



INVESTMENT INCENTIVES
FOR
HOTEL AND RESORT DEVELOPMENT

HOTELS ENCOURAGEMENT ACT

MINISTRY OF FINANCE
CECIL WALLACE-WHITFIELD CENTRE
P.O. BOX N-3017
NASSAU, THE BAHAMAS

Benefits Available to Investors

1. Customs Duty Exemption

- Exemption from payment of customs duties in respect of all materials necessary for the equipping and furnishing of a new hotel in order to allow the facility to open for business. Minimum number of rooms to access concessions in New Providence is 10 and in the Family Islands the number is 4 rooms.
- These concessions are also offered for rehabilitating, reequipping and extending a hotel operation, or one that was not constructed under the Act.

2. Right to Import Construction Plant

- The right to import the construction plant, including heavy-duty machinery, free of duty on a Customs bond, with the obligation to re-export it by a given date.

3. Tax Exemptions

- A ten-year exemption from Real Property Tax with a minimum taxation per bedroom of \$20.00 beginning in the eleventh year until a twenty year period occurs from the date that the hotel opened.
- Exemption of Real Property Tax may be for further periods up to ten years with payment of \$250 per bedroom per annum in New Providence and Paradise Island and \$100 per bedroom per annum in the Family Islands.

4. Other

- The same restrictions, regulations or conditions which are applied to one hotel will be applied similarly to other hotels.
- All other matters regarding type of hotel and location must meet the requirements of the Government.

How To Obtain These Benefits

In order to obtain the benefits under this legislation an individual or company must apply to The Financial Secretary, Ministry of Finance, P.O. Box N-3017, Nassau, The Bahamas.

Each application is considered on its own merit. It is necessary that an investor take the following steps in order to comply with specific requirements of the Act. These need not be done in order; in fact it is recommended that they are done simultaneously.

1. Apply to the Ministry of Finance to enter into an Agreement under the Act.
 - The project proposal should be in the form of a formal letter addressed to: Financial Secretary, Ministry of Finance.
 - This letter will be considered as a proposal to enter into an agreement with the Government. It should be accompanied by the proposal for the new hotel indicating its current status. It should contain the items and costs of the entire project, itemizing those which are for the overall project, and those for which the investor expects customs duty exemption. The application should also be accompanied by proof of ownership of the property where proposed hotel is to be located.
2. Submit plans to the Department of Physical Planning of the Ministry of Works/Local Town Planning Committee to obtain an Approval in Principle.
3. Obtain a Building Permit
 - This must be obtained from the Ministry of Works/Local Board of Works which will review the plans and provide the permit once the plans meet their specifications. This procedure applies to new hotels as well as rehabilitation or renovation of an operating hotel.
 - These plans will then be discussed by the Ministries of Works and Health. This allows the necessary inspections to take place at the appropriate times. A copy of the approved plans including a site plan must accompany the application. In the case of existing buildings photographs of the interior and exterior should also accompany the application.

Special Considerations

Before submitting a formal application the following additional points should be noted:-

- In addition to submitting a written application, the investor may wish to meet with the Financial Secretary of the Ministry of Finance to discuss the project.
- No application is granted automatic approval. This decision is made after joint consultations with other agencies of Government as well as with the Project Coordinating Committee.
- An investor should take steps to plan well ahead of his target date for commencement of construction as the decision making process may be lengthy.
- Any materials imported/purchased prior to the grant of the approval in principle will not be exempted from payment of customs duty. An understanding of this is critical as investors have often proceeded to advance a project without having obtained the necessary approval.
- It is recommended that investors engage the services of a local lawyer to assist in the preparation of the legal documents which will be necessary for execution by the Government. A lawyer would also be useful in helping to communicate with the various government agencies on pertinent licenses.
- The final decision on applications for the approval in principle is made by the Minister responsible for Hotels Encouragement. Then a formal legal Agreement is prepared and executed between the Government and the Investor.
- The Hotels Encouragement (Customs Duties Exemption) Regulations, 1999 will be closely followed when applications are made.

CHECK LIST ON REQUIREMENTS FOR APPLICATION

1. Letter of application addressed to the Financial Secretary, Ministry of Finance.
2. List of items to be imported duty-free including amounts and costs.
3. Proof of ownership of property, i.e. copy of conveyance/lease agreement.
4. Copy of approved architectural plans, including site plan, for new projects and additions and/or photographs of interior and exterior for existing buildings.
5. Source of funding must be stated and verified, i.e. mortgage; letter of credit; personal savings or deposit for business purposes.
6. Name of Contractor, value of contract, project total and number of persons to be employed during project.
7. Copy of current Hotel Guest Tax receipts for hotels in operation.

EXEMPTIONS NOT ALLOWED

BUSINESS LICENCE

- The Act does **not** allow exemption from payment of Business Licence fees. All businesses in The Bahamas must obtain a Business Licence to operate.

HOTEL LICENCE

- All hotels must apply for a Hotel Licence in order to operate and receive concessions under the provisions of the Act.

STAMP TAX

- Stamp Tax exemptions are not normally granted under the Act. Special considerations may apply for hotels developed in the Family Islands.

Items NOT ALLOWED Duty-Free Concessions

Maintenance Equipment

- Lawn mowers, Brooms, Mops, Brushes, Floor polishers, Vacuum cleaners, etc.

Vehicles

- Cars, Trucks, Boats, Golf carts, Aircraft, etc.

Consumables

- Soaps, Detergents, Fuels, Lubricants, Acids, Chemicals, Medicines, Foodstuffs, Toiletries, Fertilizers, Bottled water, Light bulbs, etc.

Live Animals and Plants

- No living organisms.

Hand Tools

- Drills, Saws, Hammers, Sanders, etc.

Cement Blocks

Mattresses; Box Springs and Pillows

Draperies and Bedspreads

Artwork (prints/reproductions)

Mirrors (not decorated)

Uniforms

Pottery

- Planters, Vases, Urns, Ashtrays

Wastebaskets, Soap and Tissue holders (non-fixed)

Paint

- All types of paint
House, Marine, Industrial Architectural, Primers, Sealers, Texture Coatings, Roof Coatings, including Elastomeric Wall Coatings, Hydraulic Cement Sealers, Water Proofing Compounds, Joint Compounds, Concrete Bounding Agents, Paint Strippers, Spackling Paste, Glazing Compound, Putties, Heat Resistant Paints, Sand Texture Masonry Sealant, Masonry Patching Compound, Bitumastic water proofing compound, Varnish & Stains; Both Water & Solvent Borne Alkyd Primers/Undercoaters, Road Marking, Patio & Tennis Court

Paints, Swimming Pool Paints, Metal Primers, Sanitary Sterile Wall Coating.