



**TOURISM INDUSTRY PARTNERS GROUP:**

Bahamas Hotel and Tourism Association  
Bahamas Hotel and Restaurant Employers Association  
Nassau Paradise Island Promotion Board  
Grand Bahama Island Tourism Board  
Bahamas Out Islands Promotion Board  
Bahamas Diving Association  
Marina Operators of The Bahamas  
Bahamas Sightseeing & Tour Operators Association  
Sandals Resorts  
Baha Mar Limited  
Atlantis Paradise Island

February 3, 2014

The Right Honourable Perry G. Christie, M.P.  
**Prime Minister and Minister of Finance**  
**Office of the Prime Minister**  
Sir Cecil Wallace-Whitfield Building  
Hand Deliver: West Bay Street  
Nassau, N.P., Commonwealth of The Bahamas

Dear Prime Minister:

**Re: Value Added Tax and Fiscal Reform**

We wish to advise you of the serious reservations our industry has regarding the Value Added Tax revenue raising measure which has been proposed by the Government and make an urgent appeal to you for public-private sector collaboration at the highest levels to assess and address alternatives to that which has been proposed.

If enacted as presented we believe VAT will further impact our cost competitiveness as a tourist destination. The Bahamas is already viewed as a high cost destination both for travelers and as a place to conduct business. We fear that by moving forward with VAT as proposed there will be unintended negative consequences to the industry, Government revenue and employment.

We recognize fully the fiscal dilemma facing the nation and believe that with the collective resolve of the Government and the business community we can reach a timely solution which will address the debt without compromising the economy, upon whose health the debt resolution is underpinned.

At this time we are working with the Coalition for Responsible Taxation, led by the Bahamas Chamber of Commerce and Employers Confederation, to understand the potential impact alternatives might have on tourism. We support the Coalition initiative to conduct an economic analysis and modeling exercise to assess the impact of VAT as proposed against alternatives measures inclusive of a revised VAT and/or other taxation schemes. This will include an analysis to assess our tourism price competitiveness against the various tax options.

An independent analysis, with a view to options, is essential in our estimation before a final decision can be made based on such an important matter. Through the BHTA, our industry will be fully engaged in this analysis and we request your Ministry's support in working collaboratively with the Coalition to ensure access to relevant information, consultation with our economist, and timely completion over the next several months.

For the past year we have reviewed all information made available to us through the Ministry of Finance. Our assessment has been informed by members of BHTA's Tourism Tax Reform Task Force, which has included representation from Atlantis, Baha Mar, Sandals, small hotels on Nassau and the Family Islands, restaurants, tour operators, excursion operators and marinas.

We have studied how VAT has worked in other jurisdictions, particularly those with small tourism-dependent economies. We have assisted with and supported the work of the Chamber's Coalition and have reviewed facts and studies surrounding their work.


We commend the Financial Secretary and his team for their support throughout this process. They have been willing partners and we believe it is essential that this collaboration continue.

BHTA's constructive engagement with all stakeholders has informed and reinforced our view that VAT as proposed is not in the best interest of our industry and the economy. Too many questions remain unanswered or have not been satisfied. It is our view that:

1. Our industry cannot absorb further cost increases which consequently would need to be passed on to the consumer making us even less price competitive. The recession, increased operating costs and higher taxes have taken margins to levels of vulnerability.
2. Insufficient consideration has been given to alternatives to what has been proposed (inclusive of a revised VAT scheme). The Government's February, 2013 White Paper, *A Value Added Tax Within a Reformed Tax System*, makes mention of a review of options, but never was the private sector involved in a review to rule out other options;
3. A rush to a July 1, 2014 implementation is not prudent without further analysis of the economic impact on business viability and competitiveness. The IDB supported study did not assess this level of impact;
4. Both the public and private sectors are not adequately prepared for a July 1, 2014 VAT implementation date, assuming this remains the course;
5. Fiscal reform must be undertaken comprehensively, as Government has indicated. Details should be worked out collaboratively on initiatives to reduce Government's unacceptable high level of  
• receivables, reduce expenditures; and put in place other revenue raising measures which will not negatively impact the economy.

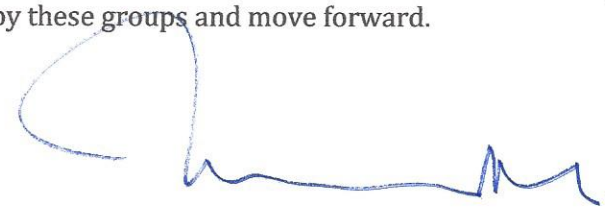
We recognize the external pressures which exist to address the nation's debt coming from the International Monetary Fund, rating agencies, and the World Trade Organization. It is not our intention to avoid a resolution, rather to ensure workable and timely solutions which do not jeopardize the viability of our industry and the economy. Beyond public assurances to that effect, we would hope that by working together we can allay such concerns by these groups and move forward.

Sincerely,



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Stuart Bowe, President  
Bahamas Hotel and Tourism Association




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Robert 'Sandy' Sands, Chairman  
Bahamas Hotel Employers & Restaurant Association




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George Myers, Chairman  
Nassau Paradise Island Promotion Board



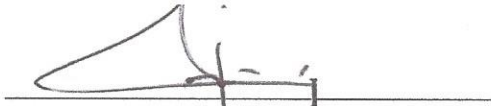
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Shavonne Darville, President  
Bahamas Out Islands Promotion Board



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Peter Maury, President  
Marina Operators of The Bahamas



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S. Wayne Cummings, Director of Business  
Processes and Administration, Sandals Resorts



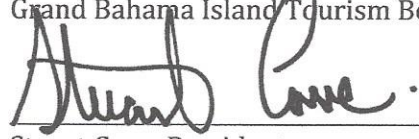
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George Markantonis, President & Managing Director  
Atlantis Paradise Island



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Russell Miller, Chairman  
Grand Bahama Island Tourism Board



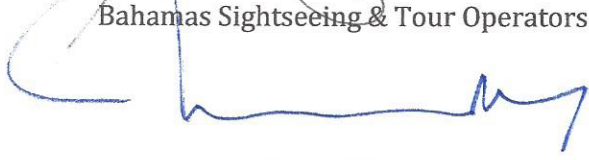
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Stuart Cove, President  
Bahamas Diving Association



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Sonia Bowe Adderley  
Bahamas Sightseeing & Tour Operators Association



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Robert 'Sandy' Sands, Sr. Vice President  
Baha Mar Limited

cc: The Honourable Obediah Wilchcombe, MP  
Minister of Tourism

- The Honourable Michael Halkitis, M.P.  
Minister of State for Finance

Mr. John Rolle  
Financial Secretary, Ministry of Finance

Sir Baltron Bethel  
Senior Policy Advisor, Office of the Prime Minister

Mr. Chester Cooper, Chairman  
Bahamas Chamber of Commerce and Employers Confederation

Mr. Robert Myers, Co-Chairperson  
Coalition for Responsible Taxation

Mr. Gowan Bowe, Co-Chairperson  
Coalition for Responsible Taxation