

# TAX BENEFITS OF CONDO-HOTEL RENTAL PROGRAMS IN THE BAHAMAS



By Chelon Carr-Newbold | February 2025

Most of the sought-after luxury residential communities in New Providence (Nassau) and the Family Islands have condo-hotel rental programs which are managed by the Developer or Resort Manager.

These rental programs are established by the Developer so that property owners may choose to make their residences available for rental to guests of the resort.

Enrollment in the rental program is optional and not mandatory. However, there will be tax implications if a property owner chooses not to place their residence in the rental program.

## **Tax Benefits of Enrollment in the Rental Program**

It is customary for a Developer to receive certain tax concessions, exemptions, benefits or other incentives from the Bahamian Government under the Hotels Encouragement Act for the importation of materials and supplies used in the construction of residential property in the resort community.

Some of these tax benefits are passed on to the property owners. For example, real property taxes are waived as long as an owner places their residence in the rental program.

If a property owner wishes to place their residence in the rental program, the residence must be available for rent in the resort's reservation system for not less than 9 months each year for a minimum period of 20 years and, in return, the residence will be exempt from the payment of real property taxes for the 20-year period. In the event that the residence is sold within the 20-year period, the future owner would also have to commit to staying in the rental program for the remainder of the 20-year period.

## **VAT on Rental Income**

If a residence is placed in the rental program, all rental income is subject to the payment of VAT at the rate of 10%. It is the responsibility of the Resort Manager to register and account for the collection and remittance of VAT to the Department of Inland Revenue on the owner's behalf for all rental income.

## **Condo-Hotel Tax**

In lieu of real property taxes, the residence will be subject to a condo-hotel tax ("CHT") each year as long as it remains in the rental program.

The current tax rate for residential property is 0.625%. There is a minimum threshold for CHT which must be met each year which is 75% of the residential property tax rate. CHT has a maximum cap of \$150,000 per annum.

By way of example, the CHT calculation is demonstrated below:

1. If the residence has an assessed value of \$3,000,000, then the minimum CHT threshold will be \$14,063 per annum ( $75\% \times 0.625\% \times \$3,000,000$ ).
2. If the residence has an assessed value of \$35,000,000, CHT will be capped at \$150,000 per annum ( $75\% \times 0.625\% \times \$35,000,000 = \$164,063$ ).

All VAT generated from the rental income will be offset against the CHT threshold. For example, if the VAT generated is \$15,000 per annum and if the CHT threshold is \$17,000 per annum, then the difference of \$2,000 will be payable in CHT for the tax year. Conversely, if the VAT generated exceeds the CHT threshold, then no CHT will be payable.

In the event that CHT is payable, it is the responsibility of the Resort Manager to register and account for the collection and remittance of CHT to the Department of Inland Revenue on the owner's behalf.

### **Tax Implications of Removal from the Rental Program**

If a property owner wishes to remove their residence from the rental program before expiration of the 20-year period, they will be responsible for the payment to the Developer of any tax concessions that would have been otherwise due and payable to the Bahamian Government for the importation of materials and supplies used in the construction of the residence. In turn, these costs must then be paid by the Developer to the Bahamian Government in order to satisfy their obligations for the tax concessions granted.

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