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LAND TAX RISES ‘WILL HIT COMMERCIAL SECTOR’ 1

Land tax rises ‘will hit commercial sector’

Increases to land tax announced in the Budget will mean greater burdens for a struggling sector, estate agents warned.

Property experts feared the changes outlined by Curtis Dickinson, the finance minister, were not enough to stimulate the ailing commercial market.

They also warned that rate reductions on homes at the lower end of the Annual Rental Value scale would do little to generate movement in the industry.

Mr Dickinson decided not to introduce new rental taxes on residential or commercial properties — an option included in the ministry’s Pre-Budget Report — but said \$85.4 million could be raised by land tax in 2019-20.

He explained on Friday: “In the 2018-19 Budget Statement, as a temporary measure, land tax rates on commercial properties were increased by 5 per cent, raising an additional \$15 million in land tax revenues.

“This provision will expire on June 30, 2019 and the legislation provides for the rates to revert back to 7 per cent.

“It is now proposed to increase land tax on commercial properties from 7 per cent to 9.5 per cent and land taxes on tourist properties from 7 per cent to 8 per cent.”

Buddy Rego, the president of Rego Sotheby’s International Realty, said: “We had some consultation with the Government prior to this Budget being released and I don’t think we were expecting the commercial land tax to go to the level that it is.

“They’ve reduced it from the 12 per cent that it was, which is all well and good, but from our personal perspective, we think that taxing commercial properties is not a prudent thing to do, given that the commercial property market is significantly depressed in any event.”

He added: “I think it’s still onerous on property owners to have tax increased to 9.5 per cent.”

Sallyann Smith, a managing director at The Property Group, echoed Mr Rego’s concerns.

She said: “We still have many commercial properties empty, not sure this is enough to help the situation.”

Mr Dickinson announced increased land taxes for owners of larger homes from April.

Properties with ARVs of more than \$120,000 will be hit with hikes of three percentage points but those with rental values between \$44,001 and \$120,000 face an increase of five percentage points.

Mid-range homes — those with an ARV of between \$22,001 and \$33,000, and \$33,001 and \$44,000 — will remain unchanged at a tax rate of 3.5 per cent and 6.5 per cent respectively.

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Homes with an ARV of up to \$11,000 will benefit from tax reductions from 0.8 per cent to zero, and those in the \$11,001 to \$22,000 bracket will also be zero rated, compared to a 1.8 per cent tax last year.

However, a base charge of \$300 will be applied to all properties.

Seniors will continue to get an exemption on homes with an ARV of \$45,000 or less.

The idea of a residential rental tax was met with resistance from some quarters when it was proposed last month and Mr Dickinson later confirmed it would not be included in his Budget.

He said on Friday: "Instead, the Government intends to increase land taxes."

Mr Rego claimed land tax appeared to be "an easy initiative" and said rates had already been increased to "significant levels" in earlier revisions.

He added: "Yes, it's better than taxing rent but it's still onerous in any event."

Ms Smith believed the reduction to lower-value homes "will make minimal impact on the lower-end properties".

She added: "ARVs of \$44,000 to \$90,000 are not necessarily large homes and we feel the increments should be lower."

Ms Smith also feared the upper-end increases "may put non-Bermudians off buying here and may also make current owners want to sell".

She pointed to Mr Dickinson's plan to raise stamp duty on all residential and commercial leases, which he said came after Pre-Budget consultation with the real estate division of the Chamber of Commerce, as an alternative income generator.

Ms Smith said: "I believe the extra stamp duty on rental leases, which Government have agreed to raise would be a better way to boost revenue especially as it is a shared expense between the vendor and the tenant, and a one-time payment.

"We don't feel that it would have any negative response, especially as it has not increased in years."

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