



FOR IMMEDIATE RELEASE

Ministry of Finance Announces Operation Enhancement Measures

January 9th, 2017 (Nassau, Bahamas) - The Ministry of Finance is committed to ensuring that Tax Compliance is an integral part of its Revenue Management Plan. MOF announced today that it has established a project team charged with the responsibility to address non-compliance with the tax and Customs laws in The Bahamas. The work of this team is expected to have a significant positive impact on tax compliance in The Bahamas, which plays an important part in the Ministry's overall fiscal strategy. It is also expected to level the playing field for businesses, with the ultimate objective of achieving competitive equity for those who already willingly comply with the tax laws.

“Today we are demonstrating our commitment to take compliance with tax and Customs laws seriously. We believe this initiative is key to shift the paradigm toward a country where businesses and residents take their tax obligations seriously, and understand that we are committed to compliance and – where necessary - enforcement,” said Financial Secretary, Simon Wilson.

The prospects to reduce leakage of government revenue through the work of the Revenue Enhancement project comes at a time when the country is challenged to rebuild national infrastructure and provide much needed assistance to the many residents whose homes and businesses were destroyed or extensively damaged by the impact of Hurricane Matthew.

Initially, the project will focus on four key taxation areas, Value Added Tax, Real Property Tax, Business License Fees and Customs related taxes and fees. “Our new revenue management approach affords us the opportunity to analyze and conduct taxation assessments based on data provided by businesses and residents. This process will assist us in identifying businesses and individuals who have not paid their fair share of taxes and create an opportunity to collect those outstanding taxes. We will work with stakeholders throughout to ensure that we are operating in a transparent manner as we undertake this urgent work, and have already begun these consultations,” Wilson added.

In Customs, new risk analysis procedures are being created, and new container examination procedures are being instituted. Those that reveal material discrepancies between actual content and what is declared will result in the importer of the goods paying the proper Customs duty, as well as a fine for under-reporting, where the misreporting was substantial.

Other activities will focus on compliance with Business License and Value Added Tax. Analysis reveals that many businesses have a discrepancy between their VAT revenue filing, their Business License filing, and in some cases, their Customs Duty filings. As early as November 21, 2016, roughly 600 businesses with the largest apparent discrepancies in their reporting will be couriered notices explaining the discrepancy, and asked for payment or clarification of the amount. These taxpayers represent roughly five percent (5%) of the licensed businesses in the country.

Analysis of Real Property Tax assessments reveals that a substantial number of property owners in The Bahamas are under-paying their true tax liability, either because the valuations are out of date, the properties are misclassified, or they are unregistered entirely. In the very near future, The Ministry will courier communications to 5000 property owners, requesting payment of their additional property tax assessments together with their regular tax bill. These properties are in higher value or upper middle class communities. The value of these properties will be re-assessed, if they were not assessed during the last five (5) years.

In the coming weeks, another round of notifications will be issued to owners of properties that are either not registered for property tax or misclassified will also be contacted. An example of a misclassification is a business property (e.g., a store) that is classified as residential.

The Department of Inland Revenue is committed to working with property owners that may be contacted through this initiative whose property has been severely impacted by Hurricane Matthew. Finally, another work stream will involve the completion of VAT and Customs Post Clearance Audits. This activity involves conducting audits of businesses that analysis suggest may be inaccurately reporting on their VAT, Business License and/or Customs Duty filings.

“All taxpayers selected for further verification or audit have been identified objectively through risk based data analysis - not subjectively or at random. We remain firmly committed to ensure fairness, compliance, and revenue growth. The project team, which comprises a seasoned group of employees of the Government of The Bahamas supported by external technical expertise, is working tirelessly to ensure that we can effectively implement this vital aspect of our Revenue Management Plan,” the Financial Secretary noted.

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