



Bahamas: 2016 National Budget Highlights

June 6, 2016

Overview

The Rt. Hon. Perry G. Christie presented the 2016/17 Budget Communication to the Honourable House of Assembly last week. The budget projects a GFS deficit of \$150 million for fiscal 2015-2016 (compared to budget of \$141 million) and forecasts a GFS deficit of \$100 million for 2016-2017.

The Budget Communication notes that the tax reform and modernization has resulted in significant year over year improvements in revenue yields. The Government expects these reforms to continue to have positive improvements on revenues as a percentage of GDP through 2016/17.

With this positive momentum, the budget keeps the rate of VAT at 7.5% while introducing reductions in Customs duties on numerous items and the elimination and adjustment of Stamp duties on certain transactions.

Highlights of the tax measures announced in the budget are summarized below:

- Allow Real Property Tax concessions granted to residential properties last year to be extended to commercial properties with the exception of properties which are now subject to collection;
- Allow for the waiver of Real Property Tax Arrears for owner-occupied properties with values less than \$250,000 which could potentially benefit over 41,000 homeowners;
- Provide customs duty exemptions and Real Property Tax concessions to owners of derelict buildings in New Providence who intend to demolish and or renovate these buildings for commercial, educational or social purposes.
- Reduce the duty rate on computer peripherals, routers and related items;
- Replace all remaining rates of duty of 7% with a 5% rate;
- Allow for waiver of stamp tax and VAT on deeds of exchange because of errors in property description;
- Amend the *Stamp Act* to clarify meaning of transaction values such that stamp tax can be properly assessed;

- Amend *Stamp Act* to reduce rate to 2.5% on marina slips;
- Allow stamp tax concessions/exemptions to be granted to first-time homeowners who may have missed the opportunity due to non-submission of documents for stamping;
- Provide a full amnesty on the surcharge which is now applied for late stamping of conveyances and other documents for 90 days and the application of a fixed penalty of 10% of the applicable stamp duty thereafter;
- Amend the *Stamp Act* to adjust and eliminate a number of fees.
- Exempt from VAT ancillary fees paid along with tuition;
- Adjust dates for submission of VAT payments to 21 days after end of the month with effect from January 1, 2017;

To support these fiscal measures, Prime Minister Christie also announced enhanced administration and compliance measures in respect of the major taxes.

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Benefits for the business community

Real Property Tax concessions granted to residential properties last year will be extended to commercial properties with the exception of properties which are now subject to collection.

Duty will be reduced or eliminated on various building materials such as plywood, sheet rock, cement, roofing tiles and shingles, electrical wiring, marble and granite and other stones among others. The average reduction in duty rates should result in approximately 10% cost savings.

Tariff concessions available to light manufacturing will be expanded to allow items not on the approved list to be granted full duty exemption on approval of the Minister.

The Minister of Finance will develop a framework to take steps under the Tariff Act to protect Bahamian agricultural and manufactured products.

Duty rates will be reduced from 45% to 5% on computers, peripherals, routers, etc. which should have a major impact on the imported cost. For businesses looking to do major computer systems upgrades, significant savings may be available by deferring purchases or importation until the new rates take effect.

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Household measures

Families should benefit from savings through reduced or eliminated Customs duties on a number of household and grocery items, including appliances and parts, prepared turkey, ham, beef and chicken meat, macaroni, spaghetti with meat and the like, ice cream, biscuits, waffles, cakes and pastries among others.

Other benefits will come from the elimination of duty on baby clothes and reduced duty on used clothing.

More than 41,000 homeowners will have relief of some of their debt-burden through the waiver of Real Property Tax **arrears** for owner-occupied properties with values less than \$250,000.

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Enhanced tax administration and compliance

Prime Minister Christie announced the introduction of measures to improve administration of and compliance with major taxes. These measures include:

- Tax compliance certificates will require coverage of major shareholders with over 20 per cent of the shares as well as companies with common shareholders.
- Compounding of penalties under the *Excise Stamp (Tobacco Products) Control Act*.
- *Stamp Act* will be amended to clarify the meaning of transaction values to ensure the proper assessment of Stamp Tax.
- Effective January 1, 2017, VAT payments will be due 21 days after the end of the reporting period (currently the payments are due 28 days after the reporting period ends).

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We can help

Your KPMG adviser can help you assess the effect of this year's National Budget on your personal finances or business affairs, and point out ways to take advantage of their benefits or ease their impact. We can also keep you abreast of the progress of these proposals as they make their way into law.



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