

# FOREIGN OWNERSHIP OF RESIDENTIAL RENTAL PROPERTY



By Chelon Carr-Newbold | January 2025

## Short-Term Rental Property

The rental of a home or condominium for periods of 45 days or less is deemed to be a commercial rental establishment (more commonly referred to as a short-term rental property).

By virtue of the Value Added Tax (Amendment) Act, 2023 which came into force on 1st July 2023, a foreign person that owns and operates a short-term rental property is required to collect VAT on all rentals and should obtain a business license.

A “foreign person” is defined as follows:

- (a) an individual who is not —
    - (i) a citizen of The Bahamas; or
    - (ii) a permanent resident with a right to work in The Bahamas;
  - (b) a company incorporated in The Bahamas where ANY of its shares or other capital is legally or beneficially owned by a person who is not a Bahamian or where it is in any manner, whether directly or indirectly, controlled by a person who is not a Bahamian; or
  - (c) a company incorporated at any place outside The Bahamas;
  - (d) an unincorporated association or body firm in which any of the partners or members is not a Bahamian or where it is in any manner, whether directly or indirectly, controlled by any person who is not a Bahamian.
- Previously, the requirement to pay VAT only applied if the rental income exceeded \$100,000 per year. However, this threshold no longer applies to a foreign person. VAT should be paid and remitted to the Department of Inland Revenue on all short-term rentals.

By virtue of the Business License (Amendment) Act, 2023 which came into force on 1st July 2023, a foreign person that owns and operates a short-term rental property should obtain a business license and a business license tax should be paid on the rental income.

## Long-Term Rental Property

The rental of a home or condominium for more than 45 days but less than 5 years is exempt from VAT. However, a business license is still required.

A long-term lease for 5 years or more is subject to the payment of VAT as a one-time payment based on the annual rent or on the periodic rental payments.

## Airbnb, VRBO and Rental Pool/Condo-Hotel Programs

Where a foreign person owns residential property that is part of a rental pool/condo-hotel program and is leased as a short-term rental for periods of 45 days or less by the resort operator, it is the responsibility of the resort operator to register and account for the collection and remittance of VAT to the Department of Inland Revenue.

Likewise, where a foreign person rents his property through a public marketplace such as Airbnb, it is the responsibility of the marketplace to register and account for the collection and remittance of VAT to the Department of Inland Revenue.

In these situations, the property owner does not have to become a VAT Registrant. If the resort operator or public marketplace fails to pay VAT on the owner's behalf, then the Department of Inland Revenue has the right to collect the VAT from the property owner.

### **Final Summary**

A foreign person that owns and operates a residential property (on a short-term or long-term basis) should become a VAT Registrant and obtain a business license.

If the residential property is leased through a rental pool/condo-hotel program or a public marketplace such as Airbnb, the property owner does not have to become a VAT Registrant. The onus is on the resort operator or the public marketplace to register and account for the collection and remittance of VAT to the Department of Inland Revenue.

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