

VALUE ADDED TAX BAHAMAS

***VAT AMENDMENTS 2018 & YOUR
BUSINESS***

FUNDAMENTAL CHANGES TO VATA 2014

- 1) CHANGE IN VAT STANDARD RATE TO 12% @ 1ST JULY, 2018
- 2) ELIMINATION OF VAT ON REAL ESTATE TRANSACTIONS (*NOW EXEMPT*)
- 3) ELIMINATION OF VAT ON INSURANCE ON RESIDENTIAL PROPERTY INSURANCE.
- 4) ZERO RATING OF ESSENTIAL ITEMS
- 5) ZERO RATING OF MEDICINES
- 6) POWER BILLS < \$200 VAT EXEMPT
- 7) WATER BILLS < \$50 VAT EXEMPT

CHANGE IN VAT RATE

FROM THE 1ST JULY, 2018 THE NEW STANDARD RATE OF VAT IS @ 12% ON THE VALUE OF A TAXABLE SUPPLY.

WHAT IS A TAXABLE SUPPLY?

S2 VALUE ADDED TAX ACT, 2014(VATA) “taxable supply” means —

- (a) a supply of goods and services in The Bahamas made by a person in the course or furtherance of a taxable activity carried on by such person, other than an exempt supply;
- (b) in relation to the Port Area, a supply of goods and services in the Port Area made by a person in the course or furtherance of a taxable activity carried on by such person other than an exempt supply or a supply referred to in subsection (3) of section 3;

TIME OF SUPPLY

THE TIME OF SUPPLY DICTATES AT WHAT TIME WE ORDINARILY CHARGE VAT WHEN A TAXABLE SUPPLY TAKES PLACE.

AT TAXABLE SUPPLY TAKES PLACE AT THE HAPPENING OF THE EARLIEST OF :

- (a) an issue by the supplier of an invoice for the supply; (*would include the execution of a formal contract*)
- (b) payment, in **whole or in part**, for the supply is received by the supplier;
- (c) the goods are delivered or made available to the recipient; or
- (d) completion of performance of the services.

S32 VATA

S90. VARIATION OF COST ON A CHANGE IN VAT RATE

(1) A registrant who enters into an agreement to make a supply of goods or services —

(a) which is not a taxable supply, or, is a taxable supply borne at a specific rate; and

(b) where subsequent to entering into the agreement, the supply of the goods or services becomes a taxable supply, or value added tax is imposed on the supply at an increased rate, **is liable for and must recover from the recipient of the supply**, unless the agreement expressly provides to the contrary, the additional amount equal to the amount of tax imposed, or the amount by which tax was increased, on the supply.

WHAT HAPPENS WHEN THE VAT RATE CHANGES?

WHEN THE VAT RATE CHANGES A SUPPLIER IS EXPECTED TO FOLLOW THE PROVISIONS OF S90 OF THE VATA.

Where the **service has commenced** or the **goods part supplied** and the completion of the service or supply of goods is expected to occur after the 1st July, 2018 you are permitted to charge and collect VAT based on the relevant proportion of the supply pre and post 1st July, 2018. In any event the onus is on you the supplier of the goods or service to ensure that the correct amount of VAT is charged and accounted for.

You must:

WHAT HAPPENS WHEN THE VAT RATE CHANGES?

- Increase the amount payable for the VAT that was charged to the customer that relates to the period after July 1st.
- Where the VAT was previously accounted for in an earlier VAT Return, adjust the VAT return to account for the VAT increase.
- Recover the increased amount of VAT from the recipient of the goods or services unless you both made some other arrangement for the recovery.
- Account for any such increase on the first return following the adjustment.
- Accompany such adjustments with details of all such transactions as prescribed by the VAT Comptroller.

WHAT HAPPENS WHEN THE VAT RATE CHANGES?

- There is no vat on receivables.
- Where transactions have been completed before the 1st July, 2018 and all that remains is the debt in relation thereto or the outstanding portion of the debt there is no need to adjust the outstanding amount to account for the increase in vat.

WHAT HAPPENS WHEN THE VAT RATE CHANGES?

The billing of maintenance fees or dues or subscriptions of any type that is subject to VAT for services to be rendered beyond 1st July is to be subject to vat at 12%. Early billing does not alter the VAT liability.

The new VAT fraction is **12/112** which is factorized to **3/28** or expressed as a decimal **.107143**

The new VAT flat rate is 7.5% of the VAT inclusive value of your taxable sales.

You can convert an old VAT inclusive price @ 7.5% to a VAT inclusive price @ 12% by multiplying the old VAT price by 1.04186

SPECIAL PROVISIONS FOR RETAILERS

Although we expect you to exert every effort to ensure that your pricing is in keeping with the dictates of the VATA 2014 as amended you will be allowed unchanged price tags and labels through to the 31st August, 2018 on condition that you display clear signs that indicate that the price tags might reflect the Pre-July VAT rates and that any adjustment will be made at the register on checkout.

SPECIAL PROVISIONS FOR RETAILERS

- You may display items supported by Bin or locator labels or signs showing the VAT exclusive price, the associated VAT or the fact that the item is Zero rated and the VAT inclusive price immediately adjacent to the goods offered for sale,
- You may display individual items without price tags.
- You may show on a VAT receipt issued to the customer all items charged at a Zero rate of VAT by the use of an asterisk (*) or other clearly identified symbol.
- All retail items are to be charged VAT at the new rate of 12% from the 1st July, 2018 without exception. **From the 1st August the 'Bread Basket Items' and medicines are to be Zero Rated.**

WHEN IN DOUBT

1. CALL US

2. VAT IT

FORM 54 IS ESPECIALLY FOR THOSE PERSONS WHO HAVE OR MIGHT HAVE TRANSACTIONS AT BOTH A 7.5% AND 12% RATE AND HOW THAT SITUATION WOULD IMPACT THE REPORTING ON THEIR VAT RETURNS

VAT RETURNS WITH TRANSACTIONS AT 7.5% & 12%

PERSONS ON THE CASH BASIS:

- 1) MAY HAVE INVOICES THAT RELATE TO SALES MADE ON OR BEFORE 30TH JUNE.**
- 2) MUST MAINTAIN A RECORD OF SUCH SALES TO INCLUDE ALL DETAILS OF THE TRANSACTION**
- 3) CAN USE A SPRED SHEET THAT WE WILL PROVIDE TO CALCULATE THE ADJUSTMENT**
- 4) RETURNS WILL SHOW AND CALCULATE VAT ON NEW RATE**
- 5) ADJUSTMENT WILL BE SHOWN ON LINE 25 REDUCING VAT LIABILITY.**

IF YOU ARE IN THE TOURISM SECTOR

Provision has been made for persons in the tourism sector where

- 1) Contracts for the provision of services have been “locked in” by the 31st July, 2018. (***VAT is charged at 7.5%. Services can be utilized at any time in the future***) Details to be supplied to the comptroller by 31st August, 2018. **FORM 56A**
- 2) Bookings have been made for the provision of services through tour operators etc. through to the 30th September 2018. (***VAT charged at 7.5% once services are utilized by 30th June 2019.***) Details to be provided to the comptroller by 31st October, 2018. **FORM 56B**
- 3) The qualifying bookings are for rooms, services, facilities and package deal arrangements made by official agents of the resort/ hotel.

SUMMARY OF HOSPITALITY INDUSTRY TRANSITION

PRE BOOKED & PRE-PAID BOOKINGS <i>(Firm contracts for packages including conventions, conferences, weddings, tours etc.)</i>	FOR TRAVEL AND SERVICE USED	VAT
Made Now through to COB July 31, 2018	All future dates	7.5%
ADVANCED RESERVATIONS AND BOOKINGS MADE THROUGH REGISTERED AGENTS, OPERATORS ETC.	FOR TRAVEL AND SERVICE USED	VAT
Made through to September 30, 2018	July 1, 2018 – through to June 30, 2019 July 1, 2019 and beyond <i>Please note that stays that include the night of July 1, 2019 will be subject to 12% VAT for the nights including and beyond July 1, 2019</i>	7.5% 12%
Made from October 1, 2018 and beyond	All future dates	12%

EXEMPT INSURANCE & YOUR BUSINESS

- **There is now no VAT on insurance premiums on a dwelling;** (a place where you live). The VAT Act as amended defines a dwelling as follows:
- *‘a building, premises, structure, or other place, or any part thereof that is owner-occupied and used or intended to be used as a place of residence or abode of a natural person together with any appurtenances belonging thereto or enjoyed therewith, excluding a commercial rental establishment or commercial enterprise;’*

INSURANCE PREMIUMS & YOUR BUSINESS

All existing policies that are in effect for a period through to June 30th 2019 shall be at the old VAT rate of 7.5%. Any new contracts entered into on or after July 1st, 2018 shall be subject to the new VAT rate of 12% – or in the case of property insurance shall be exempt.

OUTPUT TAX ON INSURANCE CLAIMS

- If you are a VAT registrant you must include any receipt of funds on an insurance claim as part of your output and account for the VAT.
- The amount received is deemed VAT inclusive.

To calculate the VAT liability

- Multiply the amount received by $.069767$ if the amount was received on or prior to July 1st
- Multiply the amount by $.107143$ if the claim was received after 1st July, 2018

INSURANCE & YOUR BUSINESS

- You must remember that all of your claims made to your insurer on any loss must include the VAT that you would be required to pay in the repair or restoration process. All of your claims are considered to be settled by your insurer VAT inclusive. Ensure that all of your estimates include the VAT that will have to be paid by you. Claims received must be reported as part of your output.

ZERO RATED ITEMS

1. ESSENTIAL (BREADBASKET) ITEMS AND MEDICINES ARE ZERO RATED ON SALE & DISTRIBUTION ONLY AND **NOT ON IMPORTATION**.
2. ALL SALES OF SUCH ITEMS ARE AT 12% UP TO THE 31ST JULY, 2018.
3. A COMPREHENSIVE SELF EXPLANATORY LIST HAS BEEN PUBLISHED.
4. WHEN IN DOUBT..... VAT IT AND SEEK CLARITY.

