. Will property owners be able to go online and see what they versus what others are required to pay?”

He illustrated: ““You are telling me to pay \$500 a year, but my neighbor is paying \$200 and their property is in much better condition than mine.”

Lalloo said people should be able to query their level of taxation as is done in other countries.

The IST assistant secretary said that the body is satisfied with the current taxation percentages of three percent for residential properties, five percent for commercial properties and one percent on agricultural lands. These are based on the Annual Rental Value of the properties involved, which remains relatively static, as opposed to the capital value of the properties, which tends to change with the market value of the properties

“In comparison to other jurisdictions, it is somewhat smaller than in other Caribbean countries, with the exception of Jamaica. We think it is reasonable,” said Lalloo.

The IST is also asking that the re-introduction of the tax be scaled so that the public does not feel it all at once in the pocket. They also want concessions for senior citizens.

In the current government’s first budget in September 2016, it was announced that there would be a return of property tax in January 2017. However, this was delayed as it was realised that several properties throughout the country were not on the Ministry of Finance’s assessor’s roll and full collection of the tax has been halted until this exercise is complete, with property tax being implemented at a flat rate of three percent.

The assessment exercise is expected to be completed this year.

In last year’s budget statement, government said it expected to collect \$503 million in revenues from the reintroduced property tax.

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Business Day attempted to reach Finance Minister Colm Imbert for an update on how the property tax would be implemented, but up to press time, was unable to do so.

Dr Sunil Laloo, Chartered Valuation Surveyor and Assistant Secretary, Institute of Surveyors of Trinidad and Tobago delivers his presentation at the Institute's launch of its Position Paper on Property Tax.

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