



Ministry of Finance

VAT Department

VAT Guidance for VAT Free Shopping
Version 5: November 1, 2015





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, as amended (“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 or VAT off Goods Scheme

With an aim to ensure that 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 qualifying goods VAT Free or on a “VAT Off” basis..

VAT will apply to the sale of all goods, but authorized retailers will be able to sell qualifying goods to persons visiting The Bahamas at a rate of zero percent, subject to the retailer obtaining proof of foreign residence status and evidence that the items will be exported when the visitor leaves the country. Sales to persons who do not meet the criteria or who are unable or unwilling to provide adequate documentation will remain taxable at the standard VAT rate of 7.5%. Any sale of less than \$25 per tax receipt 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 of the purchaser (tourist) related to zero-rated sales. General information about filing VAT returns can be found in the *Bahamas VAT Guide*.



What goods are not eligible for VAT off Purchase?

The following items are not eligible for the VAT Free Scheme.

- All goods that may be consumed prior to departure such as food, confectionary items and beverages (including alcohol);
- Tobacco products; and
- Medicine and pharmaceutical products.

Who can use the scheme?

The scheme is available to retailers in The Bahamas that sell 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. Before approval is granted, the Comptroller will require evidence that the retailer:

- is registered for VAT
- is able to produce fully compliant VAT sales receipts which, at a minimum distinguish between zero-rated and standard items
- is in compliance with all the requirements of the VAT Act and Regulations, the Business License Act and the Customs Management Act and Regulations

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. A merchant's participation in the scheme can be cancelled 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 not site specific. A retailer with numerous branches at different locations can receive approval for all locations to participate in the scheme.



How does the scheme work?

Upon authorisation from the VAT Comptroller, a retailer would be issued with a “VAT Free Shopping” certificate which must be displayed in the store. Before commencing sales the retailer must subscribe to and install the approved VAT Off electronic data capture system provided by the Ministry of Finance’s approved customs agent. Only data that is reconcilable through this system will be accepted as zero-rated sales.

Stores participating in the VAT Off Scheme are allowed to display both the VAT inclusive and VAT exclusive price in their stores. When a sale is made to a visitor who can provide the required evidence of their non-residence status and proof of departure, the merchant will charge the VAT exclusive price, plus a processing fee which is equivalent to 15% of the VAT that the visitor would have paid if the item was not VAT free.

The merchant may decide to pay the processing fee on behalf of the customer.

The following example demonstrates the final price payable by the visitor who is charged the 15% processing fee.

Example:

Cost of jewellery	\$100.00
VAT	\$0.00
Processing Fee (charged to visitor)	15% of \$7.50 = \$ <u>1.13</u>
Total VAT Off price	\$100.00 + \$1.13 = \$101.13

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 Bahamian passport; who is leaving The Bahamas within the next 45 days;
- who has not worked in The Bahamas in the last 6 months

Zero-rated sales may only be made to visitors that make purchases from the authorized retail stores and provide the necessary documentation at the point of sale.

What documentation must I obtain from each visitor?

Retailers can select from among the following documents to verify the “visitor” status of shoppers:

- Passport
- Driver’s License
- Government issued photo ID
- Cruise ID
- Global Blue tax free shopping card
- and also a copy of either airline ticket or cruise boarding pass

Where individual hotels are able to retain proof of guests identity, the guests’ electronic keys may also be an accepted form of identification.



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: taxinquiries@bahamas.gov.bs

Or you can write to:

The Department of Inland Revenue
Ministry of Finance
P. O. Box N-4866
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www.bahamas.gov.bs/vat

