



MINISTRY OF FINANCE
THE DEPARTMENT OF INLAND REVENUE

VAT GUIDANCE ON EDUCATIONAL SERVICES



DEPARTMENT OF
INLAND REVENUE
Central Revenue Administration

Introduction

This guide is intended to provide those offering education services with information about Value Added Tax (“VAT”). 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.** If you still need clarification then please contact the Taxpayer Services help desk (242) 225-7280 or contact the VAT Department. The contact details are provided at the end of this guide.

Which education services are exempt from VAT?

In accordance with the VAT Act “education services funded by tuition costs in a course of study as prescribed in the Regulations” are exempt from VAT.

Education services are defined within the VAT Regulations as tuition or instruction for students provided by an institution registered with the Ministry of Education, the Department of Social Services, or the Public Hospitals Authority being:

- a) a pre-primary, primary, or secondary school;
- b) a technical college, community college, or university;
- c) an educational institution established for the promotion of adult education, vocational training, or technical education;
- d) an institution established for the education or training of physically or mentally handicapped persons; or
- e) an institute established for the training of sports persons.


The following services when explicitly included in the costs of tuition are exempt from VAT;

- course instruction costs;
- books; and
- other materials explicitly included by the institution in the cost of tuition.

A course of study only applies to enrollment in:

- a preschool, primary school or secondary school; and
- a tertiary level programme of study at an institution of higher learning which would, upon successful completion, result in the grant of a degree.

Disclaimer: VAT Guidance Notes do not supersede the VAT Act, VAT Regulations, or VAT Rules



Therefore, tuition fees charged by higher education establishments will be taxable unless they are for a degree course.

Tuition fees for professional or personal development courses, continuing education courses and seminars, or tutoring services will all be taxable at the standard rate.

Ancillary Educational Services Exempted

In addition to the services discussed above, as of July 1st, 2016, the following ancillary educational services are also exempt in regards to educational services:

- The supply of vocational training
- Registration fees
- Laboratory fees
- Graduation fees
- Field trips
- Examination services
- School cafeteria services (This excludes privately contracted services)
- Supply of graduation certificates
- Use of school facilities, amenities and equipment
- Sale of books and other reference materials previously considered not an integral part of course instruction.

What are professional or personal development courses?

Professional development courses are those conducted by institutions of higher education that are required by individuals to qualify for a particular profession. For example, a chartered accountant must complete any one of these courses to be certified - ACCA, CGA, etc.

Personal Development courses are courses that are done to enhance one's skills in a particular field. It may not be mandatory to complete, but an individual may pursue it to allow them to better perform in a particular role. An example of this is a computer literacy course, or a course in events management.

The following are not considered part of the costs of tuition and are considered taxable supplies, when provided for an additional charge:

- Private catering services
- The sale of uniforms
- Examination services
- Counselling and career guidance
- Arranging work experience
- Goods from school shops or vending machines

- The sale of photographs
- Other services or amenities which cannot be directly attributed to education services funded by tuition costs in a course of study

What if I am not an institution registered with the public authorities as described above but supply tuition and instruction?

If you are not registered with any of the public authorities listed above but offer any service that falls within the ambit of education service, then your services will be taxable. Any supply of tuition or instruction that is not an education service, funded by tuition costs and provided in the course of study is a taxable supply. For example, if you provide music lessons, golf lessons or private tutoring for a fee, your services are taxable and you will be required to register for VAT if your turnover exceeds the VAT registration threshold.

If you are a charity and are providing education services, you should also read the guide on Charities, Clubs and Associations as your supplies may not be made by way of business and therefore may not be subject to VAT.

What about the provision of day-care and after-school care?


In accordance with Part I section 9 of the Second Schedule of the VAT Act the provision of day-care and after-school care is exempt from VAT when provided by any institution or business. The exemption covers the charge for the day-care or after-school care however, if you have a separate charge (for example for meals), this is considered a separate supply of goods or services and must charge VAT on the value of the meal. For example, Day Care X begins after school care at a cost of \$20/day from 4:00 pm - 6:00 pm, snacks not included. If the parent wants Day Care X to provide snacks for an additional \$5/day, this additional charge will be subject to VAT once the Day Care is registered.

When would an educational institution be required to register for VAT?

If you make 'taxable supplies' you will have to register for VAT if:

- Over the last 12 months, you made taxable supplies that reached or exceeded a specific limit called the VAT threshold (\$100,000); or
- at the beginning of any 365 day period you consider that the total value of your taxable supplies will meet or exceed the VAT threshold in the next 365 days.

Exempt supplies are not considered taxable supplies.



You should apply for VAT registration within 14 days of meeting the requirements. If this occurs, the Comptroller of VAT (“the Comptroller”) will register you for VAT within 21 days of your application.

If you do not register for VAT when you should, you will still become a taxable person and may need to account for VAT on your supplies even if you haven’t charged it. An assessment will be conducted by the Comptroller to determine your tax liabilities; this assessment may also include additional penalties for non-compliance.

You can choose to register for VAT if you make or intend to make taxable supplies, even if you don’t meet the threshold. This is referred to as “voluntary registration.” Some businesses may want to voluntarily register for VAT so that they can claim a refund of the VAT they are charged by their suppliers.

What VAT can I recover on costs?

You cannot recover VAT on purchases that relate directly to the provision of education services, as those are exempt.

If as part of the education services you provide a taxable supply for a separate cost, any VAT paid by you in delivering the supply for which the separate cost is charged, can be recovered. For example, if you provide catering services for which you make a separate charge to everyone using the facilities, you can recover VAT on the food and equipment used to provide the catering services.

Generally, if you are registered for VAT and make both exempt and taxable supplies you can recover the VAT on costs that directly relate to taxable supplies and a portion of the VAT incurred on other costs that relate to both taxable and exempt supplies. For more information see ‘The Bahamas VAT Guide.’

Who is responsible for the VAT obligations of an educational institution?

Those that are responsible for the management of the institution will be responsible for the VAT obligation. If the institution is a limited company, then the directors will be responsible for the VAT obligation. If the institution is managed by committee members or a board of governors, it is the committee or board of governors that are jointly responsible for the VAT obligations. A committee member or governor will have joint responsibility for the VAT obligations for the time that they are on the committee or board of governors. A member of a committee or board can be elected to be the contact person for matters in respect of VAT. It is imperative that management is aware of the filing requirements, fines and penalties.



The Law

You may find the following references to the legislation useful.

VAT Act

Second Schedule Part I section 4 - exemption from VAT of education services funded by tuition costs in a course of study.

Second Schedule Part I section 9 - exemption from VAT of day-care and after-school care.

VAT Regulations

Part I section 2 - description of what is considered to be education services for the purposes of the VAT exemption.

Part I section 9 - services covered by the VAT exemption for education services.

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:

Value Added Tax Department

Ministry of Finance

P. O. Box N-4866

Nassau, N.P.

Bahamas

www.inlandrevenue.finance.gov.bs