

GRAHAM THOMPSON ATTORNEYS

IMPORTANT NOTES ON REAL PROPERTY TAXES IN THE BAHAMAS

Rates for the 2019 Tax Year

CONTENT

- Obligations of New and Existing Owners
- Current Tax Categories for 2019
- Notable Tax Exemptions or Advantages
- The 2018 Statutory Changes

In the recent budget exercise completed by the Bahamas Government, certain significant changes to the regime for Real Property Tax in The Bahamas were announced and have received a great deal of focus.

It is important to take specific advice regarding the annual real property taxes which may be payable in respect of your property, how and when taxes should be paid, and the exemptions (if any) which might be available to you in respect of your property.

This memorandum is intended as a brief summary of some of the important features of the Act and the new changes which owners of real estate in The Bahamas may find useful. Please note, however, that it is not to be relied upon without further or specific legal advice.

OBLIGATIONS OF NEW & EXISTING OWNERS

- Owners of real estate in The Bahamas must pay Real Property Taxes annually, unless their property is exempted.
- The rate of tax payable varies according to the *type* and *use* of the land. All Real Property Taxes are based upon the market value of the property.
- The market value of land does not include the value of the contents of a property or any furniture appliances or effects.

- Property that is currently exempted includes Bahamian-owned 'Undeveloped/Vacant' land and Bahamian-owned Out Island property – but there are many other types of exempted property under the Real Property Tax Act.
- An owner of real estate must ensure that:
 - their land is registered for Real Property Taxes with the Valuation Section of the Department of Inland Revenue (even if it is exempted);
 - their property is correctly categorised and correctly assessed for its market value; and
 - they annually update their billing information and their property's value/status (although the practice is to do that only when necessary).
- If taxes are paid early in the tax year (currently the deadline is 31st March of the tax year), an owner is entitled to a statutory rebate of 10% of the annual taxes. If taxes are paid late (i.e. after 31st December), the taxes attract a surcharge of 5% per annum of the amount due.
- Unpaid taxes represent a first charge over title to land enforceable (amongst other things) by legal action or by the sale of the land by the Public Treasurer in the event of non-payment.
- It is important for lenders to note that, where land is subject to a legal mortgage, a mortgagee/lender is joint and severally liable for paying the annual real property taxes – even though they may not see themselves as the 'land owner' in the typical sense.

CURRENT TAX CATEGORIES FOR 2019

- The rates of tax payable in respect of property vary according to the category in which the property is classified, and the rates are tiered

depending upon the value of the property. The various rates are changed from time to time and you should contact an attorney for further information on the current rates in force for any given tax year that may affect your property.

- The following are the current categories of land for Real Property Tax purposes:-
 - **Owner-occupied Property;**
 - Property occupied by a person who being the owner in fee simple or a mortgagor in possession occupies and resides in such property exclusively as a dwelling house on a permanent or seasonal basis (but please see the note on this category below).
 - **Commercial / Other Improved Property;**
 - Land on which improvements have been effected but which is not classified as Owner-occupied Property or Residential Property.
 - **Residential property**
 - Property, that is not owner-occupied, comprising not more than four units, exclusive of outbuildings, beneficially owned by a citizen of The Bahamas, used solely as a dwelling place and from which no commercial enterprise is conducted.
 - **Unimproved property**
 - Land on which no improvements have been effected.

NOTABLE TAX EXEMPTIONS OR ADVANTAGES:

- Owners of residential property –
 Owners of residences should seek advice as to whether they may be entitled to “Owner Occupier Exemption”, which would entitle them to the following advantages:-
 - A lesser rate of tax than “Commercial/Other Improved Property”;
 - A maximum tax ‘cap/ceiling’ of \$50,000 p.a.; and/or

- For Bahamian pensioners who qualify, a 50% reduction of the balance of the annual tax payable up to \$1 million of value, after the deduction of the owner-occupied property exemption on the first \$250,000 of value.

- First Time Home Owners

Purchasers/Owners of their first residence that are entitled to Stamp Duty Exemption as First Time Home Owners may also qualify for a 5-year exemption from Real Property Taxes.

- Rebate of Early Payment

All owners of taxable land should consider making early payment of their annual taxes, in order to benefit from the 10% rebate that is presently offered as a matter of law.

THE 2018 STATUTORY CHANGES:

- Owner Occupied Exemption:

The Real Property Tax (Amendment) Act 2018 introduced a change to the definition of “Owner occupied” which would have had the effect of limiting the availability of the exemption and preferable rates of tax (and the related tax cap of \$50,000) only to those owners who reside in their property for a minimum period of 6 months of the year.

On 8th August, 2018 the Minister of Finance released an Official Statement advising of a reversal of this decision, that the requirement for a 6 months minimum period of residence will be abandoned, and the matter will be addressed in amending legislation in the near future. Accordingly, Owner Occupied Exemption will be available in 2019 on the same basis that it has been since 2013.

- Non-Bahamian Owned Vacant Land:

The Real Property Tax (Amendment) Act 2018 increased the rate of tax for non-Bahamian owned Vacant/Undeveloped Land (over \$7,000 in value) from 1% to 2%.

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