



## TRINIDAD AND TOBAGO – JUNE 2018

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### **Pundits talk property tax**

PUNDIT Satyanand Maharaj has asked the Ministry of Finance to provide the legal basis for property tax exemptions which would be granted to private places of worship.

This was one of the issues which was discussed at a meeting organised by Maharaj at the Chaguanas Borough Corporation auditorium on Tuesday evening.

The meeting was titled Reject the Temple Tax.

He said the tax would penalise the Hindu community for their physical expression of faith and wondered whether the next phase would be to tax their income as priests.

Maharaj said Finance Minister Colm Imbert telephoned him prior to the meeting and told him that private places of worship have traditionally been given a “nil” rental value by the valuation division.

“He was very gracious in calling and seeking to allay the fears.

“Now the minister assured me that would attract a value of ‘zero’. But, the valuation people said they are not cutting any corners – when they come to measure they will measure because it have something called ‘change of use’. So you may have something valued at one thing, but when the property is sold it could be used for a different purpose.

“So we asked the minister to bring clarity to the issue. Show us where it is written, give us a sense of peace so that we would be able to get on with our lives without having to worry about this tax too much.

“Unless we see it, as much as we would like to take the minister’s word for it, we still not in a position to do so. We want to see it in black and white, we want to see where it is written.”

Maharaj said the main place of prayer for Hindu families were their prayer rooms and not the temple.

“Our real place of prayer is our home, either it’s a room with our murtis, or we build a structure separate from the home which is referred to as a home temple or a home mandir and that is our real point of contention – that we should not be paying for that structure.”

He said Imbert had also expressed his willingness to meet with them to discuss the matter.

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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.

## Institute of Surveyors: President should consult ISTT when appointing valuation members of Valuation Tribunal

The Institute of Surveyors of TT (ISTT) says recent amendments to the Valuation of Land Act should have included guidance on the appointment of valuation members to the Valuation Tribunal, which will replace the Tax Appeal Board.

ISTT president-elect Sunil Laloo says, "Much in the same way that the chair is appointed on the advice of the JLSC (Judicial and Legal Service Commission), the valuation members ought to be appointed on the advice of the ISTT, which is the only local professional institution responsible for the validation of valuation surveying qualifications and experience."

In his June 6 statement, Laloo also criticised the decision to alter the definition of owner so that squatters too would have to pay property tax.

"This is, conceptually and practically, a bad idea. Despite the fact that paying the tax does not, in itself, create a legal entitlement to land, it would complicate an already contentious area of land disputes. Taxing a squatter on the basis of his/her occupation of a specific parcel of land is an acknowledgement by the state that that asset – the squatter's interest – is assessable for the purposes of taxation and therefore legitimate."

Laloo argued doing so would create a new grey area in the formal/informal divide of property rights. "Considering the constraints already faced in land administration, it would add a further layer of unwelcomed complexity. It should therefore be discouraged at all costs."

Another area of concern to ISTT is the lack of information on how government intends to determine the annual rental value (ARV).

"There has been no official word on the methodology that would be utilised by the State to assess ARV. The method that is generally used in the private sector is a direct rental comparable approach. In this method, the property to be assessed would be compared to other properties that are currently being rented on the market. Doing a direct comparable approach for every property in the country would no doubt be laborious. It is therefore anticipated that the State would employ a simpler method."

Laloo said although Computer-Aided Mass Appraisals (CAMA) is the modern approach to valuation for taxation purposes, "property in TT lack the level of homogeneity needed to make automated models like CAMA effective."

He argued that a tier-based system, which categorises property based on simple variables such as location, accommodation and size, with market-derived rental bands, would be the ideal approach for TT.

However Laloo expressed concern about the evidentiary basis of rental value.

"Unlike sales, most rental transactions are not registered. It is therefore unclear what would be the source of data used by the State to guide the methodology employed and whether that data source would stand to scrutiny if challenged. In a recent High Court Judgement (*Antoine v McKenzie*), expert testimony on rental value was disregarded due to the lack of comparable evidence," Laloo said.

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## Imbert: Organised political mischief against property tax

Finance Minister Colm Imbert is alleging there is “organised political mischief” against the property tax, but he is insisting that the average person will pay one hundred dollars a month and the minimum at the lowest end will be forty dollars a month.

Speaking at a political meeting in Barataria on Thursday night, Imbert made reference to a recent letter to the editor from someone by the name of Lystra Maharaj from Glencoe, who wrote that she had been visited by property tax assessors and was “alarmed by the information” requested.

But having “smelt a rat” Imbert said he questioned the officers at the Valuation Division and asked them to check the database.

“The number of records with the name Lystra Maharaj in Glencoe is zero,” he said.

In addition, Imbert said, he was assured by the division that no field inspections had been done in the Glencoe community.

“This is organised political interest. Why are they afraid of the property tax?” he asked.

Imbert said he had read a post on the UNC’s Facebook page where they worked out a scenario in which the head of a household earning \$6,000 a month, who had a mortgage of \$2500 would pay property tax of \$300 a month.

“They say the property tax will bust this person,” he said.

But he said anyone earning \$6,000 a month or under did not pay tax and he found it strange that a bank would approve a mortgage of \$2500 a month for someone working for \$6,000 per month..

Imbert said property tax was calculated on 3 per cent of the rental value of the property.

“In order to pay \$300 a month, your rent has to be \$12,000 a month, but they say the person earning \$6,000 they trying to frighten people,” he said.

He again assured that recipients of senior citizens’ pension or disability grants or food cards, or those whose total income was equal to or less than \$3500 did not have to pay property tax.

Imbert, who had earlier painted a positive picture of the economy, repeated his statement when he presented the mid term review that he could “see clearly now.”

Pointing to some of the positives, he said gas production had increased by 25 per cent to four billion cubic feet a day up from the previous three billion cubic feet a day from which the Government had expected to collect \$21.9 billion in taxes including VAT, personal income tax, corporation tax, business levy and royalty at the end of April.

“We ended up collecting \$23.2 billion, the first time I ever saw those kind of numbers,” he said.

Imbert said: “There are so-called economists who like to bad talk the Government. They don’t like these numbers because they like to say we incompetent.”

“Things are looking much better than we expected, but we not out of the woods yet. We still have a huge gap between revenue from taxes and expenditure,” he said.

It is for this reason he is hoping to raise \$4 billion from the National Investment Fund Company Limited, which will hold the assets recovered from Clico and CL Financial, which includes 26 per cent shareholding in Republic Bank and shares in Witco.

The NIF holdings also include the 23 per cent which the Government owns in One Caribbean Media Limited and Trinidad Generation Company (TGU).

Imbert said within the next month the NIF was going to offer bonds to the general public.

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The Finance Minister said the Government had decided to offer bonds for five, 12 and 20 years. The five-year bonds will carry a rate of four-and-a-half per cent, the 12-year, five-and-a-half per cent and the 20-year bonds will have an interest rate of six-and-a-half per cent.

Imbert encouraged persons to invest in the fund saying “those interest rates are guaranteed and there is an added benefit as the interest on the bonds will be tax free.”

The beauty of all of this, he said, was that the dividends from the companies would pay back for the bonds as they mature and people who invest will have the option to roll them over or cash them in when they mature.

He said the interest rate of four-and-a-half per cent for five years was guaranteed, but government wanted to make it more attractive, so it could be more.

“Imagine you getting a Government bond that earning four-and-a-half per cent guaranteed and you can sell the bond if you get into trouble,” he said.

Imbert said the assets in the NIF were over TT\$8 billion.

“So I can raise the bonds of four billion and the dividends from the extra four billion will go into a sinking fund to pay for the bond, and as the companies do better, the value of the companies will appreciate so we will have the money to pay back for the bonds,” he added.

He said the Government had been doing market research and talking to investors to see how they would respond the offering coming from the Government.

He said with the feedback received “this will be a winner.”

He said the monies earned from the issuance of the bonds would help balance the budget for 2018.

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