‘Rental market under strain from landlord surcharge’

Minister of Finance Davendranath Tancoo

Economist Dr Ronald Ramkissoon

President of AREA Sally Singh

President of the T&T Coalition of Services Industries Dianne Joseph

The introduction of the landlord business surcharge under the Finance Bill, 2025, has sparked intense national debate, as leading voices—including economist Dr Ronald Ramkissoon, Association of Real Estate Agents (AREA) president Sally Singh and the T&T Coalition of Services Industries (TTCSI) president Dianne Joseph—warn that while the measure aims to strengthen Government revenue and promote tax equity, it risks deepening financial strain within an already fragile rental housing market.

While the Government defends the measure as a surcharge on commercial revenue, these stakeholders collectively caution that the added financial burden on property owners would almost certainly be passed directly to tenants through rent increases, simultaneously discouraging investment and threatening to shrink the supply of affordable rental properties. This consensus among market experts highlights the critical and potentially destabilising consequences of the fiscal reform on the average citizen.

The Finance Bill, passed in Parliament on December 5, introduces a surcharge on rental income alongside mandatory property registration. Landlords will now pay 2.5 per cent on quarterly rental receipts of $20,000 or less, and 3.5 per cent on amounts above that threshold. The legislation was tabled by Minister of Finance, Davendranath Tancoo.

In addition, all landlords must register with the Board of Inland Revenue, paying a one-time fee of $2,500. Authorities expect this registration alone to bring in at least $70 million. Linking these measures together, the government has emphasised that the tax is aimed at genuine rental income, distinguishing landlords from homeowners who do not profit from their properties.

For landlords—particularly small property owners who depend on rental income to cover mortgages, maintenance, and everyday expenses—the new tax represents a serious challenge. Many of these individuals operate on thin margins, and the added surcharge combined with mandatory registration fees could make it increasingly difficult to make ends meet. What was once a manageable balance between income and costs may now require difficult adjustments, with some landlords forced to consider raising rents or even exiting the rental market altogether.

"I'm already struggling to cover my mortgage and basic repairs," said one small landlord. "Now with this tax and registration fee, I don't see how I can keep my tenants without raising rent. It feels like I have no other choice."

Ramkissoon says concerns highlight the delicate balance policymakers must strike between fiscal reform and housing supply, adding that the burden of these costs may not be evenly shared.

Larger landlords may be able to absorb the additional expense, but smaller property owners—many of whom rely on rental income to cover mortgages and upkeep— are more likely to pass the costs on to tenants, Ramkissoon said, noting that this connection between landlord expenses and tenant rents underscores the potential ripple effect across the housing market.

Warning that the tax could discourageinvestment in rental housing, further tightening supply in an already constrained market, the economist noted that when landlords decide it is no longer viable to remain in the rental sector, the reduction in available housing undermines efforts to stabilise rents.

Linking this to broader market dynamics, Ramkissoon stressed that restricting supply inevitably drives prices higher.

Beyond fiscal policy, Ramkissoon emphasised the importance of consumer behaviour.

He argued that tenants and buyers must become more discerning in their choices, noting that consumer education could help shape demand in ways that ease pressure on the market.

This perspective ties the role of policy with the responsibility of consumers, suggesting that both sides must act wisely to avoid worsening the housing crisis.

Ramkissoon urged policymakers to tread carefully, balancing the need for revenue with the realities of supply and demand.

His warning connects to a central principle of market economics: if supply is restricted, prices will rise.

Will landlords pass the taxes on to their tenants?

This uncertainty is already being felt among members of the TTCSI.

Joseph explained that discussions with landlords and tenants reveal a mixture of calculation and concern.

She noted that four out of six landlords surveyed indicated they are actively considering transferring the burden, though they remain undecided on whether it would be a partial cost-sharing model-a 50/50 costor a full transfer.

Two others are adopting a "wait-andsee" approach, preferring to first quantify the impact on their financial statements before making a move.

Joseph stressed that compliance is key, but implementation would determine whether the new framework succeeds orfails.

"We believe there must be standards and codes to protect those who pay rent to landlords, and a register or database of landlords is a sound idea for a modern regulatory environment. Once there is compliance, fear should be replaced by assurance," she said.

For tenants, however, the issue is not theoretical.

Five out of six tenants in TTCSI's discussions indicated that any increase in rent would lead to financial strain.

These households operate on tight budgets, where even a small increase could mean falling into arrears on food, utilities, or education.

While tenants acknowledge the positive intent behind the legislation—particularly the promise of standardised tenancy agreements and protections—they remain wary of how landlords would respond.

Joseph however, welcomed Tancoo's commitment to re-establish a rent assessment board, noting that such a mechanism would be vital for tenants to challenge arbitrary rent hikes or poor housing conditions.

AREA responds

Singh acknowledged the government's essential need to find sustainable sources of income and the need to navigate an increasingly challenging economic environment.

In illustrating the impact of the 3.5 per cent surcharge she considered an average two-bedroom unfurnished apartment rented at $2,000 per month.

The annual rental income totals $24,000, on which a 3.5 per cent surcharge amounts to $840 per year.

On the higher end of the market, a furnished two-bedroom apartment rented at $7,000 per month would incur an annual surcharge of $2,940.

“The implications of this surcharge under the new Finance Bill will however, undoubtedly affect the rental market. One of the primary concerns is that the tax is applied to gross income, not net income. This structure places landlords in the lower and middle segments of the market at a particular disadvantage. Many of these property owners are already contending with high maintenance costs, fluctuating occupancy levels, and mortgage obligations. Under the new taxation, they may find themselves in a worse financial position than they were last year, especially when combined with persistent inflation,” Singh explained.

She also agreed that the likely outcome is that many landlords would pass these increased costs on to tenants, resulting in higher rental rates.

“Renters in the lower-income bracket are especially vulnerable. With the added financial pressure, some landlords who cater to this segment of the market may decide to exit the industry altogether rather than take on additional expenses, administrative burdens, and the risk of severe penalties for non-compliance. This could further reduce the supply of affordable rental units, shrinking the pool of available housing options for those who need them most.

“Some citizens have expressed concern about being taxed even when their annual rental income is below the personal income tax allowance of $90,000, while others are wondering whether this measure amounts to double taxation,” Singh further noted.

She also pointed out that this surcharge does have some benefits, as it would certainly boost government revenue and help bring greater structure and formality to the rental sector—advances that could improve data collection and long-term planning.

However, she maintained higher rental costs and reduced supply could place additional strain on tenants, and there is a real possibility that an underground rental market may emerge, forcing vulnerable consumers into unsafe or substandard living conditions.

As an association, Singh added AREA remains committed to engaging constructively with policymakers to ensure that any measures introduced strike the right balance between national revenue needs and the long-term sustainability of the rental housing sector. She said a fair, transparent, and economically sound policy framework is essential for protecting both property owners and the thousands of citizens who depend on affordable rental housing.