OFFICE OF THE AUDITOR GENERAL BAHAMAS
(SUPREME AUDIT INSTITUTION – BAHAMAS)

PERFORMANCE AUDIT OF REAL PROPERTY TAX
DEPARTMENT OF INLAND REVENUE

Reference No. DAG/C.9/1/075

OFFICE OF THE AUDITOR-GENERAL
P. O. Box N-3027
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14 December, 2020

Ms. Gaynell Rolle
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RE: PERFORMANCE AUDIT OF REAL PROPERTY TAX
DEPARTMENT OF INLAND REVENUE

Enclosed please find the Performance Audit Report on the Real Property Tax, Department of Inland Revenue.

Terrance Bastian
Auditor General

/pf
Encl.

cc. The Treasurer, Treasury Department
The Financial Secretary, Ministry of Finance

OFFICE OF THE AUDITOR GENERAL – SAI BAHAMAS PERFORMANCE AUDIT OF REAL PROPERTY TAX- DEPARTMENT OF INLAND REVENUE

EXECUTIVE SUMMARY

This performance audit of the Real Property Tax Administration was conducted to identify opportunities for improvement to receive more Value-for-Money spent in pursuit of Parliament's objectives. Two (2) broad opportunities were identified: Firstly, improved capacity and analytics in tax policy to improve the efficiency and equity of the tax. Secondly, improved digital transformation and reform of the financial management processes. Both have been objectives of successive Governments and external advisors such as the International Monetary Fund. Reinforced and new in this report are specific recommendations to improve capacity and reduce waste and duplication. These are based on proven and practical actions in other governments and private businesses.

Real Property Tax (RPT) was studied because of its impact on property taxpayers and the Government's intent to improve the characteristics of the tax and business processes. Stated objectives of these improvements include improved fairness to taxpayers, increased voluntary compliance, reduced cost of doing business with the Government, improved competitiveness of the economy, improved investment climate, and smooth entry into the World Trade Organization. This is reflected in long-standing discussions with the International Monetary Fund (IMF), Government's 2019 Fiscal Strategy, and two agreements with the Inter-American Development Bank (IDB, BH-L1045: Government Digital Transformation to Strengthen Competitiveness and BH-L1035: Performance Monitoring and Public Financial Management Reform).

As data feeds into the RPT processes from sources across Ministries/Departments/Agencies (MDA'S), it is an excellent pilot project for policy transformation alignment across Government and the digital transformation initiative. For example, how the geospatial data relevant to the RPT processes are also relevant to emergency planning and response.

This is a performance review, rather than a financial or compliance audit. Performance reviews/audits are conducted under The International Standards of Supreme Audit Institutions (ISSAI) 3000:

- "Performance auditing aims to contribute to an improved economy, efficiency, and effectiveness in the public sector. It also aims to contribute to good governance, accountability, and transparency."
- "It does so by examining whether decisions by the legislature or the executive are economically, efficiently, and effectively prepared and implemented, and whether taxpayers or citizens have received value for money."

As such, a performance audit seeks to offer findings that can be acted on by managers, government, and a legislature to improve value received for money spent.

The review led to two groups of findings:

- **Tax Policy and Legal** –
    - Improve capacity and analytics of tax policy and legal functions to enable better guidance to 1) determine improvements and 2) successful implementation of improvements where necessary and 3) making it straightforward for civil servants and taxpayers.
    - Tax policy analysis questions include the efficiency of a tax mechanism, investing, equity of distribution across people, and minimizing:
        - distortions to the behaviour of people spending.
        - incentives for people to avoid compliance.
        - the costs of voluntary compliance to make it easier for people to do the "right thing".
    - Making it easy for people to comply with policy requires:
        - thinking ahead to the data.
        - forms and tasks to comply.
        - how easily these can be automated and utilized by taxpayers.
- **Digital Transformation and Reform** –
    - Improve timeliness and reduce waste and duplication. This would be done by creating three vital decision-making and

communication bodies that are not in the current programme management structure.

- These bodies, often termed "councils," drive:
  - business process improvements
  - data governance and
  - timely and informed issue resolution.

  Importantly, these are not "technical" bodies, rather they are comprised of senior officials from across MDA's with an understanding of policy, management processes, and the legal requirements.
- For example, the reform would improve coordination of geospatial data and processes across the Bahamas Spatial Data Infrastructure Act 2014, Land Surveyors Act, and Real Property Tax Act, and related government bodies.

Aspects of these recommendations are already in use in the Government however, there is room for improvement.

The immediate benefit these recommendations offer is reflected in gaps closed while interviewing relevant staff during the fieldwork of this report. For example, between the RPT team and other units within the Department of Inland Revenue, as well as units such as Registrar General and Ministry of Public Works (Building Permits). Several opportunities to avoid waste and duplication were identified within the community of users of geospatial information. This would make it easier for civil servants to achieve the project objectives, for taxpayers to interact with government and more value for the Government money spent.

BACKGROUND

The Real Property Tax process is undergoing several simultaneous changes, including revaluation, implementation of a Tax Appeal Commission, process improvement/modernization, digitization, and website interface user experience (UX) improvement.

The Department of Inland Revenue (DIR) is responsible for the administration of real property tax. The DIR operates as a unit under the Ministry of Finance and is held accountable for real property tax

assessment, billing, collection, taxpayer services, and financial reporting of the revenue.

Real Property Tax (RPT) was established in 1969 to assist the government with its financial operations for the betterment of the country and its citizens. Hence, Real Property Tax is one of the oldest forms of taxation in the Commonwealth of The Bahamas. The government is faced with the surmountable tasks of recording, assessing, and collecting all the real property tax. The main challenges facing the DIR administration in collecting all the tax revenue are due to:

- Return of mails for the tax billing letters notification to the taxpayers, complicated by mail address methods.
- Increasing cumulative tax arrears for non-payment.
- Tax Roll/Register requires updating to include all properties.
- Reassessment of all properties, including all aspects of value to improve fairness and correct categories for billing.
- Incorporation of process flows and data from government systems beyond DIR and dependencies on those government units.
- Continuous need for the modernization and transformation of the Real Property Tax System and update of properly integrated databases to improve the Tax Administration efficiency.

To address these challenges and to advance the modernization of Real Property Tax Administration, the Government has undertaken several initiatives over the years. These initiatives include:

1. Hiring consultants to assist with updating the Real Property Tax Roll (Register);
2. In 2014, DIR purchased CAMA Appraisal and Assessment Software/Tyler System, which was implemented 2015;
3. The Tyler System is being utilized for valuation and appraisals Real Property Reassessment in mass numbers with CAMA (Computer Assisted Mass Appraisals);

4. Three (3) Private Debt Collection Agencies were contracted to collect outstanding Real Property Tax in The Commonwealth of The Bahamas;

5. Contracting Tyler Technologies Inc. in 2019 to complete an eighteen-month timeframe project from June 2019 to December 2020 that includes data collection, entry, and valuation services for residential and commercial property.

6. Reports by the Inter-American Development Bank (IDB) and International Monetary Fund (IMF) provided the government with the outcomes of the assessment of the Real Property Tax System and the recommended initiatives for modernization to improve tax efficiency, processes, and progressivity for more revenue collection. Summary highlights are outlined in **(See Appendix I: Review of Reports Addressing Real Property Tax Modernization and Improvement Initiatives)**.

SCOPE

For the reasons outlined in the Executive Summary, the Office of The Auditor General, Supreme Audit Institution (SAI) Bahamas conducted a performance review of the Department of Inland Revenue Real Property Tax. The Inter-American Development Bank (IDB), building capacity, provided technical assistance to SAI-Bahamas with the review. Tax Administration effectiveness and efficiency in the Department of Inland Revenue is essential in all aspects.

Our performance review focused on the economy, efficiency, and effectiveness of the processes and policies of the DIR RPT Administration.

The Real Property Tax (RPT) Performance Review encompasses effective and efficient Tax Administration for good governance and the sustainable economy of the country for citizenry benefits. The review provides for the integration and capacity-building of all stakeholders and

agencies to progressively advance the RPT Administration System; to improve voluntary compliance and realize the ultimate benefits of:

1. Timely collection of Real Property Tax revenue;
2. Reduction of cumulative tax arrears;
3. An equitable Real Property Tax System;
4. Consistency in the tax awareness campaign for the taxpayers' benefits;
5. Full utilization of all available resources nationally and globally to advance the skills of personnel to transform services;
6. Transformation of services for cost reduction and alleviate duplication of efforts to maximize available resources;
7. Reduction in turnaround time of processing cycles to enhance revenue;
8. Taxpayers having the ease of doing business with access to effective and efficient services to ensure excellent User Experience (UX);
9. Overall improved Tax Administration with digitized integrated systems Ministries, Departments and Agencies (MDAs) for greater interoperability; and
10. The collection of all the revenue to be had for the benefit of the country and its citizens; while fostering tax effectiveness, efficiency, and equity for economy and good governance.

OBJECTIVE

Our objectives in this Performance Improvement Review were to:

1. Assess the economy, efficiency, and effectiveness of the Real Property Tax Administration and process. As the Real Property Tax processes and data cross units of government, special attention is given to coordination that cuts cost, improves timeliness, and increases service to taxpayers, consistent with the DIR's Taxpayer's Charter.
   https://inlandrevenue.finance.gov.bs/wp-content/uploads/2017/06/Taxpayer27s20Charter.pdf

2. Effectively engaging stakeholders to maintain relevance to national legislatures, government leaders, citizens, and government organizations.

3. Assessing the progress of improving the skills capacity of individual professionals to provide impact and relevance.

APPROACH AND METHODS

To discover evidence to support findings, the team used different methods to collect information from the organizational units and people involved. Both qualitative and quantitative data were obtained during the process to assess effectiveness.

The methods used include interviews, collaborative meetings, observation, document review, and review of external sources. Given the nature of Real Property Tax, special attention was paid to coordination, training, and capacity-building to achieve objectives.

Audit criteria are the benchmarks used to evaluate the subject matter. In the case of this set of business processes and data that cross units of government and touch taxpayers so directly, the criteria/benchmarks were recognized guidance on business-IT project management designed to simplify complexity and improve outcomes (**Please see Appendix II for examples**).

STANDARDS FOR THE AUDIT

The audit was conducted following the International Standards for Supreme Audit Institutions (ISSAIs) issued by the International Organization of Supreme Audit Institutions (INTOSAI).

These standards guide the audit team to obtain sufficient and appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Specifically, it is the ISSAI 3000 Performance Audit Standard, based on ISSAI 300 Performance Audit Principles, and enhanced with ISSAI GUID3910 Central Concepts for Performance Auditing.

FINDINGS/RECOMMENDATIONS

The findings and recommendations presented in this interim report of the Real Property Tax Performance Review are deemed pertinent and actionable to augment the modernization, digitization, improved processes, and issue solutions for the enhancement of Tax Administration:

1. Economy
2. Efficiency
3. Effectiveness
4. Good governance.

PERFORMANCE REVIEW INTERIM SUMMARY REPORTING

These opportunities for improvement allow for:

- Improved process, data, and issue solutions across all the MDAs that either feed to or receive from the RPT activity.
- Training for staff and management in both business processes and information technology to accomplish their daily objectives more easily.
- Engagement of management and front-line technologists.

- Application to all digital transformation and modernization projects.
- Enabling less costly and faster implementation of policies through increased capacity in tax policy analysis and business-IT transformation expertise common to government and private sector initiatives.

Immediately actionable opportunities that were identified to achieve outcomes more easily for RPT improvement and progressively advancing the project are here presented in an Interim Summary Review Report as follows:

Interim Summary Report: Real Property Tax Project Immediate Action Opportunities to More Easily Achieve Outcomes (January 2020)

- ***End-to-End Process Improvement and Data Governance – For all aspects of Real Property Tax (RPT) (including feeds from outside DIR).***
  - This means engaging senior officials now who will be responsible for mitigating issues as they arise.
  - An ongoing list of operational issues would be resolved more quickly and easily through this approach.
- ***Implement the Improved Process and Specific Issue Solutions – Use proven and practical principles to implement change more quickly and easily.***
  - This action is essential for policymakers, administrators, and staff to realize the benefits of collaborative problem-solving.
  - If not done, people inside government will either fall into "change fatigue" or resort to "one-off" actions to "get the job done" but at the cost of duplication and waste, and potentially lower quality service to people outside of government.

- ***Real Property Tax Policy Review – Focusing on how the revaluation will unfold in citizens' eyes.***

  Considerations include whether other contemplated tax changes should be done in parallel to buffer the valuation changes, have a phase-in period, and more fully and quickly respond to policy questions that arise during implementation.

  - Tax policy would ideally be discussed in the context of 1) classic tax policy criteria and 2) administrative ability and capacity to handle the volume of public contacts that result from tax policy choices (starting with time-sensitive question of appeals of the revaluation)

  - Would be informed by ongoing data from Tyler Technologies to understand the number of people affected by what magnitude of change.

  - A workshop-style approach could be used within the team to build trust and improve the quality of outcomes.

- ***Relaunch Public Awareness Campaign***

  - **Step 1**: As tax bills are mailed in November, focus on overcoming the nearly 40% bad address problem, communicate that taxes are due even if a bill is not received, how to do online lookups, March payment discount, and ease of benefiting from senior citizen discount.

  - **Step 2**: Test what demographic groups are hearing the communications, how well people understand the communications, and thus how to adjust communications.

  - **Step 3:** Progressive communications about the revaluation process, including the rights of DIR employees to enter properties and rights of property owners to keep photos of their properties from being posted online (after a policy decision is made on this point). Depending on the policy

decision, describe how taxpayers can submit unusual property information in advance of revaluations being completed.

- **Step 4:** Move beyond tactical to more strategic communications, linked to policy decisions. This includes the realization that citizens could be aware of photos and valuation changes of properties.

- ***To Reduce Duplication and Waste across the Government of The Bahamas (GOB) and Improve Outcomes. For example, reviewing legislation relating to geospatial shared information systems and geodata created by and used by most Ministries/Departments/Agencies (MDAs).***

The policy review would be in light of changes including:

1. The digitization initiative;
2. The Real Property Tax Project;
3. Hurricane Dorian;
4. That the statutory Geospatial Advisory Council has not met in over five (5) years;
5. Department silos inhibiting data-sharing;
6. Multiple provisions for data privacy in statues;
7. Multiple provisions for the sale of government data in statutes;
8. Need for improved processes that cross units of government;
9. Need for data governance and master data management.

- ***Training for smooth implementation and improve the roll-out***

During our interviews, multiple training opportunities were identified. These include, but are not limited to:

- International Association of Assessing Officers training in math and method for appropriate DIR staff. This could include staff from building permits and other teams.
- Taxpayer service training – for inquiries about revaluation, informal appeals; and
- Training of RPT staff on tax-free zones.

- ***Laws, international conventions, and legal clarifications***

  Acts include but are not limited to the Bahamas Spatial Data Infrastructure Act 2014, Land Surveyors Act, and the Real Property Tax Act. (See the more complete list of Real Property Tax laws and regulations in Appendix IV.)

  To advance The Bahamas in international circles and save cost by coordinating with other projects, include the work already done by the Bahamas National Geographic Information Systems (BNGIS) Centre to draw on international conventions such as **UN Global Geospatial Information Management Frameworks** (e.g., **Geostatistical Framework, SENDAI Framework for Disaster Risk Reduction** and **Framework for Effective Land Administration**).

  To simplify and accelerate implementation:
  - Clarify terminology across laws, regulations, and policies;
  - Clarify the period for appeals history;
  - Clarify use of taxpayer declaration form in view of the new valuation process;
  - Review collection agency contracts;

We recommend that management capitalizes on the highlighted immediate actionable opportunities for the improvement outcomes as presented in the Summary Interim Report.

PERFORMANCE REVIEW DETAIL REPORTING

Department of Inland Revenue Scope Decisions by Tax Type

The DIR client base is enormous. Management is tasked with the client interaction for decision-making by tax type. We noted that the decision-making process requires improved business processes and more automation (**Please see Visual View of Scope Decisions by Tax Type diagrammed in Appendix III.**

From the visual scope diagram, it is evident that economic efficiency in tax policy is essential to improve economic growth. To support this initiative the following must exist:

- Quality data input for ease of usability (clean and flowing between systems);
- Improved Business Process (improving User Experience (UX), networking, IT management methods, and more);
- Automating decisions (via computer algorithms) – management by exception.

Improving business processes and data management across the integrated system will result in cost reduction, improved User Experience (UX) satisfaction, and timesaving to capitalize on the benefits of management by exception.

We recommend that improvement in tax policy, business process, and automating decisions with management by exception be advanced. The same should be advanced through the following processes:

- **Property registration;**
- **Property valuation;**
- **Online lookup of tax due;**
- **Online payments;**
- **Appeals.**

Real Property Tax Register (Roll)

During our review, we noted that the RPT Register is still in the process of being updated. As stated in the IDB and IMF reports, according to staff response, the Real Property Tax Register needs to be modernized. Tyler Technologies is currently under contract to carry out this task over 18 months (June 2019 to December 2020) for $7 million. According to the Minister of Finance and the Financial Secretary[1], from a financial standpoint, this investment once completed should generate increased revenue of $21 million. Also, an updated Real Property Tax Register and a more modern system will have other benefits including:

- Transparency (every property (parcel of land) will be included on the tax roll);
- Fairness (landowner will pay their fair share of taxes due to effective and efficient assessment);
- Accuracy (proper recording of land along with the owner's name(s), contact information, official identification, etc.);
- Online lookup.

Persons are more inclined to pay their taxes when they are confident that everyone is paying their share and it is done in a fair (equitable) and transparent manner. Also, ease of doing business in quick turnaround time enhances Tax Compliance Administration efficiency.

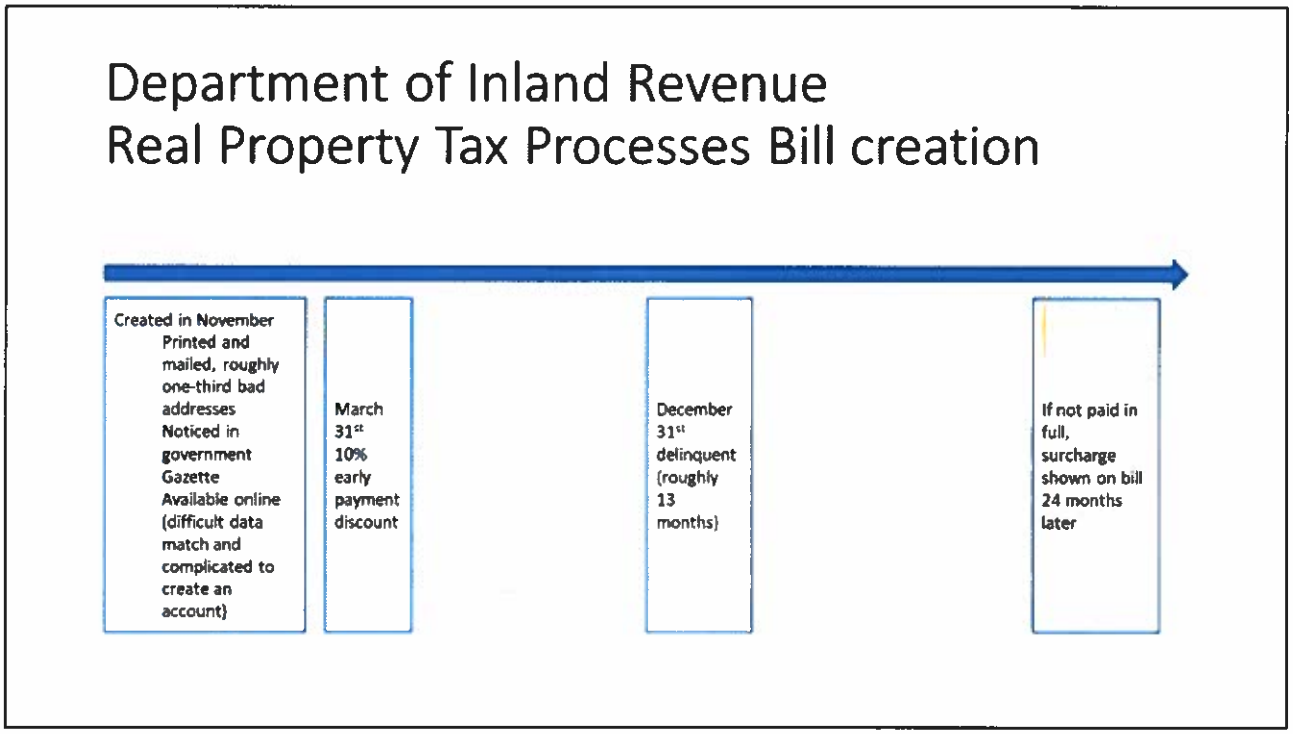
We recommend that the Real Property Tax modernization deliverables be effectively monitored for successful implementation across the integrated MDAs and digitized systems for efficiency, economy, and good governance.

Real Property Tax Bill Creation

According to our review of the bill creation process of Real Property Tax, we noted that it is lengthy. The length of time from bill creation to early discount to surcharges being added for non-payment is two years. The

[1] https://thenassauguardian.com/real-property-tax-project-has-already-assessed-20-percent-of-np/
http://www.tribune242.com/news/2019/may/09/nassau-property-tax-crackdown-eyes-21m/

nature of the billing process contributes to taxpayer confusion and the accumulative arrears.



The mode of issuing bills also needs to be revised as 30% - 40% of bills mailed are returned for incorrect addresses. However, homeowners that do not receive a bill must understand that the property tax is still due. When persons do not receive a bill, they think that they are not obligated to pay. Unpaid tax bills result in loss of revenue.

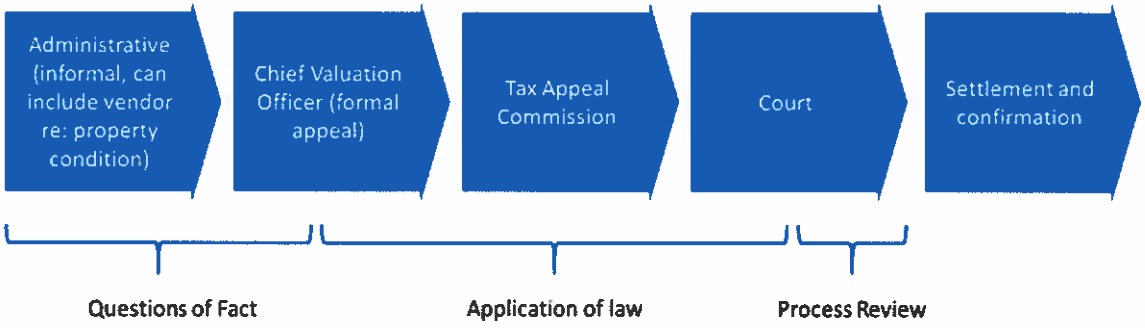
We recommend that DIR streamline the bill creation process to reduce the lengthy turnaround time. The mailing address issue should be resolved to reduce the large number of returned bills. Consideration should be given to using other mail delivery medium, such as automated notification.

Real Property Tax Assessment

An important aspect of assessment is fairness. Property owners must perceive that the process of property valuation is fair.

When taxpayers have a grievance on their property assessment, then they can launch a query. DIR has a process to manage appeal caseload, including the Tax Appeal Commission Act, 2020 (No. 3 of 2020), and the courts.

Inland Revenue Real Property Tax Processes – Assessment Appeal



The Assessment Appeal Process is affected by several factors namely:

1. Staffing (shortage or lack);

2. Legal definition of terms (the issue is that terms have different meaning and interpretation);

3. Training of staff in processes, revaluation substance, and legal issues;

4. The probability of an increase in cases due to the revaluation process;

For the appeal process to flow smoothly and efficiently, the system requires the DIR to establish a preparation framework to address the influx of cases due to the revaluation of existing properties and valuation of additions to the Tax Roll.

We recommend streamlining the objection and appeal processes for tax efficiency through:

- **Adequate staffing and training;**
- **Processing objections within a specified timeframe and public awareness of the same;**
- **Automation to streamline cases through the system and improve user experience;**

- **Tax Education Awareness Programme – (Guidance for effective Property Management, Risk Management Guidance - to Manage and Improve Tax Compliance and Guidance for Appeal).**

Real Property Tax Payment Arrangement

Currently, payment arrangements can be made for Real Property Tax however, this arrangement can only be authorized by the Chief Valuation Officer (CVO). This process impedes the timely collectability of revenue and the taxpayer's user experience is hindered. Also, the payment plan is not automated for timely payment, tracking, and accountability.

We recommend that the collection of revenue related to a payment plan be automated and management by exception (above a certain threshold) be fully utilized. Accordingly, policy regarding the same could be established for fairness and consistency. The user tax paying experience should be easy, quick, and engaging to achieve the best result. The Payment Collections Unit should be centralized to prevent overlapping and duplication of efforts.

Establishing Councils to Prevent Duplication of Effort & Improve Project Outcomes

Resources are always limited (personnel and financial). DIR and the Government at large are required to utilize resources effectively, efficiently, and economically. Ministries and departments are currently working in silos. Ministries/Department/Agencies (MDAs) that are interconnected with real property tax include:

- Office of The Prime Minister
- Ministry of Finance
- Department of Statistics
- Department of Lands and Surveys
- Bahamas National Geographic Information Systems (BNGIS) Centre
- Registrar General's Department
- Ministry of Public Works
- Financial Services & Local Government
- The Attorney General Office and The Ministry of Legal Affairs.

Time delays reflect that collaboration between MDAs in process, data, and implementation is insufficient. In some respects, this contributes to duplication of efforts which could result in wasted resources.

The IDB report: "Conditions for Improving the Property Tax in The Bahamas," May 2011, reads in part:

> **"Recommendation #9: The Government should improve the Coverage Ratio to ensure that all properties are captured on the tax roll, with accurate information on the property characteristics needed to determine accurate property valuation.**
>
> - **The Government needs to improve the quality, availability, and exchange of property information.** Substantial investment was made into the BNGIS and the LUPAP effort to effectively integrate physical, legal, and fiscal property information to improve the efficiency in the land, markets, tenure, and property taxation. Technical and institutional constraints should be addressed to enable the Bahamas to realize the benefits of improved access to property-related information.
>
> - **The Government needs to expand the use of third-party information** from the Bahamas Electricity Company, Water Company, Bahamas Investment Authority, and Public Works to update the property records. These agencies have varying property-related information on such characteristics as property location, names of occupants and/or taxpayers, property size, property types, property building characteristics, and property values. These agencies should be required to report this information to the Tax Department using a standardised property information sheet.
>
> - **The current property tax reporting form needs to be streamlined to capture a broader range of information**, such as other third-party information like the electricity meter number x and other parcel-based identifiers which might facilitate later data cross-referencing. The form should be redesigned for easy computer data entry."

In other similar situations, bodies (or "councils") of senior leaders save time and money and improve outcomes.

Three councils to speed progress, cut cost and improve outcomes

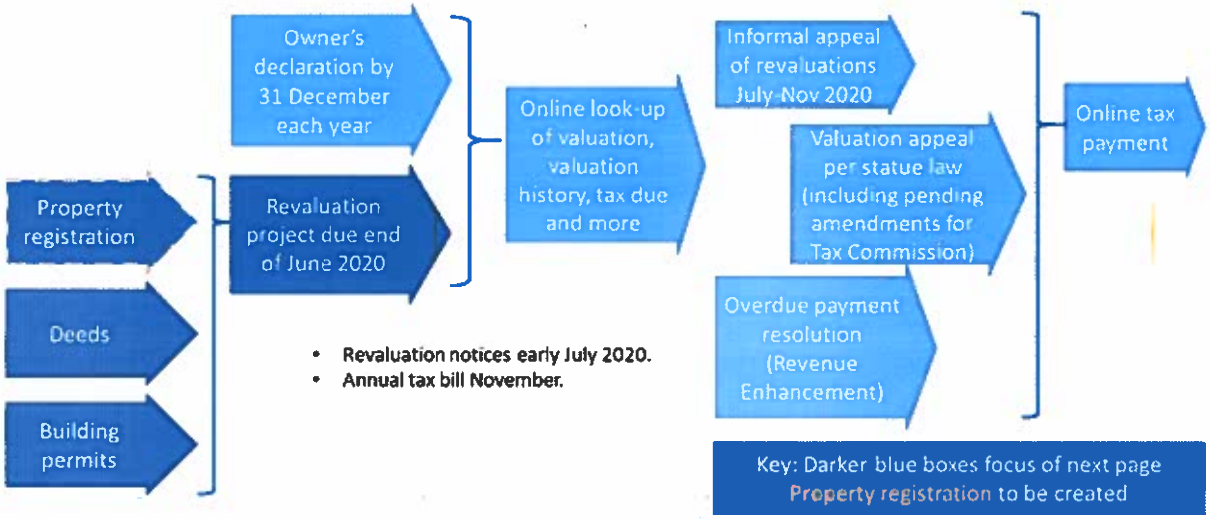
We recommend that these key stakeholders work together to reduce duplication of effort and to save on funding and reduce borrowing. Implementing the following three councils will advance the cause:

- **Process Owner Council**
- **Data Governance Council**
- **Issue Solution Council.**

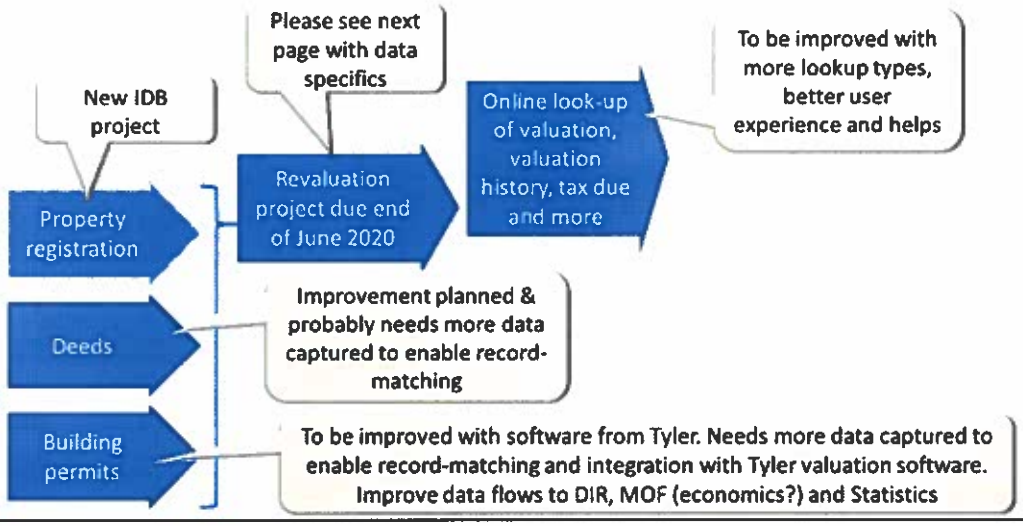
Impact of COVID 19 on Real Property Tax Agenda

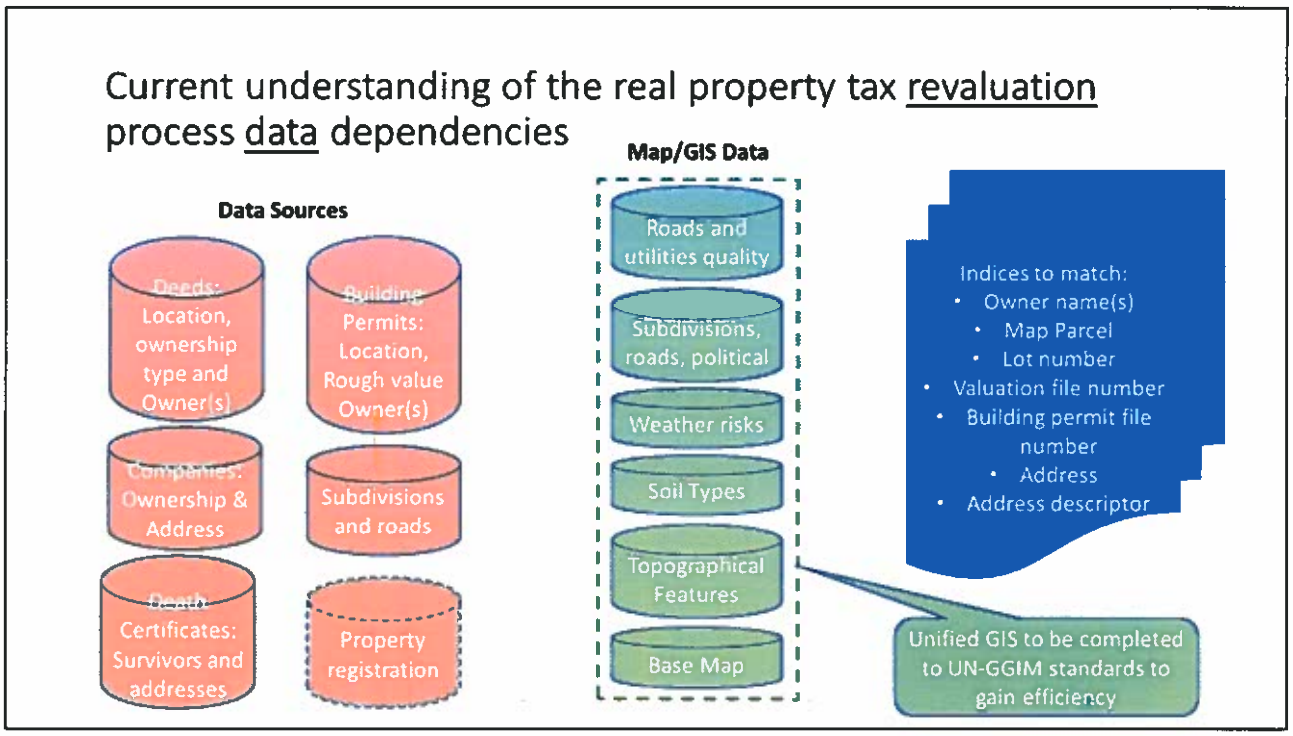
With the emergence of the pandemic COVID-19, the world as we know it came to a stop and the Bahamas (Department of Inland Revenue) is no exception. The lockdowns and curfews have affected Tyler Technologies ability to complete the property revaluation process that should have been completed by June 2020. The delay in the revaluation process directly impacts the informal appeal of revaluations that should have occurred between July-November 2020.

Current understanding of the real property tax process and its primary dependencies



Current understanding of improvements needed by or planned for the real property tax revaluation process and its primary dependencies





Where stakeholders agreed in principal to the initiatives addressing the improvement of the real property tax process flow and connecting data across institutions; the pandemic impeded the progress.

As the Hurricane Dorian disaster and the COVID-19 pandemic are both historically unprecedented, we recommend a continuous status update of milestones and key deliverables.

Law Reform – Law Consolidated Exercise Real Property Tax

Due to having so many public laws for RPT, the need exists to produce Consolidation Legislation for Real Property Tax, with accompanying regulations. (See Appendix IV)

From the information presented and as confirmed by the DIR management, a Consolidated Legislation for Real Property Tax to date has not been produced.

We recommend that the exercise be undertaken to produce Consolidated Legislation for Real Property Tax.

CONCLUSION

The outcomes and initiatives from the Real Property Tax Performance Review substantiate the need for MDA's to forge and advance a successful reform of the Tax Administration system. Improving the efficiency of the tax system will advance good governance, accountability, and transparency.

Review of Reports Addressing RPT Modernization and Improvement Initiatives

Appendix I below is a summary review of recommendations by the International Monetary Fund and the Inter-American Bank (IDB) for action to be taken by the government in advancing the modernization of Real Property Tax and strengthen the process for improved Tax Administration efficiency.

APPENDIX 1

REVIEW OF REPORTS ADDRESSING REAL PROPERTY TAX MODERNIZATION AND IMPROVEMENT INITIATIVES

REPORT NAME	YEAR	ORGANIZATION	SUMMARY REVIEW
Conditions for Improving the Property Tax in the Bahamas	May 2011	IDB	The government needs to strengthen the property tax process. Recommendations included but not limited to the following that the Government should do: 1. Adopt a proactive, comprehensive, multi-year strategy to improve property tax policy and administration. 2. Follow a "collection-led" reform strategy focusing on improving the collection ratio, 3. Mobilize the political will and to strengthen the administrative capacity and willingness to improve revenue collection and to take action against non-compliance. 4. Adopt an annual work plan linked to the property tax strategic

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REPORT NAME	YEAR	ORGANIZATION	SUMMARY REVIEW
			implementation plan. 5. Improve the Coverage Ratio to ensure that all properties are accurately captured on the tax roll.
The Bahamas Tax Reform for Increase Buoyancy	May 2014	IMF Country Report No. 14/17	Tax Reform - taxes such as the property taxes, business licenses, and the effectiveness of investment concession (incentives)
2013 Article IV Consultation -Staff Report: Press Release	March 2014	IMF Country Report No. 14/75	The Bahamian Customs and RPT departments rely heavily on manual procedures and outdated information systems; as a result, revenue collection is currently estimated at below 50 percent of the potential. Envisaged reforms aim to bring management of the two revenue agencies up to international standards, involving extensive computerization of revenue assessment and collection functions, and introduction of risk-based monitoring of operations. Staff concurred with the authorities that reform of the two revenue departments could yield significant revenue gains. However, given pervasive capacity limitations and the record of low tax compliance, staff urged caution in factoring the anticipated revenue improvements into the medium-term fiscal framework.
2015 Article IV Consultation - Press Release: and Staff Report	July 2015	IMF Country Report No. 15/203	Ongoing modernization of customs and property tax departments will further enhance revenue collections.

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REPORT NAME	YEAR	ORGANIZATION	SUMMARY REVIEW
2016 Article IV Consultation - Press Release: Staff Report and Statement by The Executive Director for The Bahamas	July 2016	IMF Country Report No. 16/224	Further initiatives include a review of all revenue lines, and modernization of customs, property tax, vehicle fees, and immigration fee administration. Executive Director for The Bahamas stated in his response, "Our authorities are continuing with revenue administration reforms that will yield significant additional revenue. These include a number of targeted reforms, for example to customs, business license and real property taxes, as well as modernization measures…"
2018 Article IV Consultation - Press Release and Staff Report	May 2018	IMF Country Report No. 18/118	Reforms to the property tax system, and automation of transfer taxes, offer opportunities to develop property value databases.
2019 Article IV Consultation - Press Release and Staff Report	July 2019	IMF Country Report No. 19/198	In the short-term, staff encouraged seeing through efforts to complete a comprehensive land/property registry and recommended building comprehensive real estate price indices to provide a basis for market-value-based property taxation, and consider an increase in its tax rate or rate structure. Global trends in taxation present an opportunity for a comprehensive approach to reform the tax system with a view to increasing its efficiency and enhancing progressivity.
PROJECT NAME	**DATE**	**SECTOR**	**LINKAGE TO RPT**
BH-L1035: Performance Monitoring and Public	November 2014	Reform / Modernization of	Specifically, regarding Tax Reform and disaster risk that links to information from

APPENDIX 1

REVIEW OF REPORTS ADDRESSING REAL PROPERTY TAX MODERNIZATION AND IMPROVEMENT INITIATIVES

REPORT NAME	YEAR	ORGANIZATION	SUMMARY REVIEW
Financial Management Reform		the State	the Lands and Surveys Department.
BH-L1045: Government Digital Transformation to Strengthen Competitiveness	June 2018	Reform / Modernization of the State	One element of item 2.7 of that project is for the property registration process – touching departments of Registrar General, Lands and Surveys, and Inland Revenue. However, this is not explicitly connected with the ongoing real property tax process revaluation and improvement project. The interdependencies with the real property tax process are more important when viewed in the context of the Digital Transformation's item 2.13 on Strategic Alignment. "Strategic Alignment. This project is consistent with the Update to the Institutional Strategy 2010-2020 (GN-2788-5) and is aligned with the following development challenges: (i) social inclusion and equality; and (ii) productivity and innovation, as well as with the cross cutting theme of: institutional capacity and rule of law."

We recommend that as the RPT Modernization Project progresses, that management continuously reviews the integrated systems across the MDAs to ensure that the tax system is reformed for improved efficiency, effectiveness, economy, and good governance; while *"enhancing progressivity" (IMF Report).*

Appendix II

References regarding "councils" to improve Programme/Project Success.

Business Process Owner Council – With a history rooted in decades of systems analysis, business process management and improvement widely expanded in the 1990s with the rise of computer-aided business process improvement and redesign. The council (or body by whatever name) is a coordination point for "process owners" who have end-to-end responsibility and accountability for a business process that extends beyond a typical organizational unit. "Process owners" are senior functional leaders in an organization who are appointed to additional cross-cutting roles in an organization to oversee/own an end-to-end process. Through councils, these owners meet to build timely, shared understanding and resources to then empower the teams improving and operating the processes.

The following are offered as illustrative examples of the literature. Management can draw on these and more in their design of the appropriate body. The Office of the Auditor General provides no endorsement of any method.

- Discussion of councils and management methods for a business process improvement project
  - https://www.bpminstitute.org/resources/articles/process-governance%C2%A0leadership-or-management
  - https://www.bpmleader.com/2012/07/17/how-to-sustain-change-with-business-process-ownership/
- Harvard Business Review article https://hbr.org/1990/07/reengineering-work-dont-automate-obliterate
- Book: Reengineering the Corporation https://www.amazon.com/gp/product/0887306403/
- OECD forum on Tax Administration – examples of business process improvement http://www.oecd.org/ctp/administration/49648540.pdf
- CIO Magazine https://www.cio.com/article/3433946/what-is-process-improvement-a-business-methodology-for-efficiency-and-productivity.html
- World Bank report of Czech Republic Integrated Revenue Administration https://openknowledge.worldbank.org/bitstream/handle/10986/3070/479840ESW0P1141IC0disclose071101091.pdf?sequence=1&isAllowed=y
- International Monetary Fund, How to Note, How to Design a Financial Management Information System https://www.imf.org/en/Publications/Fiscal-Affairs-Department-How-To-Notes/Issues/2019/05/15/How-to-Design-a-Financial-Management-Information-System-A-Modular-Approach-46818
- Consulting firm blog https://blog.leonardo.com.au/5-key-elements-to-bpm-governance

Data Governance Council – data governance is a business-level (not technology function) activity across functional units to determine, ownership, use, and coordination of individual elements of data, including legal requirements. In our discussions, data governance was known to personnel within the Ministry of Finance and the Office of the Prime Minister. The executive administrators who were aware of the framework are passionate about the processes and systems being implemented as they agree with the importance of the system and the best-practice requirement for advancing reform and modernization.

The following are offered as illustrative examples of the literature. Management can draw on these and more in their design of the appropriate body. The Office of the Auditor General provides no endorsement of any method.

- IBM conference presentation reflecting on the formalization of the concept of data governance in 2004 ftp://public.dhe.ibm.com/software/my/downloads/postevent/6_The_Way_Forward.pdf
- OECD book chapter on data governance in the public sector https://www.oecd-ilibrary.org/sites/9cada708-en/index.html?itemId=/content/component/9cada708-en
- U.S. State of Florida's geospatial data governance https://www.dms.myflorida.com/content/download/141477/912284/GIS_presentation_-AST.pdf
- U.S. National Institute of Science and Technology https://csrc.nist.gov/glossary/term/data_governance
- Data governance for a World Bank-supported project in Swaziland https://documents.worldbank.org/en/publication/documents-reports/documentdetail/693971579844853684/standard-operating-procedure-12-data-governance-and-data-utilization-committee-functions
- Data management company guidance on data governance https://profisee.com/data-governance-what-why-how-who/
- IMF 2016 internal evaluation of its data complications point to a roadmap for improvement. In particular, see Chapter 5 https://www.elibrary.imf.org/view/IMF017/23170-9781498385985/23170-9781498385985/front.xml?redirect=true
- Government of Canada data governance standardization initiative https://www.ic.gc.ca/eic/site/062.nsf/eng/h_00108.html
- Data governance councils are wide-spread in larger and smaller U.S. government agencies https://www.ncua.gov/data/enterprise-data-governance-council-charter

- From the United Nations Development Program (UNDP) on data governance in Africa https://www.africa.undp.org/content/rba/en/home/presscenter/articles/2017/05/15/undp_eca_web_foundation_and_the_open_data_for_development_network_unveil_inaugural_ADRR.html?platform=hootsuite
- From UNDP Pathways to SDG's series https://digitalstrategy.undp.org/strategy.html

Issue Solution Council - by varying names the process for solving problems comes in two main types, those for longer response times (often termed "issue management" or "issue response") and those with shorter response times (often termed "escalation management"). The concept is successful because of how 1) people in an escalation chain have sufficient domain knowledge to understand the implications of a decision, 2) issues/problems/complications are defined clearly into actionable form, and 3) issues are escalated quickly to the lowest layer of management that both knowledgeable and empowered to decide. In a discussion with NEMA management, they were familiar with such methods.

The following are offered as illustrative examples of the literature. Management can draw on these and more in their design of the appropriate body. The Office of the Auditor General provides no endorsement of any method.

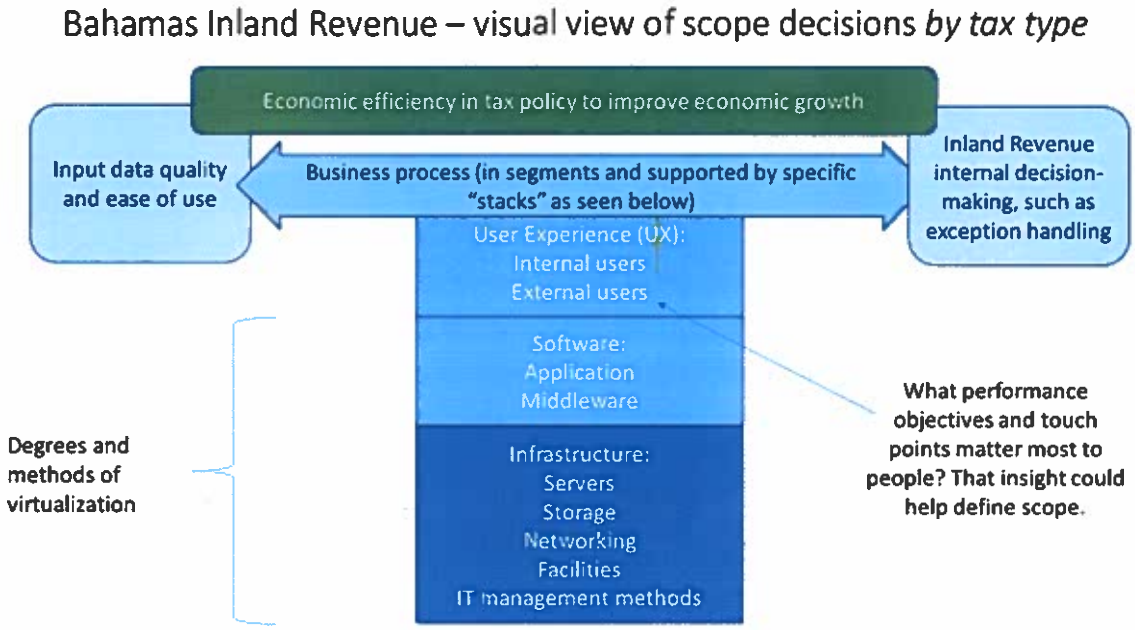
- Many articles in the library of the Project Management Institute, including:
  - https://www.pmi.org/learning/library/project-governance-critical-success-9945
  - https://www.pmi.org/learning/library/integrated-project-risk-issue-management-6303
  - https://www.pmi.org/learning/library/bought-new-software-implementation-expectation-8250
- U.S. CDC that has become timely in a world of COVID-19 https://www2a.cdc.gov/cdcup/library/pmg/other/isu_description.htm
- World Bank paper from 1985, including "strategic issue management" http://documents1.worldbank.org/curated/en/562811468765919659/pdf/multi-page.pdf
- World Bank paper that is highly tactical that includes issue resolution for truck drivers during their trips in Vietnam https://olc.worldbank.org/system/files/Pages%20from%20Strengthening-Vietnam-s-Trucking-Sector-Towards-Lower-Logistics-Costs-and-Greenhouse-Gas-Emissions.pdf. This similar to an initiative to resolve issues related to trucking across U.S. state lines during disasters and COVID-19 https://www.commroute1.org/start-a
- An IMF paper about the Balanced Score Card approach includes "speedier issue resolution" as an item monitored in the Tax Administration process in Singapore https://blog-pfm.imf.org/files/jai-seminar.pdf

- OECD paper on communication and trust https://www.oecd-ilibrary.org/sites/9789264308992-9-en/index.html?itemId=/content/component/9789264308992-9-en cites this research on issue management and crisis management https://www.sciencedirect.com/science/article/abs/pii/S0363811107000185?via%3Dihub
- This concept applied to a workplace safety programme https://www.ahrq.gov/hai/tools/ambulatory-surgery/sections/sustainability/management/problem-solving-fac-notes.html
- Consequence Management plan from the U.S. State of Maryland, see escalation process https://www.ahrq.gov/hai/tools/ambulatory-surgery/sections/sustainability/management/problem-solving-fac-notes.html
- Public Safety Canada, see figure 2.7 that is similar to the issues solution pyramid graphic earlier in this report https://www.publicsafety.gc.ca/cnt/rsrcs/pblctns/mrgnc-rspns-pln/index-en.aspx
- UNDP document includes helpful escalation graphics https://popp.undp.org/UNDP_POPP_DOCUMENT_LIBRARY/Public/AC_Accountability_Risk%20Escalation%20Guideline.pdf (the vertical arrows and related reflect the concept in the simpler pyramid diagram of this document)

These examples from around the world and different problem types illustrate the power of this concept and how easily is can be replicated and modified for specific situations. Application to the RPT project could become the start of significantly improved economy, efficiency and effectiveness in digitization and modernization projects across the GOB.

Appendix III

Visual View of Scope Decisions by Tax Type



APPENDIX IV

COMPENDIUM OF THE BAHAMAS REAL PROPERTY TAX ACTS & AMENDMENTS

sted below are the Real Property Tax Act, Regulations, and Amendments.

Date Commenced	Item No.	Title	Category
Monday, 04 August 1845	1846-0010	Real Property Act	Real and Personal Property
Wednesday, 01 October 1969	1969-0023	Real Property Tax Act	Revenue
Tuesday, 08 September 1970	1970-0043	Real Property Tax (Forms and Notices) Regulations	Revenue
Sunday, 23 February 1975	1978-0012	Real Property Tax (Prescribed Form) Regulations	Revenue
Thursday, 15 October 1987	1987-0055	Real Property Tax (Owner-Occupier Exemption) Variation Order	Revenue
Monday, 13 July 2009	2009-0025	Real Property Tax (Amendment) Act 2009	Revenue
Wednesday, 05 August 2009	2009-0030	Real Property Tax (Amendment)(No.2) 2009	Revenue
Friday, 24 August 2012	2012-0019	Real Property Tax (Amendment) (No. 2) Act 2012	Revenue
Tuesday, 01 January 2013	2012-0016	Real Property Tax (Amendment) Act 2012	Revenue
Monday, 25 February 2013	2013-0018	Real Property Tax (Amnesty) Order 2013	Revenue
Friday, 12 April 2013	2013-0006	Real Property Tax (Amendment) Act 2013	Revenue
Wednesday, 03 July 2013	2013-0067	Real Property Tax (Amnesty) (Amendment) Order 2013	Revenue
Tuesday, 20 August 2013	2013-0029	Real Property Tax (Amendment) Act 2013	Revenue
Wednesday, 01 July 2015	2015-0022	Real Property Tax (Amendment) Act 2015	Revenue
Friday, 01 July 2016	2016-0020	Real Property Tax (Waiver of Tax) Act 2016	Revenue

Source: The Government of The Bahamas Legislation - Real Property Tax Act and Amendments Bahamas On-Line Integrated Legislative System

SAI Bahamas RPT Project Process Improvement for Actionable Outcomes

During the interviews, responses were received and consolidated from multiple government units and managers. After reviewing the information, further questions arose. These questions were communicated to management for response and included issues such as:

- Communication - Relaunch Public Awareness Campaign;
- Communications and Systems - Taxpayer Notification;
- Legal - Training DIR/RPT Staff on Tax-Free Zone;
- Legal - Review of Collection Agency Contracts;
- Organizational Change – Organizational Framework;
- Business-IT Transformation People Coordination Approaches – Organizational Change;
- Silo Reduction and Culture Change – Organizational Change;
- Project Prioritization – Organizational Change;
- RPT Policy Analysis – Policy;
- Bahamas Spatial Data Infrastructure Act – Policy;
- Data Privacy Language Coordination – Policy;
- Land Survey Act Revision – Policy;
- OPM Familiarity with RPT Legal, Business Process and IT Improvements – Process;
- Property Registry – System;
- Data Privacy Language Coordination – Policy;
- Real Property Tax Policy Review in view of latest Information – Policy;
- Data Flow from MDA's – Process.