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EFFORT TO MODERNIZE REAL PROPERTY TAX SYSTEMS TO CREATE 40 BAHAMIAN JOBS 1

NASSAU PROPERTY TAX CRACKDOWN EYES \$21M 2

Effort to modernize real property tax systems to create 40 Bahamian jobs

The Department of Inland Revenue (DIR) is moving to implement its Real Property Tax Modernization Project, which will immediately update the real property register.

Project targeted to yield estimated \$21M in additional revenue

NASSAU, BAHAMAS – The Department of Inland Revenue (DIR) is pressing forward with its massive Real Property Tax Modernization Project that will immediately update the real property register, and eventually upgrade the entire assessment process and the woefully outdated land register.

In June, data collectors will start door-to-door visits to create a total inventory of all properties in New Providence. The project will hire up to 40 Bahamians to assist DIR and project consultants, Tyler Technologies, over the next 18-months. It will expand across the Family Islands as the next phase.

Originally engaged to assist the Real Property Tax Unit in 2014, Tyler is a specialist in the field, with international expertise in mass appraisals and technology-driven tax solutions. The cost of the project – inclusive of the engagement of Bahamian staff during the 18-month exercise – is \$7.2 million. The target is to add an estimated \$21 million in RPT revenues annually, with an expected increase in the Real Property tax roll by about 30%.

Revenue Enhancement

The Real Property Tax Modernization Project is a key component of plans announced by K. Peter Turnquest, Deputy Prime Minister and Ministry of Finance, to enhance revenue administration and improve yields from existing taxes. The project also falls squarely in line with the broader push to digitize all government services.

“This exercise is long overdue to help address known challenges will the RPT system and general inefficiencies in the Government’s tax administration. It will help to reduce further revenue leakage caused by dated, incomplete and inaccurate data currently stored in the system, and allow for fair and timely assessments, using quantifiable and objective criteria,” said Minister Turnquest.

Public Sector Modernization

“It is in line with the Prime Minister’s mandate on modernization and digitization, for which DIR has been fully committed. As the Government’s largest tax collection agency, DIR continues to drive the reform process forward. The data collection exercise commencing in June is only one part of a larger project, but it will set an important foundation for the entire RPT modernization,” he said.

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In the future, the Government will provide online access to a public database of property values using data collected for the current data collection exercise. The project will establish a fully integrated and digital process for DIR to keep property values up-to-date, and create an open, transparent and objective basis for tax assessments to be made, queried and challenged.

Data Collection Exercise

“We are working hard to bring more accurate and objective data into the real property tax valuation system; this data collection exercise is the foundation. At the end of the project, we will finally be able to establish rate parity across the country, which means two neighbours will no longer have dramatically different rates on what seems like an arbitrary basis,” said Gaynell Rolle, Acting Comptroller of Inland Revenue.

“We are asking the general public to support the Department of Inland Revenue and its data collectors as we go into the field to meet with property owners and collect vital information that is mandated by the Real Property Tax Act. This is an important project to bring more integrity and fairness into the system; we are counting on the public to support our workers in the field,” said Ms. Rolle.

The field inspectors will collect information about residential and commercial properties, including verifying property ownership, year built, occupancy type, size of building, type of construction, number of rooms and other outlined characteristics. Inspections will also include building sketches, photographs and recent sale verification. All inspectors will carry proper identification with them.

Property owners do not have to allow data collectors inside their premises, but the overall accuracy of the information is enhanced when a property can be inspected inside and out. The field collector will also verify and measure the exterior of each building and photograph each property.

Nassau Property Tax Crackdown Eyes \$21m

The government is targeting a minimum \$21m in extra annual revenue through a “world class” real property tax system that captures every home and commercial building on New Providence.

Marlon Johnson, the Ministry of Finance’s acting financial secretary, told Tribune Business that door-to-door calls will be made on all New Providence properties over the next 18 months in a bid to create a modernised tax system that delivers improved revenue yields together with greater taxpayer equity and fairness.

Confirming the government’s belief that this exercise will increase the number of properties on the tax roll by 30 percent, Mr Johnson said it would ultimately develop an “objective basis” for valuing real estate that would enable owners to challenge billings and tax assessments they believe are over-valued.

Revealing that its estimates were “not plucked from the sky”, he disclosed that the \$21m extra annual revenue target was a “base case scenario” with the Ministry of Finance believing the actual yield could be “substantially higher” and more than justify the project’s \$7.2m cost.

While declining to reveal the Government’s most optimistic forecast, Mr Johnson added that the Government planned to check the valuations and other data it obtained with recent appraisals and sales conducted in the same area by professional realtors to ensure its numbers were “realistic” and “on track”.

His comments came as the Government warned all New Providence home and business owners to brace for a visit from “data collectors” during the 18 months between June 2019 and year-end 2020 as part of its latest tax crackdown.

While owners do not have to give these “collectors” access to the interior of their property, they will be taking photographs of all properties and measuring their exterior dimensions. They will also determine the current property owner’s identity, and seek information including the year the building was built; occupancy type and size of building; number of rooms and type of construction.

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“We want to capture every single residence and commercial property on the island,” Mr Johnson told Tribune Business. “It’s going to be a very intense effort, but all the data we capture - the photos, the measurements - will be digitised so that we have an up-to-date, current and world-class appraisal of properties on New Providence. Going forward, we will just have to update it.”

The initiative, which will see the Government hire 40 Bahamians to act as “data collectors” on behalf of the Department of Inland Revenue (DIR) and its consultant, Tyler Technologies, aims to modernise and update a property tax roll and land register it described as “woefully outdated”.

Mr Johnson acknowledged that the Government was required by law to conduct revaluations and assessments for real property tax purposes at regular intervals, but this had not been carried out for quite some time.

As a result, real property tax bills often fail to reflect a property’s true value, resulting in both under and over-payment of tax. New constructions, and building improvements, especially in gated communities are often completely missed or not captured in the valuations used to determine tax assessments.

Besides an inadequate system facilitating tax evasion and avoidance through poor administration, the lack of consistent valuations - and a defined appraisal methodology - leaves taxpayers unable to challenge billings with like-properties often assessed for two different sums.

Branding the real property tax modernisation initiative as “absolutely critical”, Mr Johnson said: “We believe there are a substantial number of properties not on the roll.

“It’s critical to our revenue enhancement objectives, and just as important is to create an objective basis on which to assess properties. There’ll be an objective basis on which taxpayers can appeal any decision or assessment method.

“If you wish to challenge it, you will understand the criteria on which it is based. This is something that will benefit the taxpayer as well as it will determine an objective criteria to validate assessments.”

Mr Johnson described the targeted \$21m increase in annual real property tax revenues as “our base case scenario”. He added: “I don’t want to tell you the number on the upper end. We believe that’s a very reasonable assessment, and the yields could be even greater than that.

“The fact a full assessment has not been done for a long time, and property values will have gone up, we believe the yields could be substantial. It’s not a number plucked from the sky; it’s based on the results of the initial pilot done in 2016 and models we’ve done. We feel \$21m annually is very much attainable.”

Some estimates place real property tax compliance rates as low as 30-40 percent, with owners taking advantage of numerous system loopholes, poor administration and record-keeping and a culture of poor to non-existent enforcement to evade tax liabilities due to the Government.

The latter’s recent nine-month fiscal “snapshot” showed that real property tax revenues for the period June 2018 to end-March 2019 stood at \$93.7m, a slight \$4.7m improvement on the sum collected in the prior year, and amounting to 70.9 percent of the full-year \$132.2m projection.

Mr Johnson, meanwhile, said the data collected during the 18-month exercise will be cross-checked with appraisals and sales prices involving Bahamian realtors to ensure they are in line with market values.

“Part of the side work as this data comes in is to test it against property sales in the same areas,” he revealed. “It’s not an academic exercise or exercise purely driven by some abstract sense of what property values are.

“It will be driven by the real time value of properties. As information comes in, the team will consult with the community of realtors and appraisers so we’re on track to confirm the market value of properties.”

The Government, in its statement yesterday, said the initiative was designed to improve tax yields and efficiency while also helping with the drive to digitise all government services. Once New Providence is completed, the exercise will be rolled out to the Family Islands.

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K P Turnquest, deputy prime minister, said: "This exercise is long overdue to help address known challenges with the real property tax system and general inefficiencies in the Government's tax administration.

"It will help to reduce further revenue leakage caused by dated, incomplete and inaccurate data currently stored in the system, and allow for fair and timely assessments, using quantifiable and objective criteria."

He added: "It is in line with the Prime Minister's mandate on modernisation and digitisation, for which Department of Inland Revenue (DIR) has been fully committed.

"As the Government's largest tax collection agency, DIR continues to drive the reform process forward. The data collection exercise commencing in June is only one part of a larger project, but it will set an important foundation for the entire real property tax modernisation."

The Government said it plans to give the public online access to a database of property values using information collected from this exercise. The project will establish a fully integrated and digital process for the DIR to keep property values up-to-date, and create an open, transparent and objective basis for tax assessments to be made, queried and challenged.

"We are working hard to bring more accurate and objective data into the real property tax valuation system; this data collection exercise is the foundation. At the end of the project, we will finally be able to establish rate parity across the country, which means two neighbours will no longer have dramatically different rates on what seems like an arbitrary basis," said Gaynell Rolle, acting comptroller of Inland Revenue.

"We are asking the general public to support the Department of Inland Revenue and its data collectors as we go into the field to meet with property owners and collect vital information that is mandated by the Real Property Tax Act. This is an important project to bring more integrity and fairness into the system; we are counting on the public to support our workers in the field."

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