



Ministry of Finance

VAT Department

VAT Guidance for VAT Free Shopping
Version 4: December 31, 2014





Introduction

This guide is intended to provide businesses that are licensed to sell Duty and VAT Free goods within The Bahamas with additional information about Value Added Tax (“VAT”). It should be read in conjunction with the Value Added Tax Act 2014 (“The Act”), the Value Added Tax Regulations 2014 (“VAT Regulations”), the VAT Rules and The Bahamas VAT Guide (“VAT Guide”), all of which can be found on the website of the Government of The Bahamas (“Government”).

The Tax Free Goods Scheme

With an aim to ensure The Bahamas remains an attractive and competitive destination for visitors, a scheme is available for retailers who have obtained permission from the Comptroller of VAT to sell certain goods VAT Free, and will also permit the deferment of the import VAT on the qualifying goods. These establishments shall be designated Authorized Duty and VAT Free Retailers.

VAT will apply to the sale of all goods, but authorized retailers will be able to sell goods to persons visiting The Bahamas at a rate of zero percent, subject to the retailer obtaining proof of foreign resident status and evidence that the items will be exported. Sales to a buyer that is not qualified, or one who is unable or unwilling to provide adequate documentation, will be taxable

at the full VAT rate of 7.5%. Any sale of less than \$25 per item will not qualify for zero rating regardless of the goods being sold.

All sales must be accounted for by the retailer when filing their VAT return with the VAT Comptroller. These retailers will also be required to electronically maintain the residency and



export documentation related to zero-rated sales. General information about filing VAT returns can be found in the *Bahamas VAT Guide*.

What goods are eligible for VAT Free Purchase and deferral of Import VAT?

The following items are the qualifying goods (qualified goods) for the VAT Free Scheme.

- Leather Bags
- Jewelry & Watches
- Articles of Clothing over \$100
- Shoes
- Cosmetics & Perfumes
- Fountain Pens
- Sunglasses

Who can use the scheme?

The scheme is available to retailers in The Bahamas that sell the majority of their goods to tourists. Only retailers that have been authorized by the Comptroller can provide zero-rated sales to visitors. To obtain permission to use the scheme, a retailer must apply to the VAT Comptroller in writing. To grant approval, the Comptroller will require evidence that the retailer:

- is registered for VAT;
- sells the majority of its goods to visitors
- has, or will have, the ability to apply VAT at a zero rate as well as at the usual 7.5% rate;
- is able to maintain electronic documentation of visitors' eligibility for zero-rated treatment, and evidence of intended exportation of the goods;
- is able to link the documentation directly to the tourist's specific purchase(s); and



- is able to provide a financial bond as assurance of compliance with requirements.

Permission to use the scheme will be granted only if the Comptroller is satisfied that the retailer will apply the zero rate of VAT strictly under the conditions outlined and only to eligible buyers. The scheme can be withdrawn by the Comptroller at any time it is found that the scheme is being abused, or suspected of being abused.

Approval by the Comptroller is site specific. It may be the case that a retailer has several stores in The Bahamas and that not all of these stores will be authorized. This is a decision that rests with the Comptroller, principally determined by the level of sales made to visitors at each site, as well as the ability to meet the other conditions above.

Upon authorisation, a retailer would be issued with a “tax and duty free goods” certificate which must be displayed in the store.

How does the scheme work?

Under the authority of the Comptroller of Customs, an authorized retailer may be able to import qualifying goods free of duty. These same goods would, under the Authority of the VAT Comptroller, be eligible to have payment of the Import VAT deferred from the time of importation until the date the VAT Return is due for that tax period or any other tax period as approved by the VAT Comptroller. All goods that are not “qualified goods” would be subject to the payment of Import VAT in the usual manner, at time of importation.

If the goods that are to be imported are not for retail sale, the retailer must inform Customs at the time of importation so that the appropriate duty and VAT can be applied at the time of importation. For example, an authorized retailer cannot import goods to be sold by an unauthorized retailer, this would be seen as an abuse of the authorisation and the authorisation



will be removed. The same requirement applies if a retailer was importing the goods for either personal use, or sale to a resident of The Bahamas.

The zero rate of VAT cannot be applied to any goods that are consumed or partially consumed in The Bahamas, or goods (such as foodstuffs and water) that are intended for immediate consumption in The Bahamas. Please note that the sale of any item less than \$25 will not be considered a sale of qualified goods regardless of the composition of that sale.

The retailer must account for total VAT sales, both zero-rated and full 7.5% rate, when filing their return. The retailer may claim as an Input VAT the amount of Import VAT deferred plus all VAT paid or payable on other goods and services imported or purchased locally. Effectively all VAT is removed from the cost of sales to qualified buyers.

Please refer to the ***Bahamas VAT Guide*** for additional information about filing VAT returns.

How much compliance bond must be lodged with the VAT Comptroller?

A financial bond, cash, or other equivalent must be lodged with the Comptroller of Customs or VAT Comptroller as a guarantee of compliance with the requirements of the Tax Free Scheme. The amount of the bond required to be lodged will be 100% of the estimated VAT payable on the imported items (Please see VAT Rule 2015-006 for further details)

Who is a visitor to The Bahamas?

Authorized retailers can only provide zero-rated sales to a visitor to The Bahamas and for goods that are to be removed from The Bahamas.

A visitor to The Bahamas is someone:

- whose normal place of residence is not The Bahamas;
- who does not have a Bahamas passport;



- who is leaving The Bahamas within the next 45 days.
- who has not worked in The Bahamas in the last 6 months
- who is not an employee of a cruise ship

Zero-rated sales may only be made to visitors that visit the authorized retailers store and provide the necessary documentation at the time of sale.

What documentation must I obtain and maintain from each visitor?

Retailers must see and retain a copy of one of the following:

- Passport
- Driver's License
- Government issued photo ID
- Cruise ID
- Airline Ticket
- Boarding Card

Each of these items of documentation must be stored electronically, and linked to the specific sale that was zero rated.



The Law

You may find the following references useful.

VAT Regulations

Regulation 15 (3) – Zero-rated Supplies

VAT Rule

VAT Rule - # 2015-001 – VAT Free Shopping



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

Or you can write to:

Value Added Tax Department

Ministry of Finance

P. O. Box N-4866

Nassau, N.P.

Bahamas

www.bahamas.gov.bs/vat

