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House approves Land Tax change

Legislation which could see the Government raising an additional \$12.6 million in taxes was passed on Monday.

The Land Tax Amendment Act 2019, if passed by the Senate, will come into effect on July 1, 2019. This new legislation will see properties charged taxes based on the annual rental value.

Properties are classified into seven groups, called bands, and taxed accordingly.

All properties will be charged a base rate of \$300.

Units that are private dwellings with a valuation of over \$22,000 will pay the base rate of \$300 in addition to the yearly percentage tax for the band of property.

All properties under \$22,000 will pay only the base rate of \$300.

Wayne Furbert, the Junior Minister of Finance, said Bermudians who are 65 years and older who own and occupy a private dwelling are exempted from tax on the first \$45,400 of the annual rental value. He added: "The reality is to maintain Government service at a reasonable level and to avoid financial failure, the Government needs to increase revenue."

The new legislation also included increased tax on commercial properties from 7 to 9.5 per cent and on tourist properties from 7 per cent to 8 per cent.

Mr Furbert said: "The primary purpose of this Bill is to amend the land tax rates to ensure additional revenue to the Government so that Government can continue to do the work that the people elected us to do."

Patricia Gordon-Pamplin, the shadow health minister, said although it was the Government's responsibility to provide services, it was also duty-bound to cut costs.

She added that cuts in spending could be made without putting people out of jobs.

Ms Gordon-Pamplin warned that the cost increase on commercial owners could be passed on to tenants and the public.

She added that some of the increased taxes and fees appeared small, but it all added up and could put extra pressure on struggling Bermudians.

The Dental Practitioners Amendment Act 2019 was also passed on Monday.

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The Dental Practitioners Amendment Bill will require dentists to have indemnity insurance in order to register as a dental practitioner.

It will also give the Bermuda Dental Board power to impose additional registration requirements for some procedures when it thought it was needed to protect the health of patients.

Homeowners hit out at land tax rises

Homeowners hit out at changes to land taxes yesterday after revisions announced in the Budget meant people with the lowest value properties could pay more than three times their current rate.

A twice-yearly payment of \$44 will soar to \$150 for someone whose house has an annual rental value of \$11,000, according to the Government's online tariff calculator.

Tax rates for properties in the lowest two bands — with ARVs of up to \$22,000 — will drop to zero but the addition of a \$300 per year base rate signalled a hike in costs.

Val Sherwood explained: "I have a little cottage and I pay \$61.10 twice a year.

"The ARV is \$12,900, it's 500 square feet, a one-bedroom cottage, I rent it out.

"With this new base rate, I'm going to be paying \$150 every six months, so that works out at 2½ times the existing tax rate."

She added: "If I was just a single person living in that one little cottage, that is significant."

Ms Sherwood said she contacted the Government's land tax office but felt there was a "lack of clarity" and had the impression staff "hadn't been consulted a great deal".

Although she felt able to shoulder the extra cost, she feared others might struggle to find the money.

Ms Sherwood added: "I can understand doing something that's progressive, in terms of asking those who have more to pay more, but it's often not as simple as that."

She added: "I'm not sure that people are aware of the implications at all."

Curtis Dickinson, the Minister of Finance, said in his Budget Statement last week that land taxes for owners of larger homes would be increased.

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.

Land tax on properties with an annual rental value of up to \$11,000 will drop from 0.8 per cent to zero, but with a base charge of \$300.

Owners of homes in the \$11,001-22,000 bracket will also be zero rated, compared with a 1.8 per cent tax last year and will also have a base charge of \$300.

Seniors will continue to get an exemption on homes with an ARV of \$45,500 or less.

The Government's website stated the proposed rate changes to residential properties would be effective from July 1.

Another homeowner who contacted The Royal Gazette feared she and her husband would be stretched to meet the levy increase on their property, which has an ARV of \$64,000.

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According to the Government's online tax calculator, their half-yearly payments were \$1,893 but with the proposed rates the couple will be asked to fork out \$2,400 every six months.

The householder said: "We only have a certain amount of income a month on our pensions, which is not very much.

"It looks like we are going to have a huge increase.

"It just boggles the mind, how is anyone supposed to live on that?"

Sharon Cranfield and Loreen Emery, chairwomen of the Real Estate Division of the Bermuda Chamber of Commerce, said that the organisation understood the need for the new base rate of \$300 on all land tax properties as a revenue generator across the board and acknowledged the cost to government of providing basic services.

The women said: "We are pleased that senior exemption will remain on all properties with an ARV of \$45,500 or less — providing it is their primary home.

"However, we express concerns over the effect that the 5 per cent increase on properties between \$44,001 and \$120,000 will have on the economy and those already struggling with debt and mortgage payments."

Mr Dickinson rejected a proposal outlined in the Pre-Budget Report to introduce new rental taxes but said \$85.4 million could be raised by land tax in 2019-20.

That compared with \$80.3 million of revenues in the revised figure from the current financial year, which ends this month.

Land tax rates on commercial properties were temporarily increased by 5 per cent in 2018 and were scheduled to revert to 7 per cent at the end of the coming June.

However, Mr Dickinson said the rate would instead be lifted to 9.5 per cent, and from 7 to 8 per cent on tourist properties.

The Government was contacted yesterday for comment.

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