

Focus on Bonaire Real estate tax

Real estate tax | September 9, 2020

Next year starts a new tax period of five (5) years for the real estate tax on Bonaire. Reason to reflect on the real estate tax system, more specifically on the valuation of the property. A point of attention is hence the question whether the current Corona crisis has a decreasing effect on the value of commercial real estate.

Where reference is made in this writing to Bonaire, this also refers to the other BES islands St. Eustatius and Saba.

The real estate tax system

The real estate tax is levied on the benefits from an immovable property located on Bonaire. These benefits are set at 4% of the value of the real estate. The value of the real estate is determined based on the fair market value of the real estate on the value reference date. The value reference date is at the beginning of the tax period for the real estate tax. The next value reference date is at the beginning of the year 2021.

The benefit of 4% is taxed at a rate of 17.5% or, in the case of a hotel, at a rate of 10%. This means that an effective rate of 0.7% is levied on the value of your real estate (or 0.4% if it is a hotel).

The real estate tax also has exemptions. The main exemptions are:

- A principal residence, provided that the owner is a resident of Bonaire.
- Real estate belonging to the business assets of a natural person.

Value determination

The value of the real estate is determined by the tax inspector at the beginning of each 5-year period. In principle, this value applies to the entire period of five (5) consecutive calendar years. The next 5-year period starts in the year 2021 and ends in the year 2025.

However, in the event of a change to the real estate through construction, renovation, improvement, demolition or destruction in the year preceding the 5-year period or in the course of the 5-year period, the tax inspector will re-determine the value of the real estate.

Note that the real estate tax provides a temporary exemption for the first ten (10) years for the increase in value of a real estate, which results from the construction, renovation, improvement, extension or renovation of the property.

Value determination during the Corona crisis

The real estate tax legislation mentions that in the event of a change during the 5-year period as a result of, amongst others, the destruction of the property, the tax inspector will re-determine the value of the property.

The question arises whether the (current) Corona crisis can have a (partial) decreasing effect on the value of commercial real estate as a destruction of the real estate in an economic sense.

Globally, the Corona crisis has caused both a health and an economic crisis of epic proportions. The economic crisis is the result of all the urgent measures that had to be taken by various countries to ensure public health. For example, many governments around the world, including Bonaire, have closed their borders to non-residents, announced necessary 'shelter in place' orders and also imposed curfews.

As a result of the pandemic and the 'lockdowns', tourism on Bonaire has also come to a halt, forcing hotels, timeshare resorts and accommodations on the island to close their doors. Their properties have become less productive as a result of the pandemic and 'lockdowns' and will remain largely less productive for the foreseeable future.

We believe that the real estate tax legislation offers the possibility to re-determine the value of the property for the new 5-year period (2021-2025) to a lower value in response to the effects of the Corona crisis.

Do you disagree with the determined value?

Lastly, we would like to inform you that if you do not agree with the value of your real estate, which has been determined by the tax inspector, you can submit an objection letter within two (2) months after the date of the real estate tax assessment. In principle, you can only file an objection in the first (1) year of the tax period. This is therefore next year for the new tax period.

If you are of the opinion that the value of your real estate is lower, also taking into account the effects of the Corona crisis, we advise you to have an appraisal report made in advance. We can be of service to you if you would like to know more about a reduction in the value of your commercial property due to the Corona crisis.

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