

Ministry of Finance

VAT Department

VAT Guidance for Duty Free Shopping
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

This guide is intended to provide businesses that are licensed to sell Duty Free goods within The Bahamas with additional information about Value Added Tax ("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 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 that have obtained permission from the Comptroller of VAT ("Comptroller") to import certain goods VAT and Duty Free. These establishments shall be designated Authorized Duty and VAT Free Retailers.

Although VAT will apply to the sale of these goods, the authorized retailers will be able to provide visitors to The Bahamas an immediate, point of sale refund of the VAT, upon proof of foreign resident status, and evidence that the items will be exported. All VAT refunds must be accounted for by the retailer and filed electronically with a Customs agent or their representative as designated by the Comptroller. A small processing fee will be applied to each transaction, payable to the Customs agent or their representative.

Visitors will be able to obtain a VAT refund when buying goods from stores that have been authorized to use the scheme and display a Bahamas Government issued "tax free goods" certificate and logo. Visitors will also be able to obtain VAT refunds on qualifying purchases from non-authorized retailers at specific departure ports.

Who can use the scheme?

The scheme is available to retailers in The Bahamas that primarily sell to tourists. To obtain permission to use the scheme, a retailer must apply to the Comptroller. To grant permission, the Comptroller will need evidence that the retailer:

- mainly sells goods to visitors;
- has, or will have, the ability and facilities to provide VAT refunds to visitors;
- is able to maintain electronic documentation of visitors' eligibility for point of sales refunds; and
- is able to provide a financial bond.

Permission to use the scheme will only be granted if the Comptroller is satisfied that the retailer will only apply refunds of VAT under the conditions outlined.

The scheme can be withdrawn by the Comptroller if at any time, it is found that the scheme is being abused and VAT refunds are being provided to persons that are not eligible.

To apply to use the scheme a retailer must be registered for VAT. Applications should be made in writing and accompanied by evidence that the retailer's customers are primarily visitors, and that the retailer has the ability, or intends to obtain the ability, to provide refunds to visitors.

Only retailers that have been authorized by the Comptroller to use the scheme can provide point of sales refunds of VAT to visitors, and point of sale refunds can only be provided in respect of goods sold in specific stores covered by the retailer's authorisation by the Comptroller. For the avoidance of doubt, it may be the case that a retailer has several stores in The Bahamas and that not all of these stores would be authorized, a decision that would be determined by the Comptroller, in part based on the level of visitor traffic to the stores.

On authorisation, a retailer would be issued with a "tax free goods" certificate and logo which can be displayed in the store.

How does the scheme work?

The scheme permits an authorized retailer to import certain goods free of duty and VAT. When an authorized retailer sells goods that are available for a refund the VAT treatment is as follows:

Effectively the visitor will pay for goods free of VAT but with an additional charge for processing the point of sales refund.

An authorized retailer must display the VAT inclusive price on the goods, although they can also display a "with refund" price if they wish. If displaying a "with refund" price, the price displayed must take into account any commission applied by the customs agent for processing the refund.

What goods are eligible for a VAT refund?

Only the following goods will be available for a VAT refund:

- cosmetics;
- sunglasses;
- gems;
- jewellery including watches;
- leather goods;
- linen; and
- fountain pens and refills.

How does an authorized retailer provide a refund?

A Customs refund agent has is being appointed to manage the refund process and ensure that refunds are only provided to visitors that will remove the goods from The Bahamas. Refunds will be provided at the point of sale. The agent will charge a percentage for processing refunds which will be automatically taken when processing the refund. The customs agent will be able to show you how to use the equipment and explain the process. They will also assist with any problems you may have when processing a refund.

Can a visitor obtain a refund on goods purchased from non-authorized retailers?

Yes. The Customs agent will provide facilities at certain airports and seaports to verify, stamp and process refund claims for the items listed above ("what goods are eligible for a VAT refund?") that are not sold at authorized retail stores or outlets. When these refunds are processed, the visitor will be charged a percentage of the VAT refund for processing a claim.

Who is a visitor to The Bahamas?

Refunds of VAT can only be provided 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 - a passport, photo identity card or driving licence are acceptable documents supporting a person's normal place of residence;
- does not have a Bahamas passport; and
- is leaving The Bahamas within the next 30 days – evidence of this is a passenger ticket of departure from The Bahamas to a destination outside The Bahamas by air or sea in the next 30 days.

Refunds can only be provided to persons that visit the retailers store and provide the necessary documentation outlined above at the time of sale.

How does an authorized retailer account for the VAT on refunds?

The retailer charges the gross price, less the VAT, plus the Customs agent's commission. The retailer does not need to account for any output tax on the sale of these goods as the sale is zero rated for VAT purposes.'

Are there any other conditions an authorized retailer needs to be aware of?

- An authorized retailer must agree to use the systems introduced by the Customs agent and clearly display for customers to see, signage with details of how a visitor can obtain a VAT refund.
- Before issuing a refund the retailer is responsible for checking that the visitor is eligible for a refund and intends to leave The Bahamas within 30 days.
- A retailer is responsible for all unauthorized issue of VAT refunds.
- A retailer must make a person claiming a refund aware of the following:
 - how a refund will be made;
 - any administration fees charged for the refund;
 - that no refunds will be made on items wholly or partly consumed (such as rum cake or perfume) in The Bahamas; and
 - that the visitor may be required to make the item available for inspection by a Customs agent at the port of departure from the Bahamas.

This can be done by displaying the information in the store and making a leaflet available.

What goods can an authorized retailer import free of duty and VAT?

A retailer who has been authorized by the Comptroller to use the tax free goods scheme may be able to import the goods listed below free of duty and VAT, provided these goods are bought for retail sales in the stores named on the retailers authorisation. 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 goods that can be imported free of duty and VAT by an authorized retailer are:

- cosmetics
- sunglasses;
- gems
- jewellery, including watches;
- leather goods;
- linen; and
- fountain pens and refills.

Sale of goods VAT free not imported free of duty and VAT?

A retailer is entitled to claim, as input tax any VAT paid on imported or purchased goods on which a refund has been provided under the tax free goods scheme.

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:

Value Added Tax Department
Ministry of Finance
Gladstone Freight Terminal
Gladstone Road
P.O. Box N-4866
Nassau, N.P.
The Bahamas

Phone: 1 (242) 461 8050

Fax: 1 (242) 361 4034

www.bahamas.gov.bs/vat