



Adequate Revenues for the Future

PREPARING FOR VAT



BUSINESS READINESS SEMINAR

November 2013



OUTLINE OF PRESENTATION

- ▶ SESSION 1:
 - Overview
 - VAT Registration
- ▶ SESSION 2:
 - VAT Documentation
 - Accounting for VAT
- ▶ SESSION 3:
 - Legal Framework for VAT Administration & Transitional Provisions for Service Contracts
- ▶ SESSION 4:
 - VAT Transitional Provisions - Goods
 - VAT Compliance
- ▶ SESSION 5:
 - VAT & the Registered & Un-Registered Business
 - Preparation Tips

SESSION 1

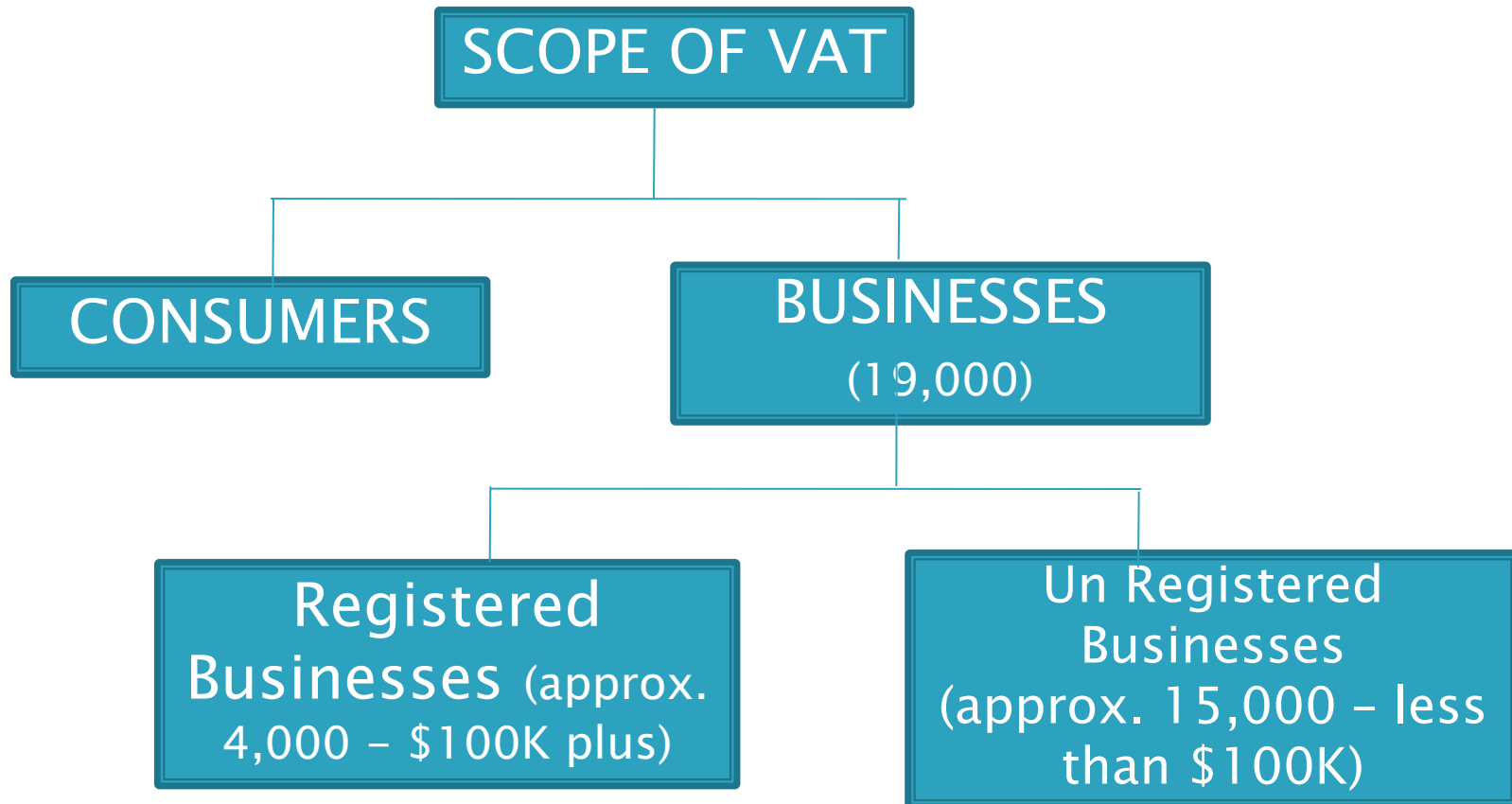
OVERVIEW OF VAT VAT REGISTRATION

What is Value Added Tax

- ▶ VAT is a broad-based tax on consumption
- ▶ VAT is charged on:
 - Imports; and
 - The value added by Registered Businesses supplying goods and services to other businesses or to final consumers
- ▶ VAT is charged and collected at each stage in the production & distribution chain.

Everyone pays VAT – borne ultimately by the final consumer.

SCOPE OF VAT



DESIGN OF VAT

Rates:

- Standard Rate- 15%
- Reduced Rate – 10%(hotel accommodation, food and beverages within the hotel)
- Zero Rate-0% (Exports)

- Exemptions of some goods and services
- Will replace the Hotel Occupancy Tax
- Supported by a reduction in customs duties and excise taxes
- Government required to pay VAT and will charge VAT on services that compete with the Private Sector

KEY VAT Terms

- **Threshold**- Value of annual taxable sales that will qualify a business to be registered- (\$100,000)
- **Input Tax** – VAT paid by a registered taxpayer on taxable goods and services (imports and domestic purchases)
- **Output Tax** – VAT collected by a registered taxpayer on taxable goods and services supplied.
- **Tax Period** - A calendar month to account/report net VAT Due/Excess Credit.
- **Taxable person** - A taxable person can be - Sole Proprietor (individual), Companies, Partnership, Local Authority (Gov't. Dept) or non-profit body



Key VAT Terms cont'd

Taxable Supplies

- Taxable supplies are supplies used in the course or furtherance of a taxable activity (0%, 10% or 15%)

▶ Zero Rated Supplies

- No VAT is charged (i.e. 0 percent)
- Registered taxpayers can claim allowable Input VAT

▶ Exempt Supplies

- No VAT is charged
- Registered taxpayers cannot claim Input VAT

▶ Mixed Supplies

- Supplying both taxable and exempt supplies
- Input tax credit may have to be apportioned



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VAT REGISTRATION

VAT REGISTRATION

▶ Who needs to register:

- Businesses:
 - Individual – sole proprietor
 - Non-Individual – company, trust, partnership, etc.
- Government & Statutory Bodies
- Auctioneers
- Promoters of Public Entertainment
- A Diplomatic Mission or International Organization desiring to claim a refund



•The VAT Threshold

- \$100,000 and above
- value of exempt supplies should not be considered when determining a business annual threshold.
- NB. Business should monitor annual income to determine when the threshold is being reached

Note:

- No Threshold required for – Government, Promoters of Public Entertainment, Auctioneers
- Diplomatic Missions etc. – register to be able to claim refunds only (Vienna Convention)

Types of Registration & Requirements

▶ Registration Types

- Compulsory for businesses whose turnover exceeds the approved threshold (\$100,000) per annum
- Voluntary for businesses under the threshold

Additional Requirements:-

- Must be carrying on a taxable activity
 - Must be able to keep good accounting records
 - Must have a fixed place of abode or a business place within the Bahamas to carry on a taxable activity
 - Must be able to submit regular and reliable VAT returns on a monthly basis.
- ▶ Registration for businesses above the threshold will commence at least 2 months before implementation date

The Registration Process

- ▶ Complete Application Form (online) and submit to Central Revenue Agency (CRA).
 - Once all requirements are met, approval must be granted by the Commissioner within 21 days
 - Issue a Tax Identification Number (TIN)
 - A unique identifier to be used by businesses when conducting business with CRA and Customs
 - Issuance of an Official VAT Registration Certificate which includes:
 - A TIN; Name, Trading Name of business and location, effective date of the registration
 - Certificate must be displayed in a conspicuous location within their place of business

The Registration Process cont'd

Business with branches: -

- One Tax Identification Number
- A Registration Certificate for each branch, bearing the name of the parent body, trading name and location of each branch

Commissioner has the authority to: -

- register a taxpayer who has not applied for registration, but where sufficient evidence exists to determine the Threshold has been met
- suspend or cancel a Taxpayer's Registration

Taxpayer may apply for suspension or cancellation of registration

Cancellation and Suspension of Registration

Reasons for Cancellation:

- Failure to meet the requirements for registration
- Taxpayer ceases operations or termination of the business.
- Registration was obtained through fraud, misrepresentation of information
- Sales falls below the Threshold

Reasons for suspension:-

- Registrant fails to file a return for three or more consecutive tax periods.
- Temporary closure (renovations etc.)

Cancellation and Suspension of Registration (Cont'd)

Notwithstanding Cancellation or Suspension: -

- Taxpayer is required to return the Registration Certificate to the Tax Office
- Taxpayer remains liable for VAT payable on taxable supplies
- Taxpayer must remain on the Tax Register for at 2 years from original date of registration
- ▶ A person not satisfied by a decision of the Commissioner may object or appeal to the Appeals Panel or the Revenue Court.

Obligations of a Registrant

- ▶ Must have a fixed place of abode where a taxable activity is carried on within The Bahamas
- ▶ Must file on a monthly basis regular and reliable VAT returns
- ▶ Must keep proper records
- ▶ Must display Certificate in a conspicuous place at each location within his place of business
- ▶ Must notify the CRA in writing within 21 calendar days of any change in circumstances that affects his business, such as:
 - Changes that occurred since the application for his registration, such as:
 - Any change in name, address, place of business, nature of business activity or activity of persons
 - Any change with regard to temporary closure or if they cease to operate the business.

SESSION 2

VAT DOCUMENTATION ACCOUNTING FOR VAT



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VAT DOCUMENTATION



MAIN TYPES OF VAT DOCUMENTS

- ▶ **VAT Application Form** – used when applying for VAT Registration
- ▶ **VAT Return Form** – used to report VAT payable or Excess Credit Due at the end of the Tax Period
- ▶ **VAT Refund Form** – used when taxpayer is applying for a refund of VAT
- ▶ **Notice of Assessment or Reassessment** – Issued by Tax Office to confirm information submitted on a VAT Return or to raise an assessment on Taxpayer where there was a failure to file a Return or to raise an additional assessment after an Audit
- ▶ **VAT Invoice** – used by registered businesses when supplying goods or services to another registered business
- ▶ **Sales Receipt** – used a registered business when supplying goods and services to a non-registrant or a registrant for supplies \$50 and below
- ▶ **VAT Credit/Debit Note** – used to record revised Input/Output VAT amount based on post-supply adjustment



SAMPLE VAT REGISTRATION FORM

1. Taxpayer Identification Number:

2. Name of Taxpayer

4. Address

6. Telephone Number(s)

8. Email Address

11. Primary Business Activity

12. Sole Trader Company Partnership Joint Venture Other (please specify)

13. Date VAT Taxable Activity Commenced

Day Month Year

SAMPLE REGISTRATION

3. Trade Name

5. Mailing Address

7. Fax Number(s)

9. Representative 10. Position

14. Value of VAT Taxable Supplies (excluding exempt supplies)



SAMPLE VAT RETURN

<p>15. Please tick as appropriate</p> <p>Are you registered for another tax such as income tax? <input type="radio"/> Yes <input type="radio"/> No</p> <p>Do you meet the VAT registration threshold of \$120,000 EC? (refer to instruction on reverse side) <input type="radio"/> Yes <input type="radio"/> No</p> <p>Are you a promoter of public entertainment or government entity/local authority? <input type="radio"/> Yes <input type="radio"/> No</p> <p>Are you below the registration threshold but still wish to be registered? <input type="radio"/> Yes <input type="radio"/> No</p> <p>Do you supply Dive activities, accommodation in a hotel, inn, guest house or similar facility? <input type="radio"/> Yes <input type="radio"/> No</p>		<p>Do you make zero-rated and/or exempt supplies? <input type="radio"/> Yes <input type="radio"/> No</p> <p>Do you carry out Taxable Activities in more than one location (if yes, attach a list giving the trading name and location of each)? <input type="radio"/> Yes <input type="radio"/> No</p> <p>Are your accounting records computerised? <input type="radio"/> Yes <input type="radio"/> No</p> <p>Are you a major exporter? (If yes, complete line 16) <input type="radio"/> Yes <input type="radio"/> No</p>
16. Exports <input style="width: 80px;" type="text"/> %		

17. Registration details of the sole trader, directors, partners, joint ventures or members of a company

Last Name	First & Middle Name	Home Address
<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>
Telephone Number	Email Address	<input style="width: 95%;" type="text"/>
<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>
Taxpayer Identification Number or NIS number		
<input style="width: 95%;" type="text"/>		
Last Name	First & Middle Name	Home Address
<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>
Telephone Number	Email Address	<input style="width: 95%;" type="text"/>
<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>
Taxpayer Identification Number or NIS number		
<input style="width: 95%;" type="text"/>		

SAMPLE VAT RETURN

Information usually found on a VAT Return

- ▶ Taxpayer name, address , TIN, Tax period, Due Date
- ▶ Sales (standard, reduced, zero rated, *exempt*)
- ▶ Total Output VAT (collected on each type of supply)
- ▶ Total Input VAT (paid to Customs, on domestic supplies)
- ▶ Total Input Tax Claimable (apportionment formula)
- ▶ Adjustments (Debit or Credit Notes)
- ▶ Total VAT being submitted in the period or excess credit being claimed



COMPUTATION OF TAX PAYABLE OR EXCESS INPUT TAX

(400)	Tax Payable(line 295 is greater than line 395, enter difference here)	(400)	_____
(410)	Tax Due(line 400 - line 100)If the result is < 0, then enter 0)	(410)	_____
(420)	Amount Paid on filing	(420)	_____
(430)	Balance Due (line 410 - line 420)	(430)	_____

OR

(500)	Excess Credit(If line 395 > line 295 enter the difference)	(500)	_____
(510)	Credit available to be carried forward(line 500 + line 100)	(510)	_____
(600)	VAT on major capital acquisitions	(600)	_____
(610)	Amount of Zero-Rated Exports	(610)	_____

Range of tax invoices used this period: from _____ to _____

I certify that the information on this return is correct, complete, and fully discloses my liability for the related tax.

Signature: _____ Date: _____

Title: _____

For Official use	Payment Date:		
	Amount	DUE	PAID
Tax			
Penalty			
Interest			
Total			
Signature of Revenue Officer			

SAMPLE VAT RETURN

Components of a Tax Invoice

- ▶ A Tax Invoice should include:
 - A Sequential Number
 - The date of issue of the document
 - The name, address, and TIN of the supplier
 - Name, address and TIN of person to whom the goods or services are supplied
 - The unit price, exclusive of VAT
 - Any discounts or price reductions
 - The price exclusive of Tax for each rate (including zero rate) of VAT
 - VAT Payable
 - Total Payable ,including VAT



SAMPLE VAT INVOICE

VAT INVOICE

J'S VARIETY STORE
Shirley Street, Nassau, NP
TIN: 234568

Sold To: Smith Ltd.
Hope Town, Abaco
TIN: 55590

Invoice Date: 12-11-13
Invoice No: 7659-A

Qty	Description	Discounts (%)	Unit Price (\$)	Total
1 bx	Hunts Ketchup (32ozs)	–	100.00	100.00
2 bxs	Saltines Biscuits		30.00	60.00
		Sub-total		160.00
		VAT (15%)		24.00
		Grand Total		184.00



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ACCOUNTING FOR VAT



ACCOUNTING FOR VAT – TIME OF SUPPLY

FIRST OF THE FOLLOWING:-

- Invoicing
- Payment in whole or part
- Delivery of goods or performance of service

Examples of Special Supply Rules

- ▶ Credit Agreement – date of the agreement
- ▶ Layaway – when goods are delivered
- ▶ Consignment – when the goods are transferred
- ▶ Progressive Supply where payments are in installments (construction services) – payment or invoice (which ever is earlier)
- ▶ Agreement for hire purchase or with option to return the goods – when goods are made available
- ▶ Retainer – earlier of payment due to the supplier or payment received by the supplier

WHEN TO ACCOUNT/REPORT FOR VAT

▶ **For Imports:-**

- At the point of importation
- Paid to the Comptroller of Customs

▶ **For Domestic Transactions:-**

- At the end of the Tax period (calendar month) no later than 21st of the following month
- Paid to the Central Revenue Authority (online)



ACCOUNTING FOR VAT

- ▶ Consumers- the accounting for VAT ends at the Border or when consumers purchase goods and services in the domestic economy.
- ▶ Un-Registered Businesses – the accounting for VAT ends at the border or when they purchase goods and services in the domestic economy.
- ▶ Registered Business – the accounting for VAT is continuous as input tax paid at the border and in the domestic economy (goods and service) will be claimed against output tax collected.

CALCULATING VAT

Example:

Adding VAT

- ▶ A business sells 4 desks at \$180 each and adds VAT of 15%
- ▶ $\text{VAT} = \$720 \times 15\% = \108
- ▶ Therefore invoice total is $\$720 + \$108 = \$828$

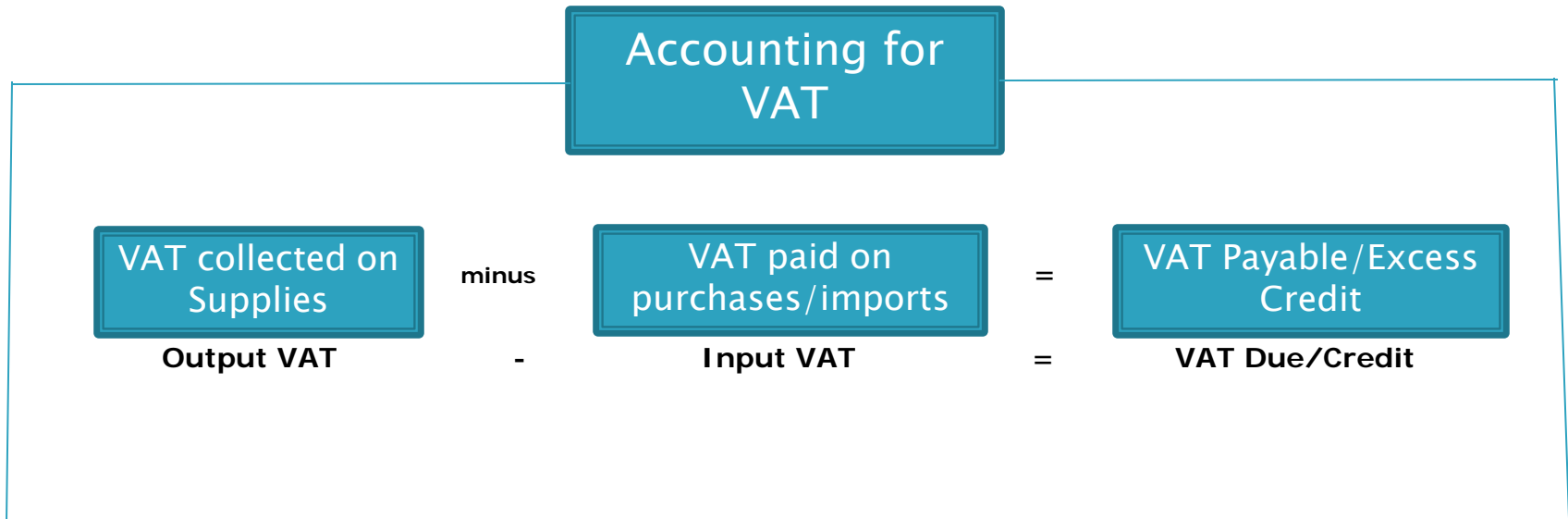
Extracting VAT (from VAT inclusive price)

- ▶ Tax Fraction = $r/1+r$; where r = rate of VAT
- ▶ $\$828 \times 0.15/1.15 = 108$

HOW VAT WORKS - CONSUMERS, BUSINESSES & GOVERNMENT

	Pre-VAT Regime (100% markup) (100% markup) Registrant	VAT Regime (100% mark up) Govt. Revenues	VAT Regime (100% mark up) Non- Registrant	Maintain \$- value of profit (\$140)	Govt. Revenues
	\$	\$	\$	\$	\$
CIF Value for Customs	100.00	100.00	100.00	100.00	
Customs Duty	40.00	20.00	20.00	20.00	20.00
Landed Cost	140.00	120.00		120.00	
VAT @15% (Input VAT)	NIL		18.00	18.00	18.00
Selling Price	280.00	240.00		138.00	260.00
VAT @15% (Output VAT)	NIL	36.00	18.00	0.00	39.00
Price to consumer	280.00	276.00		276.00	299.00
Supplier's Gross profit (100%)	140.00	120.00		138.00	140.00
Government Revenue	40.00	56.00	56.00	38.00	59.00

Accounting for VAT



Apportionment Formula

Used to determine amount of input tax claimable when involved in mixed supplies (De minimis rule)

- ▶ $A \times (B / C)$
- ▶ A = Total amount of input paid (less sum of amounts directly allocable to exempt or taxable supplies)
- ▶ B = *Value* of all taxable supplies
- ▶ C = *Value* of total supplies

- ▶ $\$1,000 \times (\$166,521.74 / \$206,521.74)$
- ▶ $= \$1,000 \times .806$
- ▶ $= \$806$

Record Keeping

▶ Examples of Records to be Kept

- Purchases and sales ledgers
- Invoices, whether or not they are VAT invoices, for acquisitions of goods or services;
- Copies of invoices, whether or not they are VAT invoices, issued of goods or services;
- Tax debit notes and tax credit notes issued and received;
- Income and expense accounts;
- Till rolls, audit rolls, and tapes or similar records;
- Bank statements;

Record Keeping cont'd

- ▶ The rule is that there must be an easily recognized way of recording the VAT charged and VAT collected separately.

- ▶ Journal entry: for sales and purchases including VAT
 - VAT amount extracted and recorded in VAT Account

- ▶ Credit balance means VAT to be paid to CRA;
Debit balance means amount to be claimed from the CRA



JOURNAL FOR VAT

Date	Details	Amount	Date	Details	Amount
01 Jul	Cash	\$466.67			
			01 Jul	Sales	\$396.67
			01 Jul	VAT Payable	\$ 70.00
			01 Jul	Cash/Accounts Payable	\$875.00
01 Jul	Inventory	\$743.75			
01 Jul	VAT Receivable	\$131.25			

NET SETTLING OF THE VAT ACCOUNT

VAT Receivable = Input VAT

VAT Payable = Output VAT

Date	Details	Amount	Date	Details	Amount
01-Jul	Domestic Purchases	\$131.25	01-Jul	VAT on sales	\$ 70.00
				VAT on sales	\$ 105.00
31-Jul	VAT at Border	\$300.70	31-Jul	VAT on sales	\$5,000.25
Total		\$431.95			\$5,175.25

VAT Due = \$5,175.25 (output VAT) – \$431.95 (input VAT) = **\$4,743.30**



SESSION 3

Legal Framework for VAT Administration & Transitional Provisions – Service Contracts



CENTRAL REVENUE AGENCY CRA

- ▶ The VAT Bill states that all liability to pay VAT means that it is a liability to pay or account to the Central Revenue Agency **Section 5(3)**
- ▶ Under the Bill as drafted, all responsibility for the administration and enforcement of the Act is given to the CRA . In turn there will be A VAT Division. The Bill also provides for the functions and powers of a VAT Commissioner and VAT Officers.
- ▶ Functions and Powers **Section 12**
- ▶ VAT Officers **Section 13**
- ▶ **Section 15** Lays out Administrative Fines and orders which may be made by the CRA.
- ▶ All of the fines offences and penalties under the Act will be contained and specified in the Regulations.
- ▶ The Bill lends credence to eventual enforcement by the CRA through a Revenue Court all fines penalties and orders.

Some examples of Criminal Offences

•Tax Evasion	•Impeding Tax Administration
•Failure to preserve secrecy	•Improper claim for refund
<ul style="list-style-type: none"> •<u>Offences by Tax Officers</u> • Taking of bribe, collusion, conceals information, abstain from doing an act which results in the revenue being compromised 	<ul style="list-style-type: none"> •<u>Offences by Companies</u> • Aiders and Abettors
•Promoter of public entertainment – failure to get permission	•Failure to pay security
•Failure to file a return for two consecutive or non-consecutive periods	•Collection of tax by unregistered persons
•Failure to issue sales receipt and tax invoices	•Failure to comply with notice for the recovery of the tax (garnishment)

Some Examples of Civil Penalties Section 15 VAT Bill & Part VIII Regulations & First Schedule (Reg.44)

Failures Re. Tax Invoices and Sales Receipt – false invoice/receipt, failure to provide; provides in contravention of the Act)	Failures Re. Debit and Credit Notes – failure to provide; provides in contravention of the Act)
Failure to comply with tax-exclusive pricing rules	Making false or misleading statements
Failure to register	Failure to file a Return
Failure to display registration certificate	Failure to Pay Tax
Failure to provide notification	Failure to maintain records
Failure to provide information or evidence	Failure to provide facilities
Use of false Taxpayer ID	

Additional Penalties

- ▶ Temporary Closure for repeated offences
- ▶ Publication of the names of defaulters



CENTRAL REVENUE AGENCY CRA (contd.)

- ▶ One of the most important facets of this Bill is that for the first time in the history of The Commonwealth of The Bahamas it is expected that VAT and all Tax collection for that matter will now be a preferential claim on a taxpayers' assets.
- ▶ The CRA is also empowered in the person of its Commissioner to have such powers to seize goods and vehicles, execute distress on premises for unpaid tax.
- ▶ Likewise to seek recovery of tax from persons leaving the Bahamas through the Director of Immigration.
- ▶ VAT Officers will also be given direct powers of entry and seizure in addition to their broad investigatory powers.

APPEALS PROCEDURE through the Appeals Panel

- ▶ No rule of law or legislation of this far reaching effect on the person can be without an appeals process.
- ▶ There is a rule of law which relate to the rules of natural justice which says two things: -
 - 1) the rule against bias (*nemo iudex in causa sua*) and
 - 2) the right to a fair hearing (*audi alteram partem*).
- ▶ Thus PART XI of the Bill provides for Objections and Appeals to any decision of the Commissioner under the Act.
- ▶ Section 77 provides for an Appeal Panel.

The Objections and Appeal Process

- ▶ VAT law is fair and protects the rights of both the Tax Administration and the VAT Registrants
- ▶ The Law provides for a person who feels aggrieved to request a formal change to an official decision regarding tax assessment or other decisions made by the Commissioner.
- ▶ **BURDEN OF PROOF IS ON THE TAXPAYER!!!**



Stages in the Objections & Appeals Process

Appeals Process must appear to be Independent, fair and unbiased

- ▶ Stage 1 – Appeals to the Commissioner
- ▶ Stage 2 – Appeals to the Appeals Commissioners
- ▶ Stage 3 – Appeals to Revenue Court

Note on Appeals

- ▶ There is to be established A Revenue Court to which eventually all matters of enforcement of fines, payments of taxes
- ▶ The Revenue Court is expected to have the same standing as the Supreme Court of The Commonwealth of The Bahamas regarding its decision and enforcement.

TRANSITIONAL PROVISIONS

- ▶ **Section 93**
- ▶ (1) The VAT Commissioner may, on and from the date this Act is enacted
 - (a) accept applications from persons, in such form as the Commissioner may determine, for provisional registration under this Act; and
 - (b) grant provisional registration to a person who satisfies the Commissioner that such person meets the requirements for registration under section 18 or section 19.
- ▶ (2) A provisional registration does not entitle a registrant to the issue of a certificate of registration or to enforce any provision of this Act.
- ▶ (3) The VAT Commissioner must, on the date this Act comes into force, in
- ▶ respect of each provisional registrant —
 - (a) issue a certificate of registration; and
 - (b) allocate a tax period, and an effective date of registration, commencing on the 1st day of July, 2014;

TRANSITIONAL PROVISIONS

- ▶ (4) A supplier may —
 - (a) where a contract was concluded before the entry into force of this Act and no provision relating to tax was made in such contract; and
 - (b) where the supplier after the entry into force of this Act becomes a registrant and makes taxable supplies under the contract,
- recover from the recipient of a taxable supply made after the entry into force of this Act the tax due on the supply.

TRANSITIONAL PROVISIONS

- ▶ (6) The contract price, in relation to a contract concluded after the date this Act comes into force which does not provide for tax, is deemed to include tax and a taxable person who makes a taxable supply under such contract must pay and account for output tax chargeable on the supply.

- ▶ (7) Subject to subsection (9), a payment in connection with a taxable supply is, for the purpose of determining the tax period in which the supply occurs or an input tax deduction is allowed, treated as made or an invoice as issued on the date this Act comes into force where —
 - (a) title to the goods passes, or delivery of the goods is made, or services are rendered, after the date this Act comes into force; and

 - (b) payment is received, or an invoice is issued, within a period of six months before the date this Act comes into force.

Implementation of VAT BILL & REGS.

- ▶ The Value Added Tax Bill is expected to be tabled before Parliament passed and to become Law on or before JULY 1, 2014.

- ▶ The purpose of the introduction of this new VAT Legislation is expected to: -
 - 1) Making the tax structure one that is fair and equitable;

 - 2) Putting in place the machinery to effectively and efficiently ensure compliance with the VAT Law. Likewise, to ensure fairness and integrity among all Registrants and/or Taxable Persons within the tax framework.

SESSION 4

- **VAT Transitional Provisions
for goods**
- **VAT Compliance**



Adequate Revenues for the Future

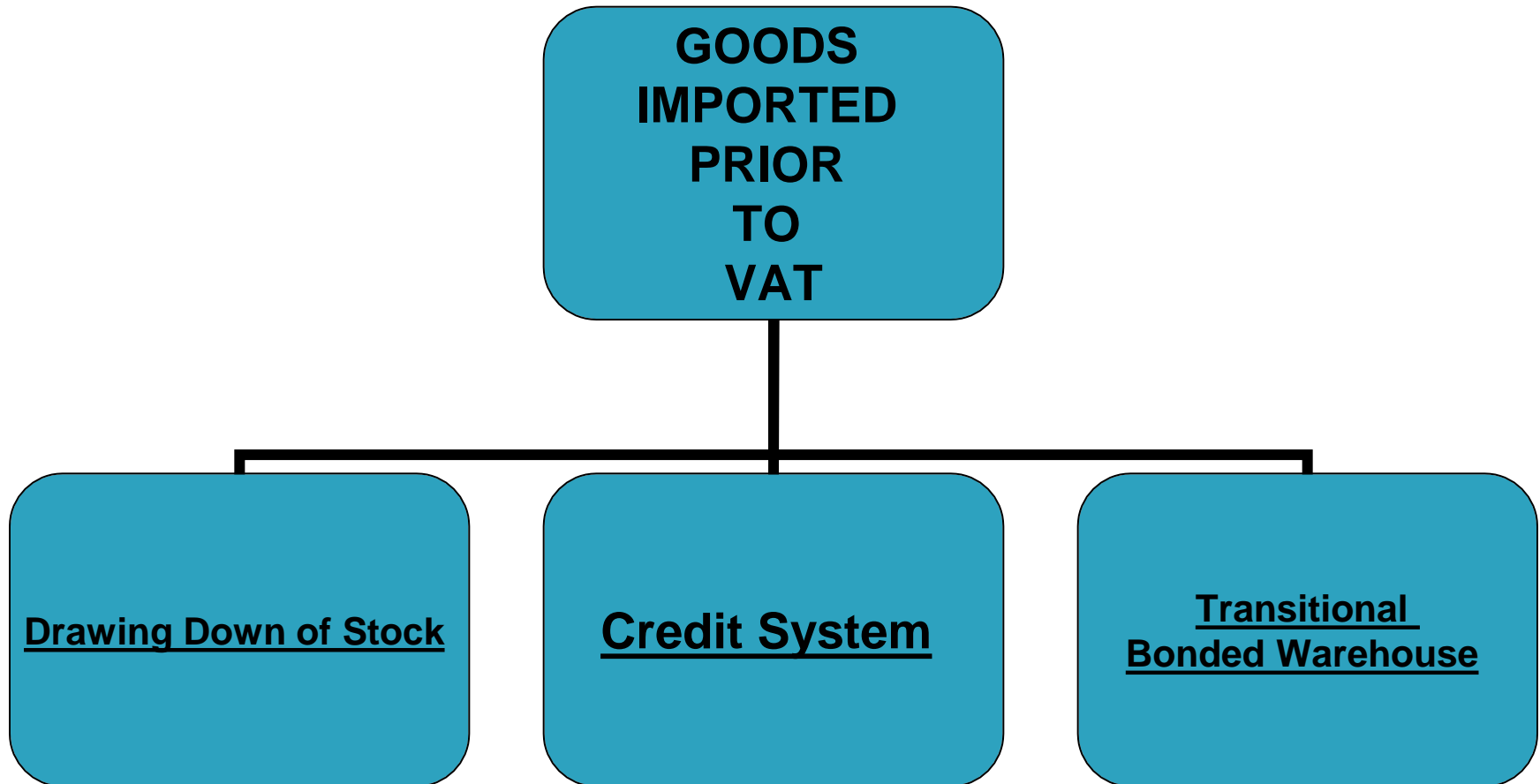
TRANSITIONAL PROVISIONS FOR GOODS & VAT COMPLIANCE

Purpose of Transitional Provisions on Goods

- ▶ To mitigate the price impact as a result of VAT being applied to “old stock”



TRANSITIONAL MEASURES



Drawing Down of Stock

This transitional method is whereby:

- ▶ Businesses would bring their stock to a minimum;
- ▶ To ensure that there is no double taxation on their goods;
- ▶ This method was found not to be favorable in the majority of countries when implementing VAT.
- ▶ Business owners normally prefer not to their inventory to a minimum level.

Credit System:

This system allows for:

- ▶ The Registered business receive credits for goods on which they would have paid customs duties prior to the implementation of VAT, to avoid the increase in price where the VAT will be added to the old price that included the duty at the higher rate
- ▶ However, in other countries it has been found out that the credits received by the Registrants are not passed on to the consumer.
- ▶ Lack of a proper system of inventory control results in business abusing the system by claiming credits even when the “old stock” is depleted.

Transitional Bonded Warehouse

▶ **DEFINITION:**

- ▶ A bonded warehouse is a facility utilized by importers or traders to suspend the payment of Customs Duties and Taxes on imports upon the approval of the Comptroller of Customs:
- ▶ The duties are paid when the goods are taken out of Bond for home consumption.

▶ **REQUIREMENTS:**

- ▶ The physical location of the proposed site must be to the satisfaction of the Comptroller of Customs.
- ▶ The annual warehouse license fee is normally waived .
- ▶ All duties and taxes must be paid by ex- warehouse entry before the removal of the goods.
- ▶ Extended only to potential Registrants.
- ▶ Operates with a dual lock system.

GOVERNMENT'S PROPOSAL

Option: Utilize the Transitional Bonded Warehouse facility

- ▶ The requirements for the Transitional Bonded Warehouse facility will be effective for a maximum of three (3) months, i.e. two months prior to VAT implementation, and one month after.
- ▶ When goods are removed from the Transitional Bonded Warehouse, duties taxes and charges must be paid at the appropriate rates at the time of removal.
- ▶ All outstanding Duties and Taxes on remaining goods in the bonded warehouse are to be paid within one month following the implementation of VAT



▶ VAT COMPLIANCE

Objective

- ▶ The Compliance Programme will be geared at ensuring taxpayers abide with their obligations under the VAT Act and to enforce the law in a fair and just manner where taxpayers have defaulted



Focal Areas of Compliance

The CRA will focus on the following areas in regards to compliance collections and enforcement of the Value Added Tax:

▶ **The Good filer/compliant Registrant**

- Keeps Proper Accounting Records
- Files on Time
- Files Accurately
- Pays on Time
- Display VAT certificate.
- Issues receipts showing VAT charged.
- Quotes VAT exclusive prices.

▶ **The Non-compliant Registrant**

- Does not keep proper records
- Late/No filing
- Late/No payment
- Does not display certificate.
- Does not issue receipts showing VAT charged.
- Does not quote VAT exclusive prices.

Focal Areas of Compliance cont'd

▶ Non Registrant

- Meets threshold but did not apply for registration
- Submits false information to remain under threshold
- Illegally charges the consumer VAT
- Issue receipts showing VAT

Matters of Compliance

- ▶ Ensure that TIN correspond with registrants
- ▶ Compliance Department should categorize taxpayers and set guidelines for pursuit of outstanding amounts based on category.
- ▶ The CRA must ensure that taxpayer records are accurate and monthly returns are timely to ensure efficient and effective compliance.
- ▶ The CRA must have proper Information Technology department to produce and maintain accurate records with regards to collections and compliance related matters.
- ▶ Exchange of information and establish working relationship with other government agencies.
 - Important for audit, refund payment, collections and registration procedures.

Compliance Collection

Reporting to the Central Revenue Agency (CRA)

- ▶ Registrants having difficulty filing and or paying VAT should communicate this to the CRA in advance.
- ▶ Late payment attract interest on the outstanding amounts, rate will be determined by regulations.
- ▶ From the date tax becomes due and payable the Commissioner has a lien on the assets of the person liable to pay the tax.
- ▶ Taxpayers may request an extension of time to file and pay VAT due
 - If granted, late filing and/or payment penalty will be waived but interest will be collected on the outstanding amount due



Compliance Procedure

- ▶ Warning notices (verbal and then written)
- ▶ Visitations to the registrant to arrange possible payment plans and agreements.
- ▶ Issue notices for access to premises allowing VAT officers to conduct audits or inspections.
- ▶ If necessary the CRA can take possession of books, documents or computer records for further examination.
- ▶ Third party liability notices which involves contacting the bank of registrant, or contacting a receiver demanding details relevant to assets or statements on behalf of individual.

Enforcement

- ▶ Garnishment of monies held by 3rd parties.

- ▶ Seizure of goods and vehicles other assets where it is proven that VAT due was not paid on goods in question.

- ▶ Goods seized may be sold to cover VAT due.

- ▶ Proceeds from seizure and auctioning of assets will be used for;
 - 1) any other related cost involved in process of seizure and
 - 2) the recovery of delinquent taxes

Enforcement cont'd

- ▶ Goods for Auction includes property and other assets not exempt by law.
- ▶ Publication of names of non compliant tax payers in the newspapers (Name & Shame).
- ▶ VAT Commissioner may recover unpaid tax by distress proceedings.
- ▶ Delinquent taxpayers are restricted from travel until outstanding taxes are settled.
- ▶ Businesses of non compliant taxpayers may be temporarily closed for refusal to pay taxes due or file returns.

Administrative Penalty Structure

Administrative offenses are categorized as minor, serious, and very serious and may impose a maximum fine for contravention or non-compliance.

Fines for individuals range from twelve thousand five hundred dollars, twenty-five thousand dollars, and fifty thousand dollars.

Fines for companies or associations range from twenty-five thousand dollars, seventy-five thousand dollars and one hundred fifty thousand dollars.

Both categories may also include imprisonment.

- ▶ Any objections and appeals must go through the Appeals Panel within thirty days of a decision made by the Commissioner.
- ▶ Further appeal can be made to the Revenue Court within twenty-one days after receiving a decision by the Appeals Panel.

IMPORTANT TO NOTE

- Penalties are meant to influence model taxpayer behavior.
- Will be enforced impartially.
- Where there is flexibility in application of penalty the commissioner must have set guidelines and standards to ensure equity in application.



SESSION 5

VAT & Un-Registered and Registered Businesses

Preparation Tips

VAT & the Un-registered Businesses

- ▶ Below the Threshold or supplying exempt goods or services only
 - Below the Threshold **only** can apply for voluntary registration
- ▶ Will pay VAT on all purchases and imports
- ▶ Cannot charge VAT to consumers
 - However may recover VAT paid on imports and local purchases through price of supply
- ▶ Do not have to account to CRA
- ▶ Is encouraged to keep records (sales, purchases etc)

VAT and the Registered Business

- ▶ Will be given a Tax Identification Number and Registration Certificate
 - Must Display VAT Registration Certificate at each place of Business
 - Quote the TIN on all Sales Receipts and Invoices
- ▶ Must charge VAT to everyone
- ▶ Must Issue Sales Receipt to un-registered businesses and end consumers & Tax Invoices to registered businesses
- ▶ Must Maintain Accounting Records (purchases, sales, invoices, debit & credit notes etc.)
- ▶ Must Quote VAT-Exclusive Prices
- ▶ Must File VAT Returns Monthly and Pay amount due (for all branches) **or** claim an excess credit
- ▶ Will claim VAT paid in the tax period as an input tax deduction when monthly returns are filed

PREPARATION TIPS

- ▶ Review record keeping and accounting system
 - Can you clearly identify sales (income) and purchases (expenses)
 - Is your sales currently above the threshold?
- ▶ What is the nature of your business activity?
 - Will it be categorized as exempt, taxable or mixed?
- ▶ Are you a parent body with different branches?
 - Only one registration number, different certificates will be issued
- ▶ Do you currently use a point of sales system
 - Does it have the ability to categorize different tax treatment of goods in inventory?



PREPARATION TIPS CONT'D

- ▶ Do you use a Cash Register?
 - Can it be programmed to calculate VAT or would you need to acquire a new one?
- ▶ Do you use manual Invoices and Receipts?
 - You may need to acquire a stamp to imprint your company's TIN on such documents to make them valid for the purposes of VAT (no need to discard them)
- ▶ Business Letterheads
 - If pre-printed, monitor the stock in hand, you may decide to put TIN on future letterheads
- ▶ Are you a retailer of goods?
 - Monitor your stock, consider the transitional arrangements being proposed

CONCLUSION

- ▶ Advisory Visits will be held with each potential registrant
 - Further explain and provide guidance for all VAT processes
 - Explain VAT treatment based on the nature of your business

- ▶ Industry specific training and seminars will be held leading up to VAT Implementation

QUESTIONS??????

- ▶ Contact information for CRA/VAT unit

VAT@bahamas.gov.bs
225-7280 (toll free)

Thank You for your attention!!!!