



MINISTRY OF FINANCE

IMMEDIATE

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TCI Government announces radical shake up of stamp duty system

The Government confirmed that a major overhaul of the system of stamp duties payable on property transfers in the islands will be gazetted today. The change to the law, announced in the Budget on 22nd April, will introduce significant reductions in stamp duty rates for the majority of property transactions in the TCI.

The previous rate of 9.75% of the value of all properties over \$75,000 will be reduced to as little as 3.6% for properties valued at less than \$500,000 and 5.4% for properties valued at less than \$1.5 million. The change will be of immediate advantage to most TCI residents.

Instead of a single fixed rate for properties over \$75,000 there will be a new, tiered system with rates rising in line with property values. The previous rate of 9.75% of the value of properties over \$75,000 will be reduced to as little as 3.6% for properties valued at less than \$500,000 and 5.4% for properties valued at less than \$1.5 million. Duty rates on properties in East Caicos, Middle Caicos, North Caicos, South Caicos, Grand Turk and Salt Cay will be reduced by a further 50% to stimulate their local economies and encourage more balanced growth across the islands.

These changes will save thousands of dollars for many hard working TCI families and young people, such as first time buyers, who want to purchase a new home or land, and local entrepreneurs who want to invest in commercial premises.

Additionally, purchasers will be able to benefit from the choice of either paying their stamp duty in one immediate payment at the point of purchase, or to spread repayments over a 4 year period. Those choosing to pay their stamp duty up front will benefit from a 10% discount.

The revised stamp duty rates are as follows:

Property value	Stamp Duty %*	% Payable per annum over 4 years*
\$0 - \$25,000	Exempt	-

\$25,000 - \$500,000	4% (3.6% with discount)	1%
\$500,00.01 - \$1.5 million	6% (5.4% with discount)	1.5%
\$1,500,000.01 - \$3 million	8% (7.2% with discount)	2%
Greater than \$3 million	10% (9% with discount)	2.5%

* Reduced by 50% for property transactions in East Caicos, Middle Caicos, North Caicos, South Caicos, Grand Turk and Salt Cay

The changes to stamp duty underline the TCI Government's commitment to create a fairer and more efficient tax system in the economy and to provide real and practical help to individuals and businesses during the global economic downturn. The world recession has had a devastating impact on the real estate and construction sectors that dominate the TCI's economy and consequently on the income from stamp duty which has traditionally been the second largest source of revenue for the Government. Revenue from stamp duty has fallen from a peak of over \$44 million in 2008/9 to just \$11.7 million in 2009/10.

Speaking about the introduction of the new stamp duty rates, Delton Jones, Permanent Secretary of the Ministry of Finance said:

"The Government's new, tiered system of stamp duty will deliver real benefits to the people of the Turks and Caicos Islands, and especially to those on lower incomes wanting to move up the property ladder or buy a property for the first time.

"But critically, by making the vast majority of properties more affordable, the new stamp duty rates will boost confidence in our property market and real estate activities. Spreading the burden of duty payments will also reduce the volatility in stamp duty revenues going forward.

"This is a win win reform".

NOTES TO EDITORS

- The new rates will be applicable to Providenciales, Parrot Cay, Ambergris Cay and all other islands with the exception of East Caicos, Middle Caicos, North Caicos, South Caicos, Grand Turk and Salt Cay where the applicable rates will be 50% of those in the table.
- If a property is resold within the 4-year period any outstanding liability for stamp duty must be settled in full prior to or at the point of resale. If the original purchaser defaults at any point the outstanding balance of stamp duty will be held over as a charge against the property and must be settled from sale proceeds. It is therefore in the interests of new purchasers and their lawyers to ensure that the obligation of the vendor of a property to pay any stamp duties outstanding has been discharged in full.

- Individual purchases of adjoining land parcels or properties completed within a 12 month period from the date of registration of the first transaction will be additive for the purpose of calculating a full and final stamp duty liability on their combined value (for example, the effective stamp duty rate applicable to three adjoining land parcels valued at \$400K each and purchased sequentially over a 12 month period will be 6%).
 - The determination and communication of a liability for duty is the responsibility of the Collector and Assistant Collector of Stamp Duties and liabilities should be confirmed within a reasonable timescale to facilitate registration and finalization of a property transaction. In doing so he or she may seek supporting evidence of current market values and trends from similar and recent property transactions, including but not exclusively from the Chief Valuer. This also provides the opportunity within a short but reasonable window for the parties to the transaction to make representations to the Collector of Stamp Duties before a final assessment is made.
 - Fines and sanctions for late and non-payment of duty liabilities will be increased significantly and pursued vigorously. The Ministry of Finance and Ministry of Natural Resources will release further details soon
 - The deferred payment schedule will be strictly enforced with appropriate penalties being imposed in the event of the late payment, or the non-payment, of any stamp duty, which has been deferred under this scheme.
 - Persons with outstanding arrears to the government would not be permitted to defer their payments.
 - Operation and enforcement of the new stamp duty regime will require a full and accessible database of all property registrations. The Permanent Secretary of the Ministry of Finance, and the Collector and Assistant Collector of Stamp Duties will be held accountable for the effective maintenance and operation of the database.
 - The changes were agreed by the Governor and the Advisory Council in February 2010 and are consistent with the findings and recommendations of the independent revenue study published at that time. The Consultative Forum has since agreed the revised ordinance.
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