

Ministry of Finance

VAT Department

VAT Guidance on Transitional Arrangements
Version 2: August 28, 2014

This guidance is provided on the basis of continuing public consultation and will be expanded and revised as necessary, based on feedback.



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 Bill 2014 ("VAT Bill"), 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 Law

The transitional provisions can be found in the VAT Bill section 98 and the VAT Regulations section 49.

VAT registration

If you anticipate that you will meet the requirements for compulsory registration for VAT or wish to voluntarily register for VAT as at January 1, 2015 you should submit an application for registration by December 1, 2014 although it is advisable to submit your application as soon as possible.

Your effective date of registration will be the January 1, 2015 so you must not charge VAT until this date.

If you do not register for VAT by January 1, 2015 and it is found that you should have registered by this date your VAT registration will be backdated to January 1, 2015 and you may have to account for any VAT due on supplies you have made after January 1, 2015, even though you have not charged your customer VAT.

You must not, under any circumstances, charge VAT on your supplies before you are registered for VAT.

If you apply for VAT registration by December 1, 2014 you should receive a VAT registration certificate and a Tax Identification Number ("TIN") by January 1, 2015. Your VAT registration certificate should be displayed from this date. If you do not receive a VAT registration certificate by January 1, 2015 you should contact the Comptroller of VAT ("the Comptroller").

Supplies of services

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; or
- the date the performance of services is completed.

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 services are completed or performed after January 1, 2015, the tax point moves to the date the service is performed or completed irrespective of the date an invoice is raised or a payment received.

VAT should therefore be accounted for on any services performed or completed on or after January 1, 2015.

If an invoice has been raised prior to January 1, 2015 for 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 services. If the contract for services does not provide for the application of VAT to the price, and your customer does not subsequently agree to you charging VAT on the contract price, VAT only needs to be accounted for

- 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 performed and completed prior to January 1, 2015, you do not need to charge VAT provided you raise an invoice within 2 months of January 1, 2015 (i.e. prior to February 28, 2015). Any invoices raised after February 28, 2015 are deemed to be for services supplied after January 1, 2015 and will be subject to VAT even if the services have been performed and completed prior to January 1, 2015.

Construction services

If a contract for construction services is entered into prior to January 1, 2015, and the services spans 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 periods spanning January 1, 2015, VAT is only due on the portion of the period that occurs after January 1, 2015.

If the rental contract does not provide for the application of VAT and it cannot be agreed with the tenant that VAT is charged in addition to the rent under the terms of the contract, the rent payments are deemed to be inclusive of VAT. To calculate the amount of VAT you should use the VAT fraction 3/43. For example, if the rent charged is \$10,000 the VAT element will be \$697.67 ($\$10,000 \times 3/43$).

Holiday accommodation

Supplies of holiday accommodation that end after January 1, 2015 are subject to VAT. A supply of holiday accommodation is determined as ending on the date the customer departs or checks out.

Bookings concluded before or after January 1, 2015 will not be subject to VAT until the application of hotel guest tax has been repealed under the Hotels Act (Ch288).

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.

A decision tree on the treatment of a supply of services is provided at the end of this guide, in Appendix 1..

Imported services

Any services imported after January 1, 2015 will be subject to VAT. You should follow the guidance on supplies of services to determine the time of supply of imported services.

Supply of goods

Goods supplied after January 1, 2015 will be subject to VAT.

Goods are supplied the earliest of:

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

The time of supply of

- goods under a credit agreement - is the date the agreement commences.
- goods under a lay-away agreement - is the date the goods are handed over or delivered to the purchaser.
- supplies under a rental agreement that require periodic payments - is the date payment becomes due or is received whichever is the earlier.
- a supply of goods under a hire purchase agreement, or agreement whereby the hirer has the option to return the goods - is the date the goods are made available to the recipient.

As an anti-avoidance measure, if an invoice is raised or payment made prior to January 1, 2015, but the goods are delivered or made available to the recipient after January 1, 2015, the goods are deemed to be supplied after January 1, 2015.

Invoices should be raised for goods supplied prior to January 1, 2015 within 2 months (i.e. by the February 28, 2015). If an invoice is raised for these goods after February 28, 2015 the supply is deemed to be made after January 1, 2015 and the goods will be subject to VAT.

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.

Land, property and other 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. For example, if a business owns a commercial property and sells the property on or after January 1, 2015 it will be subject to VAT. In this regard, it is necessary to consider the time of supply of a property which is the earliest of the date payment is received by the seller, or the date of conveyance. Payment of a deposit into escrow is not considered a payment for VAT purposes until the payment is released to the seller.

Inventory held for sale as at October 1, 2014 will be subject to VAT if sold on or after January 1, 2015.

Invoices

Any invoices raised after January 1, 2015 must comply with the requirements of a VAT invoice outlined in the VAT guide. 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 TIN on the invoices. However, you must not charge VAT on any invoices raised prior to January 1, 2015.

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.

- 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 first-in-first-out basis.

A business will have to apply for the use of the virtual warehouse by September 30, 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 September 30, 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.
- 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 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 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;
 1. the quantity of item held as at close of business;
 2. the value on which duty and VAT is due;
 3. the amount of duty and VAT due on each item; and
 4. the amount of duty and VAT to be paid.

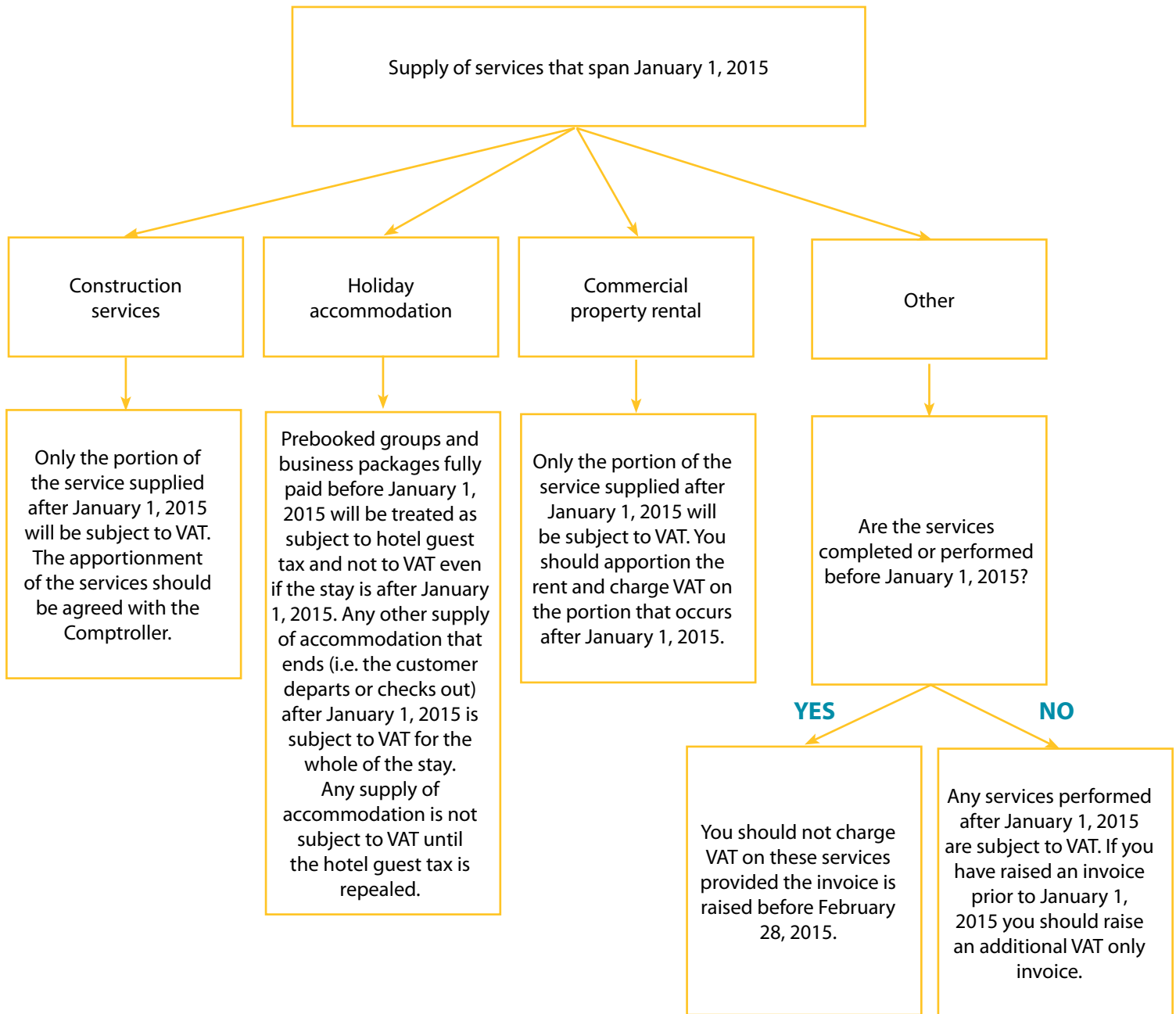
Approach by the Comptroller

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 that will be 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 to be 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. However, the Comptroller intends to take a light touch to compliance for the first 6 months with no fines imposed on those that make genuine errors (although any VAT payable will be collected). 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.

APPENDIX 1: Decision Tree



Based on the assumption that the services are taxable services

APPENDIX 2: Descriptive Guide to Excise and Tariff Amendments Bills

Tariff Heading	Description	Present Rate of Duty	Purposed Rate of Duty
4202	Trunks, suitcases, vanity case, executive-cases, briefcases handbags etc. of leather or composition leather, of plastic sheeting	10%	Free
7113	Articles of Jewellery	10%	Free
9006	Photographic cameras	7%	Free
9101/9102	Watches	10%	Free
9103	Clocks	10%	Free
3925.9020	PVC lumber & composite wood	7%	Free
3925.9030	Shingles	7%	Free
4407	Wood sawn or chipped lengthwise	7%	Free
4409	Wood Strips and Friezes for parquet flooring	7%	Free
4418.5000	Shingles and Shakes	7%	Free
6811.8210	Shingles	7%	Free
2103.2010	Tomato ketchup	10%	Free
0207	Meat and edible offal, of the poultry (Turkey)	10%	5%
0401	Milk & Cream, not concentrated nor containing added sugar or sweetening matter	10%	5%
0403.1000	Yogurt	10%	5%
0406	Cheese and curd	10%	5%
0703 – 0714	Vegetables	10%	5%
0801 - 0814	Fruits and Nuts	10%	5%
0904 – 0910	Coffee, tea mate & spices	10%	5%
1702	Cane syrup	10%	5%
1901	Malt extract	10%	5%
1902	Pasta	10%	5%
2007	Jams, fruit jellies	10%	5%
2008	Fruits & Nuts	10%	5%
2009	Fruit juice	10%	5%
2102	Yeasts	10%	5%
2103	Sauces and mixed seasonings	10%	5%
2202.9050	Nutritional preparations for tube feeding	10%	5%

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 fibres	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%

Contact Us

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

Or you can contact us by email: vat@bahamas.gov.bs

Or you can write to us:

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