



Eleuthera  
Chamber of Commerce

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# COVID-19 RECOVERY

RESTART AND STIMULUS IN  
FAMILY ISLANDS

Broadening the economic base of The Bahamas for  
the future.



# WHY THE FAMILY ISLANDS?

It is felt by many that the Family Islands (FIs) offer The Bahamas the greatest opportunity for recovery following the COVID-19 pandemic. We are convinced of this based on the following evidence:

- Currently 14 islands have ZERO COVID-19 cases
- The FIs are all unique, each with their unique natural beauty
- The FIs are sparsely populated, which easily facilitates social distancing
- These islands typically attract higher end clients
- The FIs currently have significant existing foreign investments and pending projects; for example -
  - Existing cruise ports ( Coco Cay, Great Stirrup Cay, Castaway Cay, Princess Cays, Half Moon Cay, Ocean Cay
  - New cruise port projects (Disney \$300 Million, Half Moon Cay \$100 Million)
  - Vacation Rental Homes (this is a consistent growth area)
- A number of boating and yachting destinations (Abaco, Eleuthera, Exumas; all offering a variety of marinas and moorings)
- Small Hotels/Lodges
- Domestically, many Bahamians are looking for a simpler, quieter life and would relish the opportunity to live and work on the FI, if possible
- Typically, land on FIs cost less than land in the capital

Note that the Eleuthera Chamber of Commerce is prepared to work with the Bahamas Government on the implementation plan for the stimulus program outlined below.

## FOREIGN INVESTMENT PROJECTS AND MAJOR DEVELOPMENTS

It is our view that the government ought to assess all pending projects and the ability of the project's principals to move forward. Following this assessment, we are of the view that all viable projects that are pending should be fast-tracked.

The fast-tracking of these projects would be aided by the creation of a Family Island Investment & Development Board (FIIDB). This Board will focus exclusively on Family Island projects. We would also like to recommend that the majority of board's members (who will be appointed by the government) have first hand knowledge and expertise in family island development and/or operations).

The FIIDB will seek to support the developer in the first phase of the project and offer guidance and advice, as necessary. We believe that this approach would go a long way in ensuring that (at the very least) the first phase of these projects are completed and become immediately operational.

It is also recommended that a specific amount of the transfer tax be earmarked for essential infrastructure and commercial development in the community where the development is proposed.



## INVESTMENT IN FAMILY ISLAND BUSINESSES

Bahamian businesses need to retool if they plan to succeed in the changing global landscape. The upgrades needed are costly and many businesses cannot afford them given the current tax regime. Additionally, more than 75% of Eleuthera Chamber of Commerce members who recently participated in our COVID-19 Impact survey noted that they experienced revenue decline of 90% or more as a direct result of the measures imposed in response to the pandemic.

- If existing Family Island businesses are going to recover, The Bahamas government will need to implement various measures to stimulate the economy.
- It is suggested that the government consider (for a specified period) allowing all businesses to use VAT credit for capital investments or loan repayments for the purpose of improving their business' technology, physical plant, infrastructure, developing delivery programs, and increasing energy efficiency. It is also suggested that all equipment purchased for this purpose be imported duty free.
- It is thought that special consideration ought to be made for businesses on the brink of collapse. It is proposed that, for these businesses, the government also consider utilizing the VAT credit for inventory, rent, and operational expenses.
- It is suggested that the VAT credit be offered to all existing businesses on the family islands (that meet the requirements outlined) for a period of 36 months This, we believe, will help Family Island businesses make necessary investments or repay mortgages. It is suggested that the Government offer:
  - 100% VAT credit for first 12 month period
  - 75% of VAT credit for the next 12 months
  - 50% of VAT credit for the final 12 months
- Further, it is suggested that Family Island businesses also use the VAT credit to repay business-related mortgages. We trust that these mortgages will be offered at preferential rates so businesses can afford the financing needed to retool and rebuild.

#### **REQUIREMENTS FOR ACCESSING PROGRAM**

- VAT Registered prior to or register immediately
- All other valid Government Documents

#### **ENCOURAGING DOMESTIC INVESTMENT IN THE FAMILY ISLANDS**

It is suggested that a Domestic Investor investing in a business on a Family Island with a capital investment of greater than



\$100,000 receive a VAT “rebate” in support of recovering a maximum 50% of the total investment over a 5 year period not to exceed 50% of its total VAT due to the Bahamas Government in any period.

## REAL ESTATE/ CONSTRUCTION

To stimulate the closing of pending Real Estate deals; encourage others to invest in Family Island real estate; and encourage commencement of property refurbishment and/or construction; we would like to suggest that the government consider:

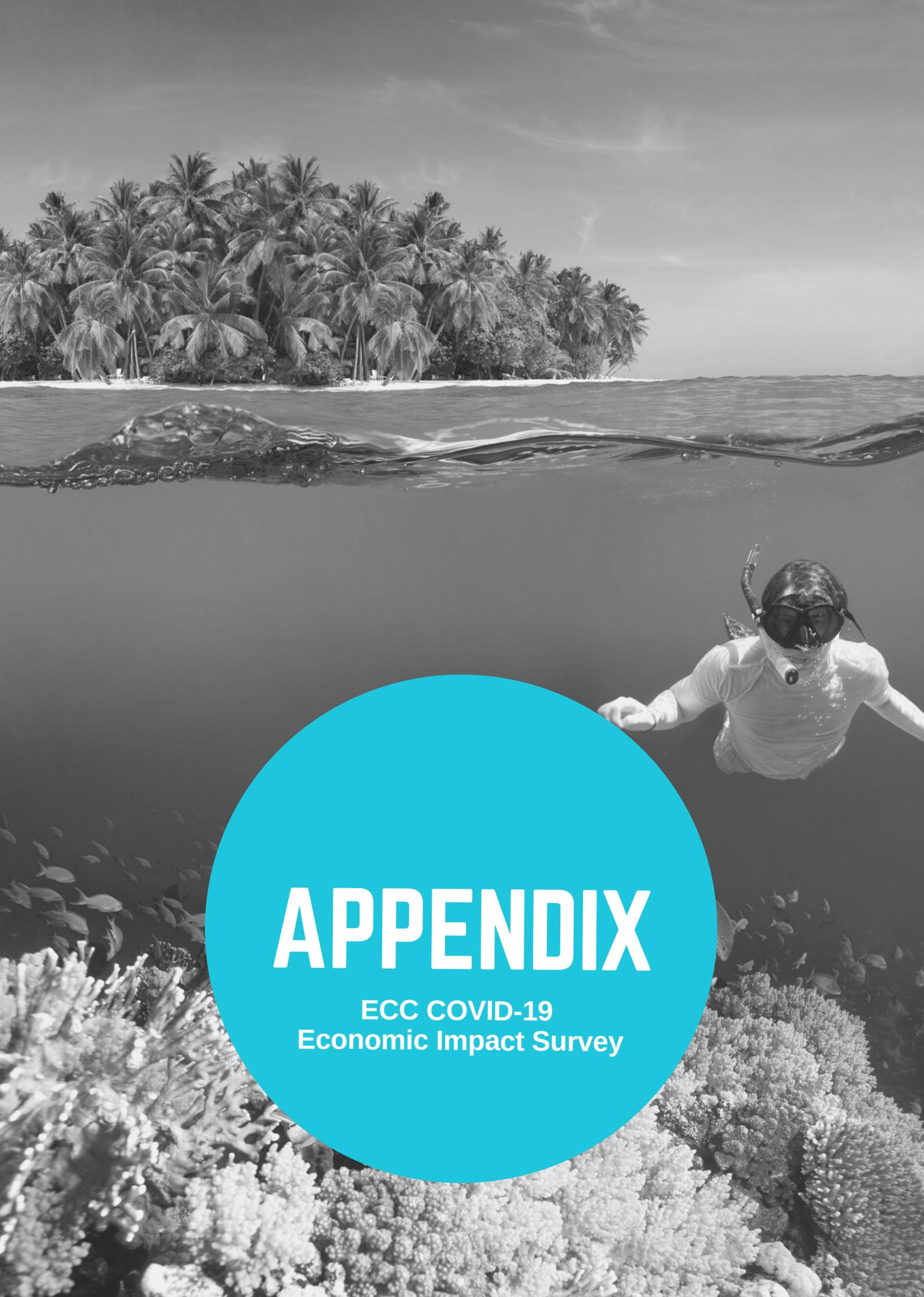
- removing closing costs (VAT and Stamp) for 24 months for Bahamians investing in Family islands real estate
- providing 50% closing costs (VAT and Stamp) for 12 months for non-Bahamians investing in Family island real estate (with minimums to be determined)
- offering a reduction in Real Property tax of 20% for 36 month; given that construction commences within 12 months and completed within the following 24 months thereafter
- mandating that all vacation rental properties must register and secure a business license

Finally, it is believed that the construction on Family Islands must be stimulated in order to create the economic activity void of Tourism for at least the next 24 -36 months. To this end, we would like to suggest that all construction materials be imported Duty and VAT free to any Family Island for 36 months.

## CONCLUSION

We are of the view that, if the outlined stimulus program is introduced, it will likely provide significant economic benefit to The Bahamian people. These benefits include (but are not limited to):

- reducing the need for NIB and other sources of financial aid
- generating employment through the the expansion of existing businesses and offering financial support to new businesses
- redistribution of the Bahamian economy through encouraging businesses in Nassau to move to the family islands to take advantage of the tax breaks
- reentering the Tourism business with fresh, new room inventory
- expanding the pool of VAT registered companies with a view to expanding tax base and increasing tax revenue following the 36 month period



# APPENDIX

ECC COVID-19  
Economic Impact Survey

## SURVEY RESULTS: ECC Assessment of Impact of COVID-19 Pandemic on Eleuthera Businesses (April 21-30, 2020)

Note that, while only 17 of our 76 members (22%) participated, we were happy with the cross-section of professionals who participated.

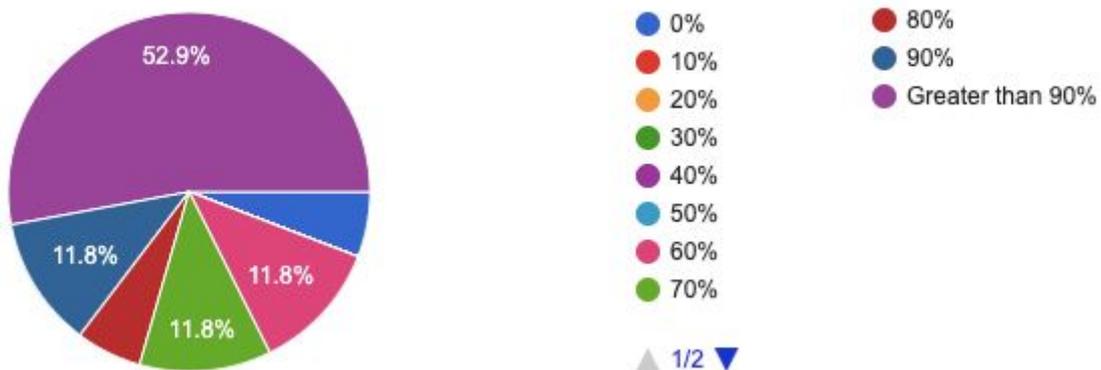
### Question 1: What industry are you in?



**Comment:** We are pleased with the number of industries that participated

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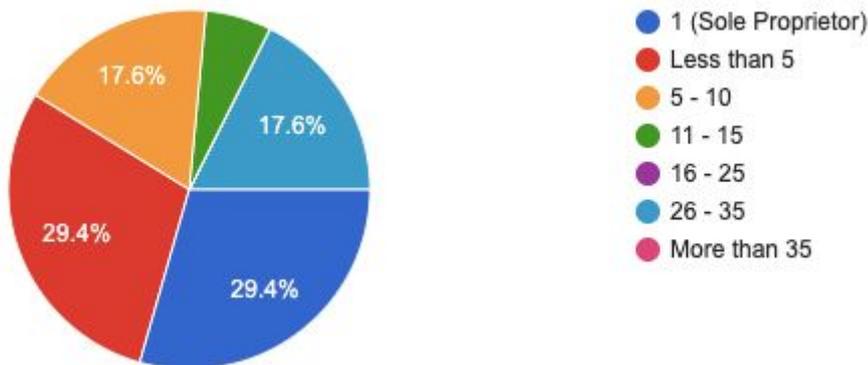
### Question 2: Please estimate any revenue decline you've experienced as a result of COVID-19.



**Comment:** 70% of respondents indicated that they saw 80% or more decline in business.

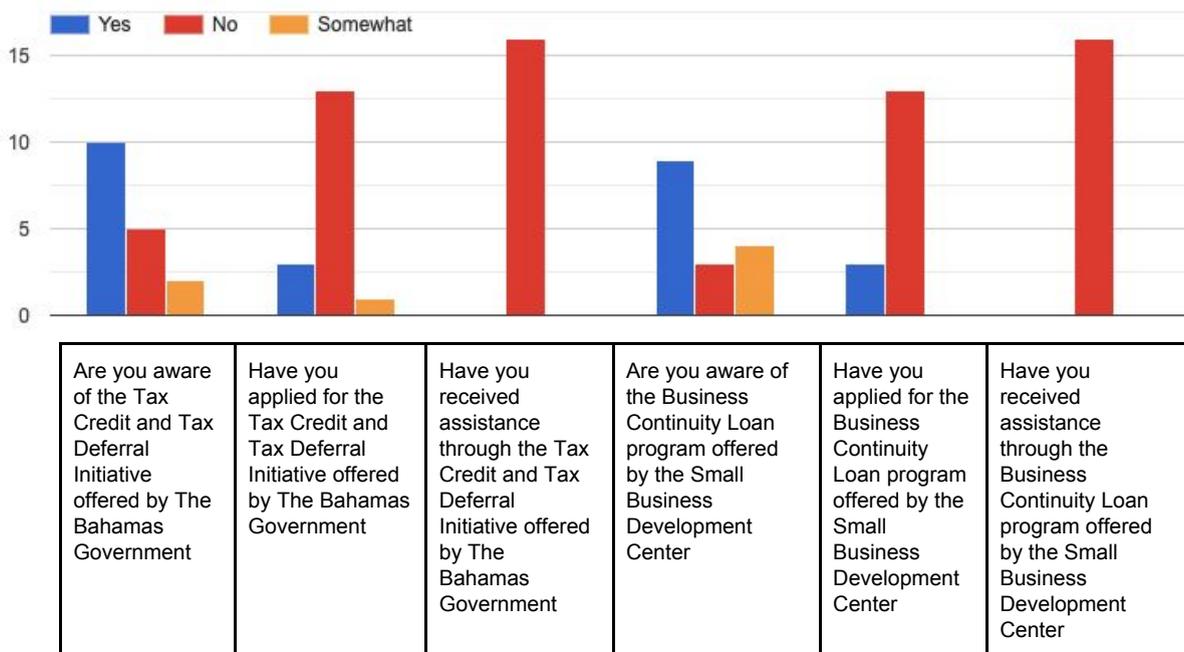
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**Question 3:** How many employees do you have?



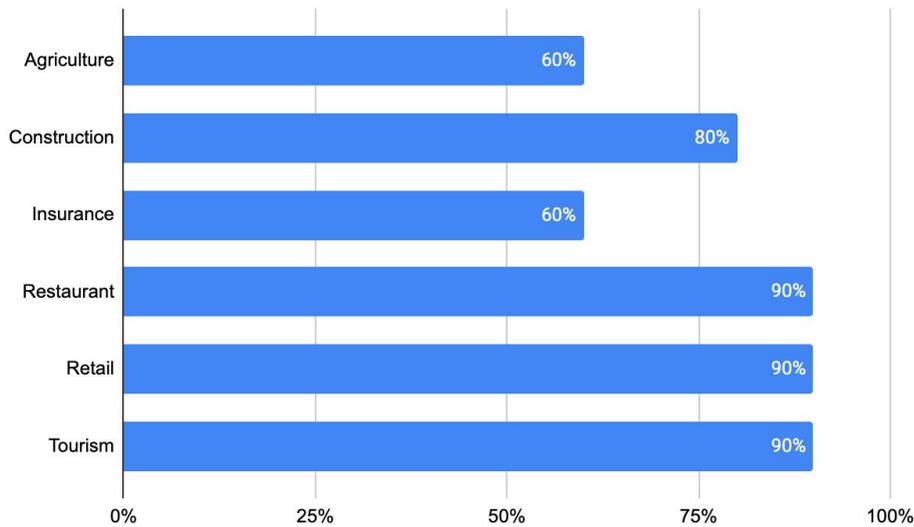
**Comment:** 76% of respondents are small businesses, with 10 employees or less.

**Question 4:** Access to COVID-19 Government Assistance



**Comment:** Based on the feedback, more than half of the respondents knew about the programs being offered. We note that few applied for assistance and of those persons who applied, none had received assistance as yet.

**Percentage decline based on industry:**



**Comment:** In keeping with national trends, those service-based organizations that depend heavily on tourism have been most affected. Given the uncertainty around when the borders will reopen to international passengers, it is clear that those in service industries have been significantly impacted and will continue to be significantly impacted well into the foreseeable future.

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**Individual responses received related to losses:**

Agriculture: We lost one harvest and one planting cycle. Orders were canceled due to business closure. Expansion opportunities were lost.

Insurance: Significant loss in Insurance Commissions/Revenue

Construction: All of our current projects are on hold. All 2020 planned project are on hold as well.

Restaurants: Absolutely no revenue in. My business is closed. I however still have rent commitments, vendor bills and salaries to pay.

Tourism: My business mainly sells products to the ongoing tourist that visits the island... borders are closed so there is absolutely no tourist equaling no revenue.

Retail: As the government has suspended businesses that are none-essential, my business has been closed during this time.

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## Individual responses received related to accessing assistance

Not aware of programs

Company relatively new and cannot sustain more debt

Unable to really assess anything at this time and uncertain on which direction we can take without knowing when our market will open up again

Do not want a loan at this time

I have tried still waiting on processing

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### Conclusion

Despite the small sample size, the *'ECC Assessment of Impact of COVID-19 Pandemic on Eleuthera Businesses'* survey highlights what many have reported: the economic fallout as a result of the pandemic has been widespread throughout the Eleuthera economy. The majority of Eleuthera businesses are small (10 employees or less) with little or no resources available to sustain them in the face of revenue losses of 80% or more.

While the Government has provided support, some businesses indicated that they were uncertain how to access it. To address this, the Eleuthera Chamber of Commerce recently partnered with the SBDC in a Virtual Symposium where executives from the SBDC provided information and advice to participants seeking funding. Several businesses, who had already applied for support indicated that they have applied but are still waiting on assistance; while others noted that they do not want to incur additional debt. Indeed, for many businesses, increasing debt is not the answer.

Eleuthera needs its small businesses to thrive in order for its economy to grow. As we begin to explore ways to sustain our economy, government stimulus programs will be an important part of restarting our engines.