



BARBADOS - April 2019

RENTS TO RISE 1

Rents to rise

A top real estate executive has warned that office space rents could rise with the increase in property taxes announced in the recent Budget speech in spite of cuts in corporation taxes.

Chief executive officer of Terra Caribbean Andrew Mallalieu said that the changes to property tax would “drive certain behaviours”.

He told Barbados TODAY: “From the residential side, I don’t know if you are going to be seeing many changes as a result of it. I think there is no doubt that there is a higher cost of holding a property. Land tax has gone up [and] property tax has gone up but matching with that there has been a reduction in personal income tax as well as corporate income tax.

“I do think there will be some retail rents, commercial office rents which will have to go up and will go up because the property tax is not fixed in their rental agreements . . . so the tenants will see some increase in the rents in the commercial sector.

Prime Minister Mottley announced that the rate on commercial properties will increase from 0.7 per cent to 0.95 per cent.

Property owners with residential properties valued over \$450 000 and up to \$850 000 will see a rate increase to 0.7 per cent from 0.45 per cent, and properties valued over \$850 000 will pay a rate of one per cent from 0.75 per cent.

Responding to the new measure which is expected to rake in \$61.9 million, Mallalieu pointed out that the residential property owners would be marginally impacted.

But, highlighting the impact on larger commercial operations, he insisted that it would be difficult for some of them to bear. At the same time, he noted Government’s reduction in the corporation tax rate to between one and 5.5 per cent, stating that this could provide somewhat of an ease.

Mallalieu said: “You have to remember that there has been significant release in both personal income tax and corporate income tax which for the vast majority of people there has been more relief than there has been increase on the property taxation.”

Pointing to Government’s plan to liberalise the foreign exchange regime from July 1, the Terra Caribbean CEO said he believed this would influence property market behaviour.

He said: “What I would hope that we see is that there would be a lot of certainty brought to the foreign direct investors in knowing they can buy a property in Barbados and freely trade it in US dollars. I think that is a huge movement that is going to bring confidence in the foreign direct investment part of the market.”

Mallalieu contended that if the high-end market were boosted, there would be a “trickle-down effect” to the domestic real estate market.

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Managing director of Hannah Properties, Julie Dash, told Barbados TODAY she had no problem with the increase in land tax but said it was important that the valuations were carried out correctly.

She said: "I have no problem with the increase in the land tax in both categories providing the properties are fairly valued by Land Tax.

"Since the market has fallen by approximately 45 per cent across the board since 2010, Land Tax increased most people's bills dramatically and it is now important that Land Tax value people's properties fairly before they add this increase."

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