



STATEMENT TO PARLIAMENT ON NEW PROPERTY TAX BILLS AND LAND VALUATION

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April 11, 2017

Background

Mr. Speaker, You will recall that just over a month ago, I announced the adoption of a new property tax regime based on the 2013 Land Valuation Roll. Our aim then was, and continues to be, to reduce tax rates while broadening the tax base with a view to generating higher levels of revenues that can be used to expand services in the parishes such as solid waste management services, street lighting, municipal road rehabilitation and improvement of local markets, to which many Jamaicans go on a Saturday morning, rural water, and foster community development.

It was for these reasons Mr. Speaker, that we reduced the property tax rates while broadening the taxable base by increasing the number of bands from 3 to 9.

In doing so, we recognized that there had been a long delay in undertaking the land valuation—the last one was in 2002, and such valuations are to be done every five years. We are 15 years overdue.

Mr. Speaker, since the Land Valuation Act is also very clear that we cannot change the valuation results, we sought to cushion the effects of the new land values by reducing the tax rates from a range of 1.5% - 2.0% to a lower range of 0.8% -1.3% on the new land values.

Mr. Speaker, the reform of property taxes was a commitment of the prior administration 4-year Extended Fund Facility that carries over into the present 3-year Precautionary Stand By Arrangement. We, as a country, can no longer continue to kick the can down the road. Mr. Speaker, property taxes, which as a policy are linked to and are a function of property values, fell out of alignment with rising property values. I do not believe there is anyone that would dispute that fact

I hear the confusion, Mr. Speaker that the naysayers are trying to create by trying to mislead the Jamaican people that property taxes are being used to fill our \$1.5 million commitment. First, let me say, whether or not we did the \$1.5 million threshold, the 2013 land valuations needed to be adopted and property taxes duly aligned with those values. So, property taxes have nothing to do the with \$1.5 million threshold. Property taxes go directly to local government for street lightening, markets, garbage collection among other local services.

Bearing in mind the costs to the poor and elderly, many of whom hold land as their only asset, we also sought in our earlier announcement, to reduce the rates on lower valued properties—therefore for land values up to \$400,000, we applied a flat rate of only \$1,000 per year. And, indeed, Mr. Speaker, we refined the rates so that 35.1 percent of the total number of properties, or 272, 347 properties would pay the same taxes, or would see a decline in their tax bill. Further, Mr. Speaker, recognizing that several persons would have seen a sharp increase in their property tax assessed due to the long delay between the land valuations and a further delay in implementation; we announced explicit arrangements to ease the burden of the property tax bill.

Mr. Speaker, despite lowering the tax rates, some persons saw increases in property taxes that they considered to be too much too quickly. At the same time however, Mr. Speaker, we cannot forget that approximately 275,000 persons saw no increase or a reduction in their property taxes as a result of taking the tax rates to the much lower levels relative to where they were.

Mr. Speaker, this Government under the leadership of Prime Minister Holness, have listened to the very real concerns by the tax-paying citizens of the country.

Mr. Speaker, since the announcement of the new property tax regime, we have heard the cries of many Jamaican citizens regarding the size of tax increases faced by some property owners, especially the pensioners, farmers, small hotel owners, among others.

This Government cannot ignore these concerns and we must therefore make adjustments. The Government, as well as many Jamaicans, recognized that the large increases were primarily because of the higher land values from the 2013 land valuations, after seeing no change since 2002.

Mr. Speaker, before I outline the rate adjustments, I want us to recognize that the delay in conducting and implementing the revised land valuations is an issue that we must resolutely address now to prevent the same problem from re-occurring in the future. All of us in this Honourable House owe it to the population to be honest, responsible and to do the people's work in a timely manner, legal and effective manner.

We stress this Mr. Speaker because, in 2013 when the valuations were done, the then Government opted not to implement them. They did not have the courage to be honest with the Jamaica people.

So, what did they do? Instead of implementing the new valuations, they increased property tax rates on the old 2002 values. So, property tax rates rose from 0.75% of the 2002 values over \$300,000 to two new bands: for values of \$100,000 to \$1 million, the tax rate was 1.5% of the value; and for properties valued over \$1 million, the tax rate was 2.0%. So, Mr. Speaker, while people were paying higher taxes, there was no official published increase in their land values.

It is worthwhile noting Mr. Speaker, that the value of unimproved land in Jamaica in 2013 amounted to approximately \$1.9 trillion dollars (or 130 percent of our total national income, or GDP), which compared with \$567 billion in 2002. This is an increase in land values averaging 235 percent. This is a tremendous increase that must also be strongly highlighted in the national discussion since it represents an important store of national, corporate and individual wealth of Jamaicans. The valuation exercise is also done at great expense to the taxpayer. So, I wonder, Mr. Speaker, why would the Opposition deny the Jamaican people the knowledge of these new higher values of their most important asset?

Mr. Speaker, not only did the then Government not have the courage to implement the new land valuations, but we recently discovered that they also Gazetted the new property tax rates without securing Parliamentary approval of the new schedule. **In essence, Mr. Speaker, the Government acted illegally in requesting higher property taxes from the Jamaican people since 2013.**

Proposed Bills

Mr. Speaker, to correct this problem, we have therefore tabled today for debate in this House, two Bills:

- The Property Tax (Validation and Indemnity) Act 2017 to provide validation for the collections of property taxes since 2013 and to indemnify the Government against liability arising from these collections; and,

- The Property Tax (Amendment) No. 2 Act 2017 to make retroactive to April 1, 2017, the changes to the proposed property tax rates that we have tabled today for debate;

Two Land Valuation Orders were also tabled earlier in this House, for which we are seeking approval. These are:

- The Land Valuation (Estimated Unimproved), Exemption Order 2017; and
- The Land valuation (Exemption Order) order 2017

Mr. Speaker, I should also note that we also tabled a Bill in January 2017 to amend the Land Valuation Act to allow for annual increases in land valuations based on an index such as the annual consumer price index in the intervening years between full land valuations. We intend to debate this Bill shortly.

This change is a long overdue recommendation of leading international experts who have reviewed Jamaica's property tax regime. Mr. Speaker, this will reduce significantly the risk of new land valuations resulting in very high changes in values in any one year. And, in turn, it will provide a more gradual change in property taxes each year for which Jamaican citizens can better plan. **This Administration is trying its best to do the right things--to turn its back on years of politically motivated Government policies and to reset the economy in the direction of Prosperity.**

Proposed Adjustments to the Property Tax Rates

Mr. Speaker, we have listened to the concerns expressed by some quarters of the society, particularly our pensioners, senior citizens, public officers who are on a fixed income and those persons who felt that the additional taxes were too much over a short time.

As I indicated earlier, the law does not allow us to change the land valuations in order to determine property taxes, and indeed, we believe that the 2013 land valuations were conducted professionally and in line with international standards.

We do recognize, however, that in valuing over 776,000 parcels of land there may be discrepancies in valuations. For these reasons, as provided under the law, the Commissioner of Land Valuations has been encouraging property owners to submit an objection where they think their valuations were too high, or too low.

New Tax Rates

Regarding the tax rates, Mr. Speaker, after further review, and in response to the widespread concerns, we have made the following changes to further reduce the tax liabilities.

We have retained the flat \$1000 tax on all properties valued up to \$400,000. This will benefit 110,303 persons. These are small plots of lands in communities such as Crawle River, Kellits, Mahoe Hill, and

Bullhead. It is the small farmers in rural Jamaica that are included here.

Above this flat rate, we have introduced a progressive tax regime with eight bands ranging from a low of 0.5% to a high of 0.9%. This is a big reduction from the tax rates announced recently that ranged from 0.8 percent to a high of 1.3 percent of the land value.

Mr. Speaker, I should make it clear that this is a progressive rate structure, just as obtains in the case of personal income taxes. It is a far superior regime than the one that obtained under the previous Government where only three tax bands existed and at rates of up to 2 percent of land values over \$1 million!

So, under the new regime, if a property is valued at \$1.7 million which is in the 0.6 % tax band, the owner would still benefit from the flat \$1000 for the first \$400,000, as also from the lower rates up to \$1.5 million. So, she would really only pay 0.6% on the values between \$1.5 million and \$1.7 million. **He/She doesn't pay 0.6 % on the total value of her property. She benefits from all the lower taxes as well.**

With this change in the tax rates, 448,360 or 58% of the 776,487 properties will now see a reduction or no change in their property tax bills over what was assessed for the last fiscal year; and indeed, this is a big increase from the 35.1 percent who would have benefited based on the previously announced rates for the 2017-18 period.

Mr. Speaker, with the new rates, the average increase in taxes for residential properties will now be 10 percent compared with taxes last year, down from the 60 percent average increase that we had announced at the time of the budget!

For commercial properties the average increase will be 58 percent compared with taxes last year, and down from the 137 percent average increase that we had announced at the time of the budget.

For agricultural properties, the average increase is now 40 percent compared with taxes last year, a significant drop from the 93 percent average increase under the regime we had announced at the time of the budget.

Mr. Speaker, I should also stress that 61 percent of all property owners will see an increase of no more than 15 percent compared with their taxes last year.

Mr. Speaker, taking new valuations, and balancing the objectives of broadly reducing rates against our revenue objective; we expect that some property owners will still see large increases. It is a difficult tradeoff, Mr. Speaker. We have to be honest with the Jamaican people.

So, 6,848 properties representing 0.9 percent of the total taxable properties with values over \$20 million will still see tax increases on average ranging from 201 percent to 604 percent. Most of these are commercial (which

includes hotels), industrial, agricultural or sub-divisions. Only 2,062 are residential properties.

Where properties are part of a business such as a hotel or a farm, I want to emphasize that relief is available for such property owners, including write off of the property taxes against income taxes, and special relief of up to 50 percent of the taxes for agricultural properties.

Mr. Speaker, with these changes, and taking into consideration the current low rates of compliance of around 57 percent, the revenue yield is expected be \$6.5 billion; which is a shortfall of \$2.1 billion compared with the revenue of \$8.6 billion that we had expected based on the earlier-announced rates.

Mr. Speaker, as you know, property taxes are a critical source of revenues for the Parish Councils. But, these revenues have not been enough to cover the needs of the Councils which, in turn limits the services of those local bodies. The costs of providing local services have risen significantly more than the budgets of these local agencies. But, we also recognize that greater transparency and accountability are needed at the Parish Council level, and we are moving to strengthen these so that the population can be better served at the local level.

In the meantime, the Central Government continues to make regular allocations to supplement the budgets of the Parish Councils. In the last five years, the Central Government has provided \$12.9 billion to the Parish

Councils. Despite this, the Parish Councils now owe over \$5 billion to the JPSCo for street lighting.

Mr. Speaker, with these considerations in mind, we are encouraging all property owners to make a stronger effort to pay their current and past property taxes. If we can increase compliance, then this will help the Parish Councils to provide better roads, street lights, garbage collections water supply, and markets. So, we ask that all Jamaicans help us to help you.

We will be making a more dedicated effort this year to collect the property taxes owed, including arrears of around \$13.5 billion. But, I should stress that we have waived all penalties on current property tax liabilities in FY 2017/18. The Tax Administration of Jamaica is also willing to facilitate arrangements for payments over time, where there are difficulties to pay.

And, let me also state that the Government has no intention of taking away anyone's property because they are facing financial or other hardships. For those who have already paid their property taxes on the previously announced rates, any overpayment will be refunded or can be credited towards tax liabilities in FY 2018/19.

Finally, Mr. Speaker, notwithstanding the lower rates that we have now announced, we are still committed to provide assistance to those who are unable to pay, and to facilitate those who wish to make objections.

Let me therefore reiterate the available mechanisms that property owners can pursue:

Relief Mechanisms Available

Objection to the Land Valuation: If you think that your valuation is too high, you may lodge a formal Objection with the Commissioner of Land Valuations who will examine the case and if deemed appropriate make adjustments to the valuation.

Statutory Relief: You also have the option of applying for a statutory relief in the instance where the area around may have significantly developed resulting in the valuation for zone moving up significantly, but you have not changed the use of your own property. Due consideration will be given by the National Land Agency.

Agricultural Derating: Where your land is being used primarily for farming purposes you can apply to the Land Relief Board for the value, for property tax purposes, to be reduced by as much as 50%. Application forms are available electronically on the National Land Agency and the Tax Administration of Jamaica websites, as well as in print in the twenty-nine Tax Offices island-wide for the public's convenience.

Special Discretionary Relief: Where a land owner is experiencing financial or other kinds of hardship, he/she may apply through the relevant Parish Council for special discretionary relief, where one is able to secure up to 100 percent relief on property taxes if the circumstances warrant. The special discretionary relief provides specifically for pensioners, the elderly, persons with disabilities, the indigent, and those persons experiencing

financial hardship. The application form is available on the TAJ website or at all Parish Council Offices.

Revamping of the Special Relief Committees: Mr. we recognize that the Special Relief Committees have not been functioning very well, resulting in applications for relief of property taxes pending for years in some cases. This is unacceptable. I have therefore instructed that all Special Relief Committees be re-activated immediately and that they be held accountable for their timely review of applications. We will make the necessary resources available to ensure this.

Conclusion

Mr. Speaker, we have listened to the concerns of Jamaicans on the property taxes that were announced, and we have responded by significantly cutting the rates.

Mr. Speaker, we recognize that the main cause of the large increases is because of the past delays in both doing the regular property valuations, and implementing the results.

Therefore, the Government intends to institute timely revaluations and annual changes in valuations linked to inflation to ensure that sudden and high increases are not implemented that pose difficulties for individuals and businesses.

And let us remember that property taxes are used to support healthier and cleaner communities, public safety through street lighting and rural road improvement, among other things. Therefore, I urge all property owners to make an effort to pay your property taxes so that we can provide better local roads, markets, street lighting and water supplies. The more people pay, the lower rates can be in the future. This is also part of the shared responsibility on our journey to Prosperity.

So in closing Mr. Speaker, we want the Jamaican people to know that we understand and acknowledge the high property taxes that some persons may have faced. We acted in a timely manner to further reduce the tax rates and also ensured that we retained the progressivity of the rates. However, we must always remember that the property taxes we pay are as a result of increased valuations of our properties, which is a positive outcome for the Jamaican economy and moves us closer in our vision for prosperity.

May God bless you all, and may God bless Jamaica.