



Land Valuation and Tax (Special Provisions and Postponement of Preparation of Draft Valuation List) Act 2020

Presented By

The Hon. Walter Roban, JP, MP

Minister of Home Affairs

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Mr. Speaker, I am pleased to introduce for the second reading the Bill entitled the “Land Valuation and Tax (Special Provisions and Postponement of Preparation of Draft Valuation List) Act 2020”. This Bill seeks to modify the effect of the Land Valuation and Tax Act 1967 (“the 1967 Act”) so as to extend the validity period of the current valuation list and postpone the preparation of the next draft valuation list for Bermuda.

Mr Speaker, Honourable Members will be aware that the Valuation List (“the List”) sets out the Annual Rental Values (“ARVs”) for properties in Bermuda. The 2015 Valuation List is the current list in force. As part of the provisions of the 1967 Act, a new draft valuation list is to be prepared every five (5) years. An

island-wide revaluation is a review of the ARVs of all properties in Bermuda at a particular point in time and ARVs are the basis for determining the land tax that is payable by property owners. The next draft valuation list is due to go on deposit on 31st December, 2020 and to come into effect for land taxation purposes on 1st January, 2021, thereby replacing the current 2015 Valuation List.

Mr. Speaker, the COVID-19 pandemic continues to ravage economies worldwide and Bermuda has not been spared this economic tsunami and catastrophe, with unprecedented unemployment levels and depressed economic activity in all industry sectors.

In respect of the 2020 Draft Valuation List, ARVs are to be based on rental levels as at the antecedent valuation date of July 2019, seven (7) months prior to the COVID-19 pandemic.

Mr. Speaker, an Island wide revaluation based on the July 2019 pre-COVID rental levels would be extremely painful for local businesses and homeowners in the wake of the current and continued economic hardships facing Bermuda since the pandemic. The consequences of a revaluation during the COVID-19 period will have a potentially detrimental impact upon businesses, homeowners and even the public sector. This could result in economic instability given the uncertainty over land tax liabilities. This just does not make sense.

It is far more beneficial economically to tie new ARVs under the next revaluation cycle scheduled for 2025 to post COVID-19 levels, where the impact of the economic circumstances are more clear, and the economy will have a longer period to recover. A post-COVID-19 valuation date ensures that the next revaluation period reflects the impact that the pandemic has on property values. Considering the current volatility in the rental market and the existing uncertainty in the economy as a whole, postponing the Island wide revaluation is a sensible and sound decision.

Mr. Speaker, countries globally are using this time to help reduce uncertainty to those affected by the impact of COVID-19 in the form of economic stimulus packages. Furthermore, conducting an Island wide revaluation during economic instability is not in keeping with rating principles and industry best practices.

Consequently, other jurisdictions have acted to reduce uncertainty in this regard and have postponed their approaching property revaluations. For example, England and Wales postponed their 2021 revaluation of properties in May 2020 and more recently in September, Scotland have postponed their 2022 Revaluation.

The postponement of a revaluation is not novel to Bermuda as the 1995 Draft Valuation List was cancelled following its deposit. As a result, the 1989 Valuation

List remained in force until it was replaced by the 1999 Draft Valuation List, the next five (5) yearly valuation list.

Thus, the postponement of the preparation of the next draft valuation list means that the current 2015 Valuation List remains in force for another five (5) years until it is replaced by the 2025 Draft Valuation List.

Mr. Speaker, as per the provisions in the 1967 Act, there are effectively two (2) occasions when an ARV can be objected to. One is in respect of a new draft valuation list and taxpayers have six (6) months to lodge an objection to a new ARV appearing in the new draft valuation list. The other opportunity is following a physical change to a property and a proposal is served to amend the ARV in the valuation list. Taxpayers have a twenty-eight (28) day objection period in such circumstances.

Therefore, the postponement of the Island wide revaluation will therefore remove the right of objecting to 2020 Draft Valuation List as ARVs will remain as is in the current 2015 Valuation List.

Mr. Speaker, I must emphasise, however, that all taxpayers will still have the right to request a reassessment of their property if there have been any physical changes, such as additions, mergers, splits, demolitions etc. Notifications of such building works are normally triggered by a Certificate of Use and Occupancy permit, but

currently, one-fifth (1/5) of all requests for property inspections received by the Land Valuation Department are made directly by taxpayers themselves.

This practice will not change and the rights of taxpayers will continue to be safeguarded and preserved. Thus, taxpayers will still have the right to both request a reassessment of their properties following physical alterations and the right to object to any proposed ARV amendments made by the Department to the 2015 Valuation List, as they do now.

Mr. Speaker, it should also be noted that there are no adverse financial effects arising from a postponement of the preparation of the next draft valuation list. A postponement would actually secure the existing land taxation basis without threat as the current 2015 Valuation List will remain in effect. The certainty of \$85.5 million of revenue raised from land tax, which is Government's third largest direct revenue stream, will not be affected or jeopardised by the proposed extending of 2015 Valuation List. Consistency in property taxation will be maintained as there will be no holistic changes to the 36,000-plus ARVs as occurs with each Island wide revaluation.

Additionally, ARV thresholds for pensioner exemptions, rent control and sales of properties to restricted persons would not need to be adjusted as a consequence of a new 2020 Draft Valuation List and across the board changes to ARVs.

Mr. Speaker, postponing the preparation of the next draft valuation list is in keeping with Government's continued focus on supporting businesses and homeowners impacted by the pandemic with economic stimulus and recovery packages while maintaining consistency and reliability in property taxation and not jeopardizing critical land tax revenue.

The postponement of the preparation of the 2020 draft valuation list is a sensible decision and approach for the country as a whole. Now is not the time for Government to roll out comprehensive changes to ARVs that could affect land tax rates at a time when the country needs certainty, consistency and stability.

Mr. Speaker, with those introductory remarks, I now move that the Bill entitled "Land Valuation and Tax (Special Provisions and Postponement of Preparation of Draft Valuation List) Act 2020" be read for the second time.

Thank you, **Mr. Speaker.**