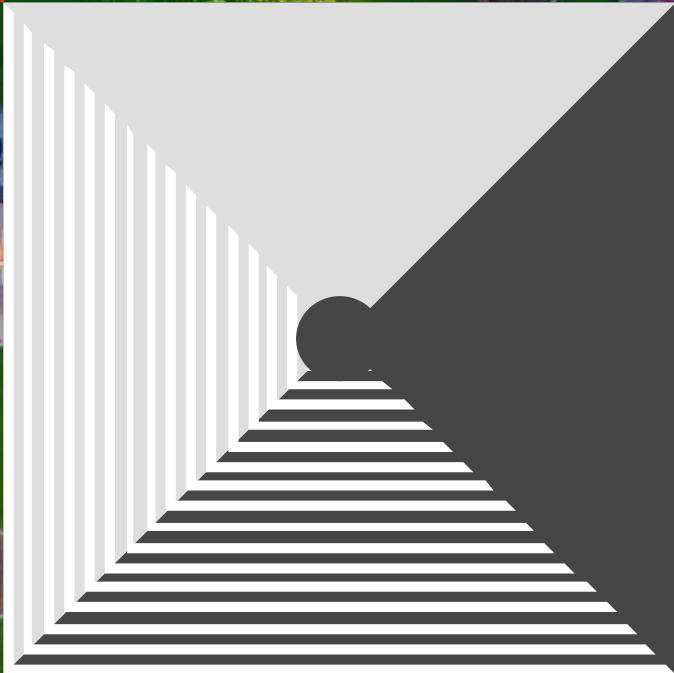





# Trinidad and Tobago property tax update

November 2024







# Understanding property tax in Trinidad and Tobago: key facts, concerns and recommendations

The introduction of property tax, as a replacement of the Land & Building Tax, has been long in the making and the process has been a challenging one for all parties involved. After a hiatus of almost 15 years, the tax, aimed at providing additional funding for essential services and development projects, is making its comeback under a new incarnation, with an initial roll out for residential properties only.



As of 20 September 2024, 89,441 residential property owners had paid taxes totaling \$91m in revenue

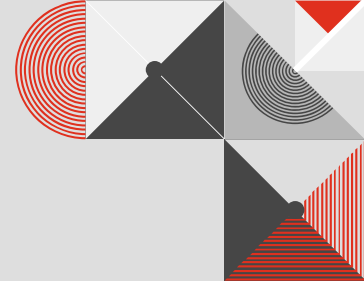


The roll out of the property tax to commercial and industrial properties is to follow. This article aims to provide a look at the essential facts about property tax, identify common areas of concerns, and discuss proposed recommendations to address these issues.





# Key facts about property tax



The Property Tax Act, Chapter 76:04, and the Valuation of Land Act Chap 58:03 are the primary pieces of legislation governing property tax in Trinidad and Tobago. Enacted in 2009, the Property Tax Act outlines the assessment, rating and taxation of land. Key provisions include:

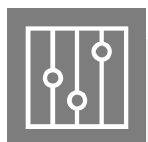


**Assessment Roll:** The Board of Inland Revenue prepares a roll of all lands liable to tax, known as the Assessment Roll. It comprises (i) the information contained in the Valuation Roll (as informed inter alia by the Valuation Return Form filed by the property owner), (ii) the deductions and allowances applied and (iii) the tax assessed on the property.\*



**Tax rates:** The Act specifies different tax rates for various property types, including residential (initially 3%, now 2%), commercial (5%), agricultural (1%), and industrial properties (6% where plant and machinery is housed in a building, 3% where it is not).

For example, a property with an annual rental value of **\$24,000** or **\$2,000** monthly would attract a tax of **\$36** per month. This is calculated as follows: **\$24,000** minus the **10 percent** discount of **\$2,400** equals **\$21,600** to which **2 percent** is applied, resulting in a tax of **\$432** annually which translates to **\$36** monthly.



**Exemptions:** Certain properties, such as places of worship, schools, and charitable institutions, are exempt from property tax.

In March 2024, the Property Tax (Amendment) Bill was introduced to address public concerns and streamline the tax process. Key features of the amendment include:

- **Reduced tax rate:** The residential property tax rate was reduced from 3% to 2%.
- **Extended deadlines:** The Bill extended the time for issuing Notices of Assessment for the year 2024, allowing the Valuation Division more time to review and adjust valuations.
- **Ministerial flexibility:** The Minister of Finance is empowered to extend applicable time periods under the Act, providing flexibility in tax payment deadlines.



\*It appears the \$5K late filing penalty is not currently enforced.

# Concerns observed with the implementation of the current regime

Several areas of concern have been identified in the roll out of current property tax system:



1

**Valuation process:** The process of valuing properties for tax purposes is seen by some stakeholders as inconsistent (even within the same neighborhood at times) and lacking transparency. While the Government has indicated that it has consulted with the International Property Tax Institute (IPTI) to implement the current regime, there are concerns about the accuracy of the valuations and the methods used to determine property values.

2

**Administrative challenges:** There were teething issues with the introduction of the tax, which resulted in delays in issuing Notices of Assessment.

Since the collection of the tax can commence once 50% of the households are on the Valuation Roll, many taxpayers have not yet received their assessment because their property is not yet on the roll. Clarifying their status would have involved liaising with both the Board of Inland Revenue (as issuer of the assessment) and the Valuation Division (as issuer of the valuation on which the assessment is based).

The reduction of the tax rate for residential properties, which took place midstream, also added to the administrative challenge as taxpayers in receipt of an assessment, had to verify whether the one they got was at the revised rate.

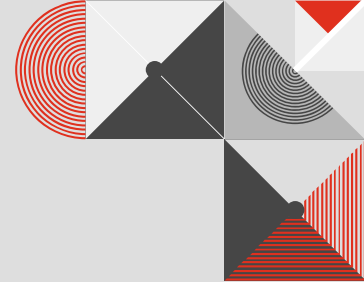
Also, we are aware that some taxpayers who attempted to file an objection with the Board of Inland Revenue were turned away and directed to the Valuation Division, although at this time there is no provision in the law for an objection to be filed with the Valuation Division.

3

**Impact on property owners:** The financial burden of property tax is a major concern for property owners with lower incomes and taxpayers are concerned by the size of the penalties for late payments (10% increased tax and interest at the rate of 15% per annum charged on the increased tax). While the law allows for the deferral of the tax, it does not provide for exemptions for the more vulnerable ones.



# Adjustments to the roll out



Our recommendations for improving transparency, efficiency, and fairness include the following:

## **Transparent valuation process:**

Share with taxpayers the valuation techniques and inputs used to calculate their valuation. Improve the access to the valuation roll to allow taxpayers to compare similar properties, and thus provide them with a better basis for objections where they are required.

1

## **Administrative improvements:**

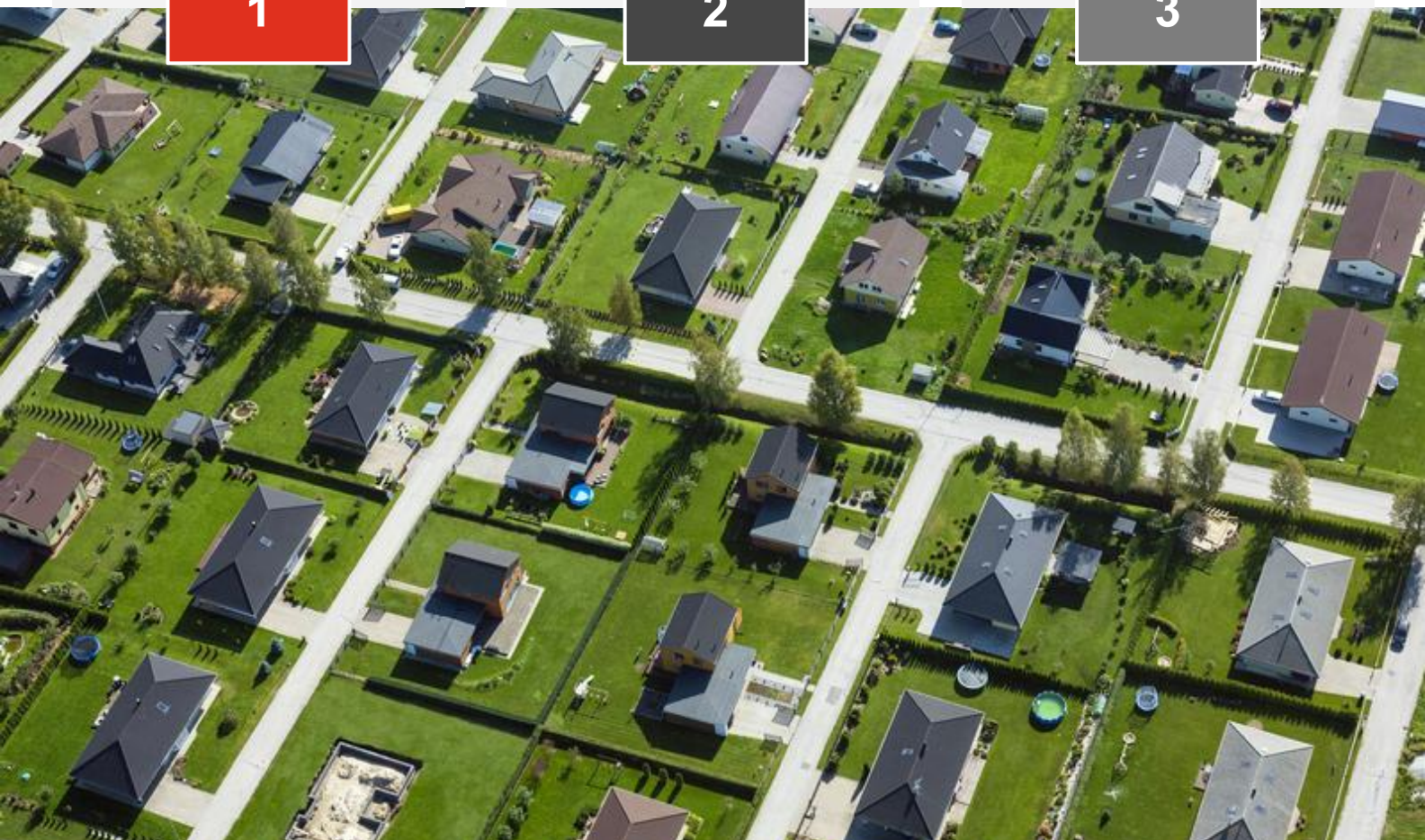
Many of the administrative challenges are being addressed by the government at the time of writing. They include tackling the backlog of assessments not yet issued (new deadline of **29 November 2024** for issuance of assessment and of **20 December 2024** for settlement of the tax). Online payment is now available via local banks.

2

## **Financial relief measures:**

To alleviate the financial burden on property owners with lower incomes, and make the property tax system more equitable, consideration can be given to providing exemptions or relief measures for certain categories of property owners.

3





# Conclusion

Property tax remains a common component of most mature tax regimes and in fact, prior to 2009, T&T already had a tax on real property via Lands & Building tax.



The implementation of the current Property Tax regime is a work in progress. The recent amendments aim to address public concerns and improve the tax administration process. As discussions continue, we expect a further refinement of the roll-out process. We also look forward to seeing the lessons learnt from the residential roll-out assist with the future roll-out for commercial and industrial properties, when they occur.





# Property tax



## Residential annual rental value and property tax calculation

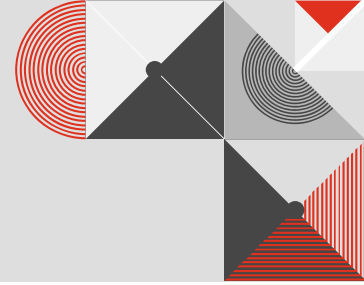
Below is an example for the calculation of residential annual rental value and property tax.

Residential property (house/apartment) which can rent for: **\$2,000** per month

Annual rental value	=	<b>\$24,000</b> (\$2,000 x 12)
Annual taxable value (ATV)	=	<b>\$21,600</b> (\$24,000 - 10% for voids)
	=	<b>\$21,600 x 2%</b> (rate of tax)
Annual property tax	=	<b>\$432</b> per year or <b>\$36</b> per month



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