

BULLETIN

LEGISLATIVE AMENDMENTS

Real Estate Transactions

In the 2014/2015 Budget Communication presented by The Right Honourable Prime Minister Perry Christie, the Government communicated its intention to amend the Value Added Tax Act and the Stamp Act in ways which will affect real estate transactions in The Bahamas. These amendments are reflected in the Value Added Tax (Amendment) Act, 2015 and the Stamp (Amendment) Act, 2015 (both of which took effect on 1st July, 2015) and are set out below.

VALUE ADDED TAX (AMENDMENT) ACT, 2015

Value Added Tax (“VAT”) is now applicable to leases and purchases of land at the rate of 7.5% of the annual rent (in the case of leases) or the purchase price or current market value, **whichever is greater** (in connection with purchases).

With respect to Conveyances of land, the following provisions apply:

- The Comptroller of VAT shall be responsible for collection of the VAT on Conveyances; and
- The threshold established in respect of Conveyances shall always apply on an aggregate basis when the transferor makes separate Conveyances of contiguous transfers of land to the same person within any twelve (12) month period.

Part I of the Second Schedule to the principal Act, which relates to exempt supplies, has been amended in the following ways:

- All transfers of property (i.e., developed property, vacant property and residential property as defined by the Real Property Tax Act) valued at \$100,000.00 or less are exempt from the payment of VAT;
- The sale of a dwelling house is no longer exempt from VAT;
- The rental of a dwelling house remains exempt;
- A lease of land that is principally used, or intended to be used for accommodation as a dwelling house which is erected or to be erected on such land, is no longer exempt from VAT; and
- Transfers which are afforded the first time home owner exemption under the Stamp Act are also exempt from the payment of VAT. This VAT exemption is exclusive to this category of transfer; all other transfers which are exempt under the Stamp Act are subject to VAT.

STAMP (AMENDMENT) ACT, 2015

The stamp duty on real property transfers has been reduced to 2.5% of the purchase price payable for the property or the market value of the property at the date the document is presented for

stamping, ***whichever is greater.*** Accordingly, every non-exempt conveyance, assignment or other transfer of realty is subject to stamp duty at 2.5% of the purchase price or market value of the property (***whichever is greater***) and all leases are subject to stamp duty at 2.5% of the annual rent reserved.

All documents relating to the transfer of land

must first be submitted to the Comptroller of VAT for the payment of the VAT applicable thereon and thereafter, to the Treasurer for the payment of the stamp duty.

Any conflicting decision between the Comptroller of VAT and the Treasurer in relation to the amount of stamp duty chargeable upon any transfer of land is to be resolved by the Financial Secretary.