



**Ministry Of Finance**  
**VAT Department**

VAT Guidance on Transitional Arrangements  
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## Introduction

Value Added Tax (“VAT”) is to be introduced in The Bahamas from January 1, 2015. This guide is to assist you in the transitional period, particularly in relation to the treatment of supplies that span the introduction of VAT. It should be read in conjunction with the Value Added Tax Act 2014 (“VAT Act” or “the Act”), the Value Added Tax Regulations 2014 (“VAT Regulations”), the VAT Rules and The Bahamas General VAT Guide (“VAT Guide”), all of which can be found on the website of the Government of The Bahamas (“Government”).

## VAT registration

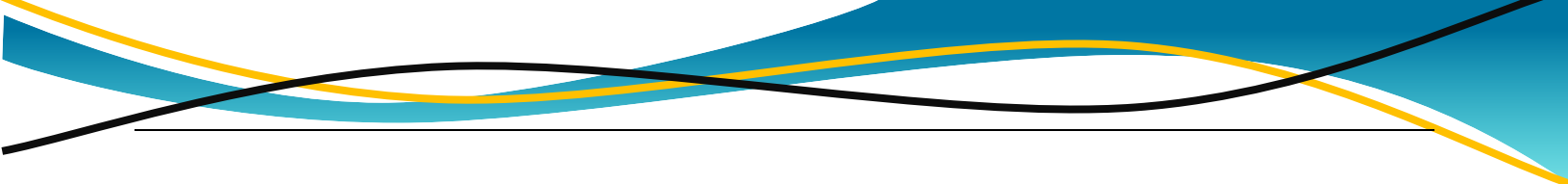
You should consult The Bahamas General VAT Guide on timing and other requirements for more information on registration.

## Supplies of Goods and Services

Goods and services (including imported services) are generally considered to be supplied when the tax point occurs. The tax point for a supply of services is normally the earliest of:

- receipt of payment;
- the date an invoice is raised;
- the date the performance of services is completed;. or
- the goods are delivered or made available to the recipient

However, as an anti-avoidance measure in respect of the introduction of VAT, where an invoice has been issued or payment received less than 6 months prior to January 1, 2015, but the goods are delivered or made available or the services are completed or performed after January 1, 2015, the tax point moves to the date the goods are delivered or made available or service is performed or completed.



If an invoice has been raised prior to January 1, 2015 for the delivery of goods or services completed or performed after January 1, 2015 and as such are subject to VAT, you should raise a “VAT only” invoice. The VAT only invoice should clearly state on it the purpose of the invoice, make reference to the previous invoice quoting the invoice number, and clearly charge for VAT only.

Some contracts entered into prior to January 1, 2015 may not provide for the application of VAT to the price of the goods or services. If the contract does not provide for the application of VAT to the price, the supplier may recover the tax from the recipient:

- on the portion of the contract that is performed on or after January 1, 2015; and
- the price charged for the portion completed on or after January 1, 2015 is deemed to include VAT.

For services (pursuant to Section 32(8) and 32(16) ) which are normally paid for periodically or in installments but were performed and completed prior to January 1, 2015 for which no payment was received , you do not need to charge VAT on any payment received prior to May 1, 2015. Any payments made after May 1, 2015 are deemed to be for services supplied on May 1, 2015 and will be subject to VAT.

### **In relation to goods supplied:**

- under a credit agreement – where the agreement commences prior to January 1, 2015, no VAT is charged on the periodic payments.
- under a lay-away agreement – VAT is charged on the full value of the goods when delivered on or after January 1, 2015.
- under a hire purchase agreement, - once the agreement commences and the goods delivered prior to January 1, 2015, no VAT is charged on the periodic payments. If the agreement commences prior to January 1, 2015 but the goods are delivered after January 1, 2015, VAT will be charged on the cash price.



## Construction services

If a contract for construction services is entered into prior to January 1, 2015, and the services extend beyond January 1, 2015, only the portion of the services and the goods supplied after January 1, 2015 will be subject to VAT.

The VAT treatment of the services and goods provided prior to January 1, 2015 should be determined in a manner approved by the Comptroller. Details of the apportionment method used should be submitted to the Comptroller with the registrant's first VAT Return.

## Property Rental

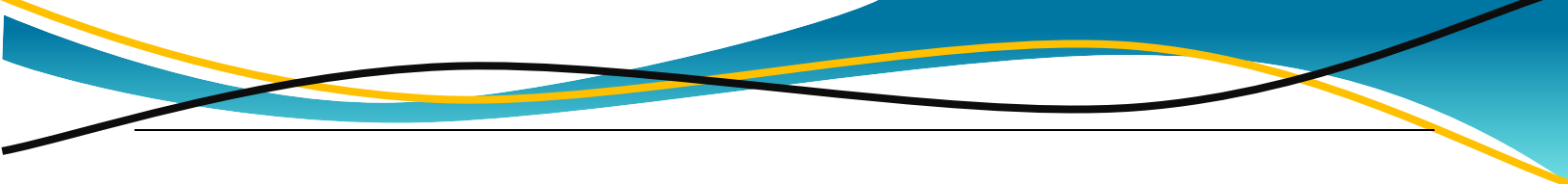
In respect of rental agreements that commences before and ends after January 1, 2015, VAT is only due on the portion of the agreement that occurs after January 1, 2015.

If the rental contract does not provide for the application of VAT the supplier may recover the VAT from the recipient or treat the rent payment as VAT inclusive.

## Holiday accommodation

For supplies of holiday accommodation that commences before January 1, 2015, and ends after January 1, 2015, VAT is only applied on the portion of the accommodation beginning January 1, 2015. For example, a guest who checks in on December 24, 2014, and checks out on January 15, 2015, will be charged VAT on 14 days only i.e January 1 to 14, 2015.

In respect of the treatment of pre-booked groups and businesses where hotel packages have already been paid for or secured by deposit prior to January 1, 2015, the supply will be deemed to have already been made. These will be exempt from VAT. As such, these will remain liable to hotel room tax at the 10 percent rate in force at time of payment. Services not included in the pre-booked package, will be subject to VAT at the standard rate. On a reporting basis, hotels are required to identify these as exempt supplies. A listing of these exempt sales will have to be reported to the VAT Comptroller prior to October 1, 2014, with monthly updates of cancellations or adjustments against the pre-bookings.



Any contract executed after August 31, 2014, will be presumed to have made provision for VAT for accommodations commencing on or after January 1, 2015.

Any reservations not secured by August 31, 2014, for services delivered on or after January 1, 2015, will be considered under the general transitional provisions for VAT.

Where payment is made after August 31, 2014, and before January 1, 2015, to secure accommodations taken up on or after January 1, 2015, suppliers of accommodations are allowed to accept amounts inclusive of the VAT that will be due after January 1, 2015. It should be noted that the hotel occupancy tax will be repealed as of January 1, 2015. As such suppliers will not be required to assess occupancy taxes on the same bookings for which VAT has been charged.

### **Imported goods**

Any goods imported after January 1, 2015, will be subject to VAT.

Goods are subject to import VAT at the time the goods are entered for home consumption in accordance with the Customs Management Act. Payment of import VAT on goods is collected by the Comptroller of Customs so you pay the import VAT at the same time as you pay the Duty.

VAT will be charged on the total cost of the goods, insurance, freight and any other charge incurred in having the goods shipped to the port of arrival within The Bahamas. Additionally, VAT will be charged on customs duties, excise tax, customs service charges, environmental levy, surcharge, or any other fiscal charge or tax (other than VAT) payable on the importation of the goods.

### **Assets on hand at the time of registration**

Business assets that are on hand at January 1, 2015, will be subject to VAT if sold after January 1, 2015.



## Invoices

Any invoice raised after January 1, 2015, must comply with the requirements of a VAT invoice outlined in the VAT guidance on invoices. If you want to make changes to your invoicing systems in readiness for the introduction of VAT, this is permitted including the insertion of your tax identification number (TIN) on the invoices. However, you must not charge VAT on any invoices raised prior to January 1, 2015.

## Pricing

A registrant offering goods for retail sale must show the price on the goods inclusive of VAT and, where VAT is charged on such goods, show the amount of VAT charged in a VAT sales receipt or VAT invoice issued to the purchaser.

Where a registrant retailer is unable to comply with the pricing requirements, the retailer will not be penalized during the first two months, if he does any of the following:

- a) displays visible signage that the VAT will be added as an additional amount to the quoted or affixed price of the specified goods;
- b) displays a sticker or sign of the VAT inclusive price immediately adjacent to the goods offered for sale; or
- c) provides leaflets or other printed materials which give a listing of VAT inclusive prices.

Additionally during the grace period, if the registrant is not able to meet the pricing requirements, the total price inclusive of VAT, should not exceed the actual price affixed to the item by more than 7.5%.



## **VAT Invoice/Sales Receipt**

With respect to registrants who provides domestic financial services, and who are unable to meet the requirements relating to VAT invoice and VAT sales receipt, they will be given additional time to meet such requirements. However, in the meantime, they should make available to their customers, a list indicating their fees which should be tax inclusive.

## **Input tax credit for Insurance Companies**

Registrants who will supply insurance services that will become taxable July 1, 2015, may be allowed to claim VAT credits, in respect of some specified inputs on those services. The conditions will be set out in a VAT Rule.


## **Deposit on returnable containers**

A deposit made on a returnable container and paid to the person returning the container after the coming into force of the Act is eligible for an input tax deduction where such payment is supported by such documentation as the Comptroller may require.

## **Interaction with duty - refund**

New duty rates in accordance with the Customs Tariff Act 2013 will be introduced with effect from January 1, 2015. The new rates are now available to the public and included in Appendix 2.

To accommodate concerns within the wholesale and retail sector regarding difficulties adjusting pricing of inventory held for sale that is on hand for the transitional period, a business can apply to use the Customs Department's physical or virtual transitional warehouse system. Goods on which the duty rate will change which are imported between November 1, 2014, and December 31, 2014, will be eligible for entry to the transitional warehouse system. The following is an outline of how the transitional warehouse system will operate.


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- Goods entered into the transitional warehouse system from November 1, 2014, will effectively enter under bond and will enter free of duty.
  - The goods do not have to be physically kept at the port of entry, you can enter them into your inventory system although you must keep accurate records of all inventory that has been entered into the transitional warehouse system.
  - If you sell the goods that are in the transitional warehouse system between November 1, 2014, and December 31, 2014, you must pay duty on the goods sold at the current rate.
  - If you have any inventory that has been entered under the transitional warehouse system on hand on January 1, 2015, you must pay duty at the new duty rates by February 28, 2015.
  - Any goods that are in the transitional warehouse system as at January 1, 2015, will also be subject to VAT when they enter home consumption.
  - Remember if you sell the goods or use them in a supply that is subject to VAT you will be able to reclaim the VAT paid on your first VAT return. If you have permission to use a deferment account you can account for the VAT on these goods on your first VAT Return. You will, however, need to pay the duty by February 28, 2015.
  - Goods in inventory will be identified on a last-in-first-out basis.

A business will have to apply for the use of the virtual warehouse by October 15, 2014.

There are certain conditions to obtaining authorization to use the transitional warehouse system which are as follows:

- You must apply to the Comptroller for authorization to use the transitional warehouse system by October 15, 2014.
- You must be able to provide a detailed summary of the inventory held in the transitional warehouse system as at the close of business or midnight on December 31, 2014.



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- You must have the inventory held in the transitional warehouse system verified by an accountant licensed by The Bahamas Institute of Chartered Accountants and accustomed to providing audit services.
  - Those verifying the inventory must certify that they believe the inventory record to be a true record of the inventory held in the transitional warehouse system as at close of business December 31, 2014.
  - Notification of who will verify the inventory on hand should be included in the application to use the transitional warehouse system.
  - You must permit access to a representative of the Comptroller of Customs should they wish to verify the accuracy of your record keeping either prior to or after December 31, 2014.

You must submit a summary of your inventory as at December 31, 2014, with payment of the duty at the new rate and VAT due by February 28, 2015.

For each item of inventory, you will need to include:

- A description of the item including an inventory code;
- the quantity of item held as at close of business;
- the value on which duty and VAT is due;
- the amount of duty and VAT due on each item; and
- the amount of duty and VAT to be paid.



## Approach by the Comptroller

It is appreciated that the introduction to VAT will be a difficult transition for most businesses and the aim is to assist businesses wherever possible. To help businesses with the transition, the Comptroller intends to provide:

- a program of training seminars on the technicalities of VAT, scheduled during the Fall months of 2014;
- a Taxpayer's Service help desk that will be available between 9am and 5pm, Monday to Friday, to answer any of your queries;
- industry specific guidance notes are posted on the Bahamas VAT website; and
- for those that have registered for VAT, a visit from a VAT officer can be requested prior to January 1, 2015 or within the first 6 months of registering.

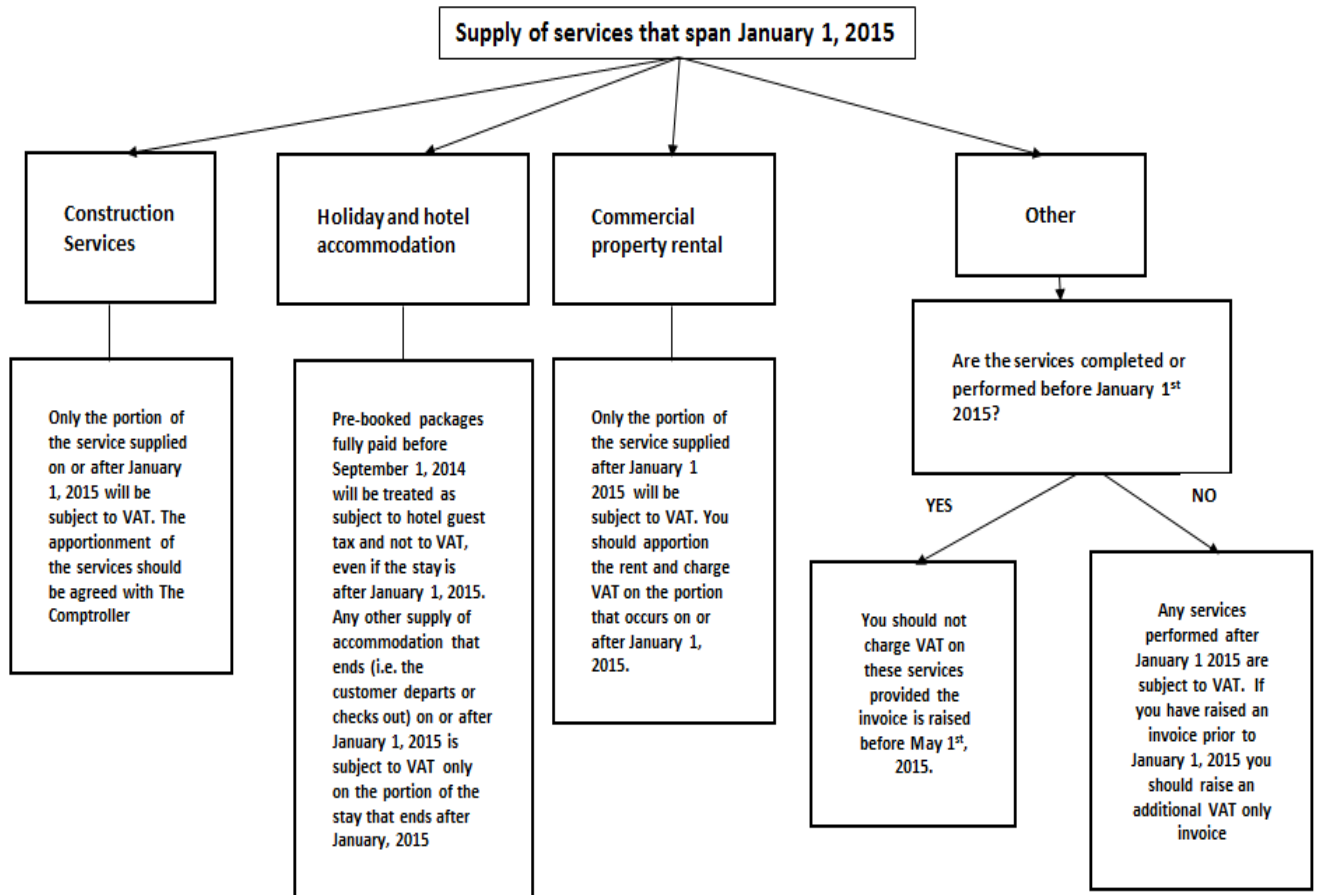
Getting VAT compliance and reporting right will always be the responsibility of the registrant, and it is the registrant's responsibility to gain the knowledge required to comply with the legislation. Fines will be imposed on those not registering for VAT when required to do so, not filing returns and paying on time, or intentionally filing incorrect VAT returns. The VAT Comptroller recognizes that from time to time, genuine errors can occur, particularly with a new tax. However, if you are unclear, it is also your responsibility to contact the VAT Department or the Taxpayer Services Desk to ensure you understand your obligations.

Tariff Heading	Description	Present Rate of Duty	Purposed Rate of Duty
2523.2100	Portland cement	10%	5%
3215	Printing ink	10%	5%
3306	Preparation for oral or dental hygiene	10%	5%
3401	Soap	10%	5%
3909	Amino-resins	10%	5%
3923	Article for the conveyance or packing of goods	10%	5%
3924.1020	Tableware, kitchenware	10%	5%
3925.2020	Builders' ware of plastic	10%	5%
4410	Particle board, oriented strand board	10%	5%
4412	Plywood, veneered panels and similar laminated wood	10%	5%
4418	Builders joinery and carpentry of wood	10%	5%
4801	Newsprint in rolls or sheet	10%	5%
4802	Uncoated paper and paperboard, of a kind used for writing, printing	10%	5%
4810-4811	Paper and paperboard coated	10%	5%
4819	Cartons, boxes, cases bags and other packing containers of paper	10%	5%
4822	Bobbins, spools, cops and similar supports of paper	10%	5%
4823	Other paper, paperboard	10%	5%
4902	Newspapers, journals and periodicals	10%	5%
4906	Plans and drawings for architectural engineering	10%	5%
4907	Unused postage, revenue or similar stamps of current or new issue in the country in which they have, or will have a recognized face value	10%	5%
6809	Articles of plaster or of compositions based on plaster	10%	5%
6811	Article of asbestos-cement	10%	5%
7019	Glass "bres	10%	5%
7101-7118	Natural or cultured pearls, precious or semi-precious stone precious metals, metals clad with precious metal and imitation jewellery; coin	10%	free
7308	Structures (for example bridges, lock-gates, roofs, roofing frame-woks)	10%	5%

Tariff Heading	Description	Present Rate of Duty	Purposed Rate of Duty
7317	Nails, tacks drawing pins and similar articles	10%	5%
7321	Stoves, ranges, grates cookers	10%	5%
7606 / 7610	Aluminum and articles thereof	10%	5%
8406	Steam turbines and other vapour turbines	10%	5%
8407	Spark-ignition reciprocating or rotary internal combustion piston engines	10%	5%
8407-8473	Machinery and mechanical appliances, electrical equipment and parts thereof	10%	5%
8502-8511	Electrical machinery and equipment and parts thereof;	10%	5%
2202.9060	Soy bean milk	25%	5%
2202.9070	Other milk	25%	5%
3925	Builders' ware of plastic	25%	5%
5602	Felt, whether or not impregnated	25%	5%
5904	Linoleum	25%	5%
6807.9010	Shingles of asphalt	25%	5%
7321	Stoves, ranges, grates, cookers	25%	5%
8418	Refrigerators, freezers and other refrigerating equipment	25%	5%
3304	Beauty or make-up preparations	25%	20%
4802	Uncoated paper	25%	20%
4810	Paper and paperboard, coated	25%	20%
6107-6111	Articles of apparel and clothing accessories knitted or crocheted	25%	20%
6207-6212	Articles of apparel and clothing accessories, not knitted or crocheted	25%	20%
6401-6405	Footwear	25%	20%
4015	Articles of apparel and clothing accessories of vulcanized rubber	35%	20%
6102 -6114	Article of apparel and clothing accessories, knitted or crocheted	35%	20%
6201-6211	Articles of apparel and clothing accessories, not knitted or crocheted	35%	20%
3304.9910	Lotion	35%	20%
0711	Vegetables (provisionally preserved)	35%	25%
0712/0714	Dried vegetables	35%	25%

Tariff Heading	Description	Present Rate of Duty	Purposed Rate of Duty
0801-0805	Edible fruits and nuts; peel of citrus fruits or melons	35%	25%
3006	Pharmaceutical goods	35%	25%
8302.1000	Hinges	35%	25%
9018	Instruments and appliances used in medical, surgical, dental or veterinary sciences	35%	25%
2522	Quicklime, slaked lime and hydraulic lime	45%	35%
2523.1000	Cement clinkers	45%	35%
3304	Beauty or make-up preparation and preparation for the skin	45%	35%
3402	Organic surface-active agents	45%	35%
3605	Matches	45%	35%
3808	Insecticides, rodenticides, fungicides, herbicides and similar products	45%	35%
4203	Articles of apparel and clothing accessories of leather	45%	35%
4304	Artificial fur and articles thereof.	45%	35%
4409	Wood and friezes for parquet flooring	45%	35%
6115	Panty hose, tights, stockings, socks and other hosiery	45%	35%
6116	Gloves and mittens	45%	35%
6117	Other made up clothing accessories knitted or crocheted	45%	35%
6213	Handkerchiefs	45%	35%
6214	Shawls, scarves mufflers and the likes	45%	35%
6215	Ties, bow ties and cravats	45%	35%
6216	Gloves, mittens and mitts	45%	35%
6217	Other made up clothing accessories	45%	35%
8418.3090 8418.4090	Refrigerators, freezers other refrigerating or freezing equipment (commercial)	45%	35%
8201-8215	Tools, implements, cutlery, spoons and forks of base metal; parts thereof	45%	25%
8419.1100	Instantaneous gas water heaters	45%	25%
8419.1990	Other (machinery, plant or laboratory equipment)	45%	25%

APPENDIX 1: Decision Tree



*Based on the assumption that the services are taxable services*



## **The Law**

You may find the following references to the legislation useful.

### **VAT Act**

Section 88 – Transitional Provisions

### **VAT Regulations**

Regulation 51 – Transitional Provisions

## CONTACT US

Further information can be obtained from the Taxpayers Services help desk: 1 (242) 225 7280

Or you can contact us by email: [vatcustomerservice@bahamas.gov.bs](mailto:vatcustomerservice@bahamas.gov.bs)

Or you can write to:

Value Added Tax Department

Ministry of Finance

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Bahamas

[www.bahamas.gov.bs/vat](http://www.bahamas.gov.bs/vat)

