

Property Tax Facts

Property Tax is back and the controversy has naturally returned since the ‘Axe the Tax’ movement was a signal moment of unity in the anti-PNM campaigns of 2009/2010.

In my opinion, the anti-Property Tax movement was an important measure of the extent to which our national discourse is now irrational and baseless. The disenchantment with the Manning administration and the thirst to have them removed seemed to occupy more time than any substantial discussion as to the merits of the proposed Property Tax.

Now, as then, I hold the view that our nation’s Property Tax regime is long-overdue for reform and updating. I support the proposals to do so and we will have to wait for more detail to analyse these proposals further.

Here are a few of the basic facts on Property Tax.

The size of the Property Tax Take – Proportionally

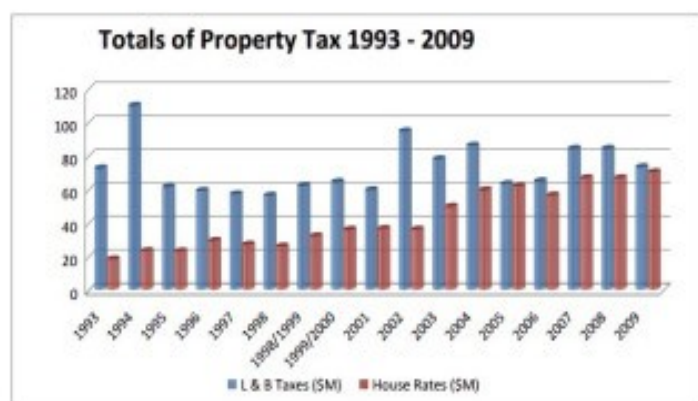
The Estimates of Revenue disclose that in 1995 property tax was 2% of tax revenue and in 2009 it was expected to be a mere .18%. Property tax, when last collected, contributed a small fraction of the amount it did 15 years ago. The official projections for the Property Taxes proposed by the PNM were for that revenue to increase to \$325M in 2010 – even at that level, the contribution would have barely exceeded 1% of the national tax revenue.

The Draft Estimates of Revenue (2014) published in the recently-approved budget are unclear and I have requested an official clarification before making any detailed comments on those. As an example the Total Tax Revenue 2014 is estimated (at p. vii) to be \$46.8Bn, with ‘Taxes on Property’ comprising \$3.914M, which is a tiny proportion of the total, about 100,000th of 1%. The accompanying chart, on that very page, shows Property Tax at 1% of the total. There is more to say, but I am awaiting the requested information, hopefully before next week’s deadline.

The key point here is that property is a vibrant engine of wealth in our country and has been so for many decades, every successful person knows that. Given that fundamental, it is obvious that property has to be properly taxed if any kind of economic justice is to emerge. The historically paltry percentage of revenues raised via Property Taxes is solid justification for a comprehensive mapping of who owns what and the where. This is a flourishing sector of the economy, so proper taxes are long-overdue.

The size of the Property Tax Take – Absolutely

Year	L & B Taxes (\$M)	House Rates (\$M)	TOTAL (\$M)
1993	72.04	17.83	89.87
1994	109.38	22.78	132.16
1995	60.89	22.55	83.44
1996	58.64	28.81	87.45
1997	56.63	28.81	83.24
1998	55.78	25.49	81.27
1998/1999	61.56	31.56	93.12
1999/2000	63.9	35.48	99.38
2001	59.11	35.97	95.08
2002	94.08	35.57	129.65
2003	77.5	49.19	126.69
2004	85.54	59	144.54
2005	62.68	61.35	124.03
2006	64.35	55.91	120.26
2007	83.72	66.16	149.88
2008	83.77	66.16	149.93
2009	72.77	69.75	142.52



Total Property Tax 1993-2009. [Click image to see expanded version.](#)

*The PNM's 2009 proposal was to abolish both the L&B Taxes and the House Rates, with the replacement Property Tax [anticipated to earn \\$325M](#) in the year 2010 – from Ministry of Finance, Estimates of Revenue 2010 (at pg v)

The figures tell a story, since they depict an unexplained decline in Property Tax revenue from \$132.16M in 1994 to \$83.44M in 1995 and modest increases to \$95.08M in 2001, before restoration to \$129.65M in 2002. L&B Taxes were payable outside of Municipalities, while House Rates were payable within the 5 Municipalities – POS, San Fernando, Arima, Point Fortin and Chaguanas.

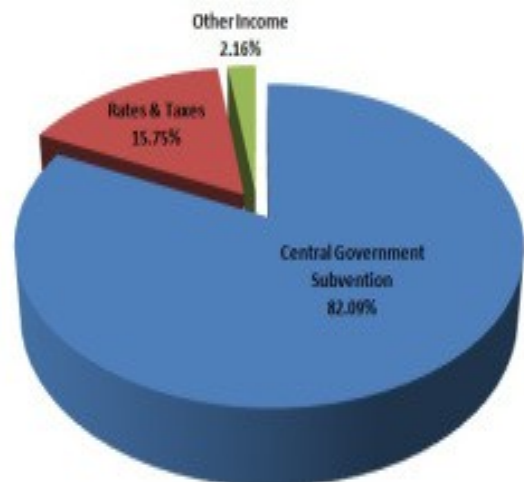
According to the official records, the real decline in Property Tax income in that period occurred in non-Municipal areas, with L&B Taxes falling from \$109.38M in 1994 to \$60.38M in 1995, never rising above \$64M, before restoration in 2002 to \$94.08M. In clear contrast, House Rates in the corresponding period rose steadily from \$22.78M to \$35.97M.

I am an outsider examining these aspects of the Property Tax challenge from the published record and one wonders just who is responsible for this level of sheer recklessness. After all, 45% of the revenue from L&B Taxes vanished in a mere 12 months and in any properly-managed organisation that would send alarm bells ringing. **Over the seven fiscal years 1995-2001, an annual average of \$50M in Land & Building Taxes went unpaid – which makes a total of about \$350M in missing revenue, at a minimum.** What was the reaction within the Board of Inland Revenue? What steps did they take to identify and eliminate this leakage? Was there any tax evasion? Was anyone charged for that criminal offence?

These are essential questions to be resolved if we are to master the challenge of the proposed Property Tax system.

The Local Government element

Municipal Corporation	Central Government Subvention	Rates & Taxes	Other Income	TOTAL
Port-of-Spain (Millions \$TT)	146.30	30.00	4.64	180.94
	80.86%	16.58%	2.56%	
San Fernando (Millions \$TT)	74.74	16.00	1.12	91.86
	81.35%	17.42%	1.22%	
Arima (Millions \$TT)	51.95	3.75	0.92	56.62
	91.78%	6.63%	1.63%	
Point Fortin (Millions \$TT)	30.70	15.00	0.39	46.09
	66.59%	32.54%	0.85%	
Chaguanas (Millions \$TT)	39.90	5.00	2.50	67.40
	89.00%	7.43%	3.71%	
Totals (Millions \$TT)	363.59	69.75	9.57	442.91
as a percentage of total	82.11%	15.75%	2.16%	



2009 Municipal Corporations funding. [Click image to see expanded version.](#)

Both PNM and Peoples Partnership proposed to send the Property Taxes direct to the Consolidated Fund. The effect of that would be to reduce Municipalities to having just over 2% of their funding free from Central Government controls. That critical element must form part of any discussion on Local Government reform.

Next week, I delve into the question of income tax on rental income and the likely levels of tax on your property.