



Inland Revenue Department

PRESS RELEASE

PROPERTY TAX AND YOU, GETTING IT RIGHT

The Honorable Prime Minister and Minister of Finance in his **2010/2011** Budget Address announced to the Nation that the property tax regime will be changed from the present system based on annual rental values, and replaced with an open market valuation system for assessing and taxing **residential properties**.

The decision is to change the method of assessment for property tax from **5% of annual rental** to **0.25% of the open market value of the property**. Some sections of the media has reported the tax rate as **0.4%** but the Prime Minister, in his concluding remarks to the Budget Debate, indicated that he had erred in that regard, and announced the correct proposed rate of **0.25%**.

Property Tax is an annual tax levied on real property (land and building). The tax is due and payable within 30 days of the date of the notice of assessment.

In St. Lucia the current valuation method for Residential Properties is based on the traditional English system of assigning a Rental Value to each property. This was perfectly reasonable

when a large number of properties were actually rented. This is no longer the case, as the majority of properties are now owner occupied. Taxpayers cannot relate to a Rental Value assessment system as the basis for determining property tax, as it is viewed as unfair and lacking transparency.

The open market valuation of residential and commercial properties has been deemed to be a more appropriate method of valuation in St Lucia's circumstances; this method is used worldwide (including many Caribbean states) and is believed to be widely understood by property owners.

By way of a definition, open market value means "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in **an arm's length transaction**". Arms length means that in such a transaction, the buyer and seller are not related and are both looking out for their own interest and the best price.

An amendment to the Property Tax Act in 2001 changed the method of assessment of **commercial properties** from the annual rental value system to market value. The rate of assessment employed was **0.25%** of the market value which brought about a significant decrease in the property tax charged on commercial properties, much to the pain of institutions relying on the property tax as their principal revenue source. As such it has become necessary to increase the rate of assessment to **.4% of market value**, to bring the tax in line with what obtained under the rental value system.

While commercial properties owners will experience an increase in their tax bill, the same should not be expected for residential properties as the new system for valuing the properties for tax purposes should only result in an insignificant increase or decrease in the tax payable.

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