



BAHAMAS - February 2018

'DON'T BULLY' TAX DEPARTMENT..... 1

'Don't bully' Tax Department

THE Deputy Prime Minister has pledged to review the property tax valuation system's accuracy, while warning Bahamians and residents: "Don't bully the taxman."

K P Turnquest told Tribune Business that aggrieved taxpayers needed to use the appeals process available to them, instead of seeking to pressure the Department of Inland Revenue by running to politicians or the media with their grievances.

Responding to complaints of "crazy" real property tax valuations and billings on Abaco and Exuma, with some increasing by as much as eight-fold, Mr Turnquest warned taxpayers that "we get ourselves into trouble" by asking politicians to intervene on their behalf and bypass the system.

He reiterated that the Government had an obligation to collect what was due to the Public Treasury without imposing an unfair burden on property owners, and said it was "not our intention" to cause shocks to the system. And, as a result of recent complaints, Mr Turnquest promised that the Government would examine the 'fairness' of its real property tax valuation methods to ensure equity for all concerned.

He conceded that the valuation system was still "catching up" with changing market conditions, citing Abaco and Exuma as two islands in particular where market values had increased in recent years.

"Both of those areas, interestingly enough, have increased significantly in value, as they all do," Mr Turnquest told Tribune Business. "What we are finding here is that the system is kind of catching up.

"We are going to have to look at that to ensure we don't cause significant shocks to the entire system. It's not our intent. By the same token, we have an obligation to collect taxes due to the Government.

"We are going to look at the entire system to make sure the valuation methodology is fair to all concerned, and up to date. At the end of the day, nobody wants to pay more taxes than they have to, and nor should they have to. But we have the responsibility to collect taxes that are due in as fair and objective a manner as we possibly can."

Exuma became the latest island to complain about real property tax billings, with realtors on the island last week warning that increases up to eight times' greater than market value were threatening to "kill" the island's second home economy.

Collingwood 'Woody' Turnquest, an Exuma-based broker with Coldwell Banker Lightbourn Realty, told Tribune Business: "Just this week, in the last five days, I had two incidents. One of the properties was an inland lot worth a maximum of \$10,000, but real property tax assessed it at \$82,000-plus.

"Another lot I'm selling, I had it listed at \$30,000, and they assessed it at \$137,000. That pushes it up to the 10 per cent Stamp Tax bracket, and when you put 10 per cent on \$137,000, that's almost \$14,000.

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"When the guy who's going to sell it has to pay my commission, almost \$14,000 in Stamp Tax and legal fees, to him it's almost worth nothing. He's not going to sell it. By bumping the assessed value above \$100,000, the Stamp Tax rate goes from 2.5 per cent to 10 per cent, and that blows the deal straight out of the water."

Mr Turnquest, though, urged aggrieved taxpayers to use the established appeals process to challenge any tax billings and/or valuations they believe unfair. That, in the first instance, involves hiring an appraiser to assess the property's value, then supplying a copy of that report to the Department of Inland Revenue to challenge its valuation.

Should the Department prove unyielding, the Deputy Prime Minister said taxpayers have further recourse to the Tax Tribunal and, should they still not be satisfied, to the Bahamian court system. He added that all matters were dealt with on a "case-by-case basis", and where valuations/billings were found to be incorrect the Department will make adjustments.

Mr Turnquest also warned Bahamian and resident taxpayers to cease the age-old practice of calling on their MPs, Cabinet ministers and others to intervene on their behalf when disputes erupted, since this threatened to undermine equity and confidence in the system.

"You can't expect to bully the Tax Department," he told Tribune Business. "Too often people believe they can go to the press and politicians to get them [the Department] to make adjustments.

"That's how we get ourselves in trouble. We want a fair tax system that is predictable. If there are questions, you ought to go to the Tax Department and resolve it with them. If you don't, there's no point to jump from zero to 100 and try and apply pressure.

"Again, this is a necessary part of your responsibility as a citizen, as a resident, so let's make sure we do it fairly and accurately. The Government certainly doesn't want to burden anyone unfairly. That's not our modus operandi."

Mr Turnquest said the Government wants a thriving second home market throughout the Bahamas, and was open to suggestions on how the business climate for the sector could be improved.

"We want a vibrant second home market," he added, "and to the extent that people want to make recommendations or representations as to how the second home market is taxed and operates, we're willing to listen."

Acknowledging complaints that the Department of Inland Revenue ignores taxpayer grievances, Mr Turnquest urged them to follow the process. "A lot of times people have this misconception that they can't complain, or complain that they're not being listened to," he added.

"To the extent they feel the Tax Department is not treating them fairly, they have a right to appeal it upwards through the system to the courts. Where they can't get a response, send a note to the Minister."

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