



TRANSITIONAL ARRANGEMENTS

Introduction

This guide is intended to provide information on Value Added Tax (“VAT”) in relation to the transitional provisions that would apply to contracts or other arrangements that would have been made for the provision of goods and services prior to the 1st July, 2018 (the transition date) but where the delivery of those goods or the performance of those services are not expected to occur until after the 1st July, 2018. The provisions in this guide also refers to the provision of services for a fee whether or not such a fee is a fixed, maximum or minimum charge. (Special provisions have been made for Tourism or Construction contracts. See the appropriate Regulations and Guides).

This guide sets out the circumstances to which the provisions apply and what conditions need to be met. It should be read in conjunction with the Value Added Tax Act 2014 as amended (“VAT 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”). **If there is a discrepancy within the Guidance Note, the law will prevail in accordance with the VAT Act, Regulations and/or Rules.**

A. Contracts entered into before the transition date which have not been performed before that date are subject to the increased vat rates.

If you have entered into an agreement to make a taxable supply of goods or services prior to the transition date and made that agreement based on the existing Standard VAT rate of 7.5%; you would in such circumstances:

- 1) Be responsible for the VAT that is due at the new standard rate of 12%.
- 2) Must recover the increased amount from the recipient of the goods or services unless they made some other arrangement for the recovery.
- 3) Must account for any such increase on the first return you submit following the adjustment.
- 4) Must retain and provide the comptroller in the prescribed manner details of all such transactions.

B. Contracts entered into before the transition date which have not been performed before that date are entitled to a reduction in or elimination of VAT as appropriate.

If you have entered into an agreement to make a taxable supply of goods or services prior to the transition date you would have made that agreement based on the existing Standard VAT rate of 7.5%. Where the VAT on that item has now been eliminated by that item now being reclassified as either exempt or Zero rated you must:

- 1) Refund or reduce the amount payable for the VAT that you charged to the customer unless the both of you made some other arrangement for the repayment of the excess charge that was made.
- 2) Where the VAT was previously accounted for in an earlier VAT Return, adjust the Vat return to account for the VAT so refunded.
- 3) Accompany such adjustments with details as prescribed by the VAT Comptroller, of all such transactions.

C. Part supply of goods or services before the transition date.

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:

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

D. SPECIAL PROVISIONS FOR THE CONSTRUCTION INDUSTRY

CONTRACTORS :

If you are in the construction industry or a developer special provisions have been made for you where you have contracts that are in progress or have been signed but not yet commenced.

If you have contracts in process you are not required to adjust the VAT charged on those contracts once the contract was entered into and commenced before 31st July 2018. The contract must be completed on or before February 28th 2019. You will have to provide the DIR with details of all such contracts in the manner prescribed before 31 August, 2018. Only transactions consistent with the details provided to the DIR by yourself will be eligible for this treatment.

DEVELOPERS:

If you are a developer you may have or be in the process of acquiring real property. Transactions involving the sale or purchase of Real property is now exempt as of the 1st July, 2018. Stamp tax is now however charged on all such transactions. All of the VAT you incur in the process of your development is not recoverable as VAT on any taxable supplies in relation to an exempt supply is not available as an input tax credit deduction .

E. REPRICING OF RETAIL ITEMS

If you conduct business as a retailer there are some challenges that we know that you will face in the repricing of items displayed for sale immediately after the coming into effect of the new VAT rates. You would be allowed to take any of the following measures until the 31st August or otherwise as stated by the comptroller;

- 1) 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 within your establishment(s) that indicate that the price tags may reflect the Pre-July VAT rates and that any adjustment will happen on the register.

- 2) 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,
- 3) You may display individual items without price tags.
- 4) 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.
- 5) All retail items are to be charged VAT at the new rate of 12% from the 1st July, 2018 without exception.
- 6) From the 1st August, 2018, the 'Bread Basket Items' and medicines are to be Zero Rated,

F. HOTELS AND RESORTS

Up to and including the 30th September, 2018 hotels and resorts will be allowed to charge VAT at a rate of 7.5% where the following conditions are met:

- 1) The qualifying booking must be in relation to stays that will be completed on or before 30th June, 2019.
- 2) The qualifying bookings are for rooms, services, facilities and package deal arrangements.
- 3) The qualifying bookings are in relation to bookings now on the books and any other bookings taken up to the 30th September, 2018 and reported to the comptroller in the prescribed form on or before 31st October, 2018
- 4) Qualifying bookings must be established or invoiced on or before 30th September, 2018.
- 5) Payment in part or in full must have been received for all booked stays on which a deposit is ordinarily made.
- 6) Firm bookings that are on the books or are completed by the 31st July, 2018 for any rooms, facilities or package deals, may be charged at the retiring rate of 7.5% regardless of the time in the future that the service is expected to be rendered. Any amendments to such a booking that increases the goods or services are to attract VAT at the new rate of 12%. Amendments that seek to reduce the goods or services to be rendered would attract a VAT adjustment at the retired rate of 7.5%.
- 7) Firm bookings must be reported in the prescribed forms to the Comptroller on or before 31st August, 2018.

- 8) Bookings made through the official agents of tour or ground operators or attractions not accompanied by a deposit or payment will qualify if a payment or deposit is not ordinarily required.

Hotel stays by walk-ins that do not fall within the guidelines set out in 1) through 6) above which commence before the 1st July, 2018 but conclude after that date must be charged Vat at the new standard rate of 12% on the relevant portion of the stay after the 30th June, 2018.

G. INSURANCE

From the 1st July, 2018 insurance premiums on an owner occupied dwelling along with premiums on life Insurance, annuities or saving products will be Exempt.

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;'

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.

For example;

If you paid the insurance on your car of \$1200 for the year that runs from 1st April, 2018 to 31st March 2019 you would have been charged VAT of \$90.

There would be no further charge although the VAT rate has increased as at the 1st July. When you renew your policy at the 1st April, 2019 your insurer will charge you VAT at the new rate of 12%.

In the case of home owners insurance on your dwelling where VAT rate has been eliminated as at the 1st July, 2018 and you have entered into an insurance contract on your home that spans the 1st July, 2018 the exemption would not apply until your insurance comes up for renewal. At that time there would be no charge for VAT as the contract would be Exempt.

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.

VAT guidance on construction

VAT guidance on Retail & Wholesale

VAT guidance on Insurance

The Law

You may find the following references to the legislation useful.

VAT Act

Definitions

S90 VATA 2014 as amended; Variation of cost on a change in VAT rate.

Part II section 10 - tax inclusive pricing

Part V - supply of goods and services

Part VI - imports of goods and services

Part X - record keeping

First Schedule Part I and Part II – Zero rated supplies of goods and services