



MINISTRY OF FINANCE
THE DEPARTMENT OF INLAND REVENUE

VAT GUIDANCE

ON THE TRANSPORTATION OF PASSENGERS AND GOODS



DEPARTMENT OF
INLAND REVENUE
Control Revenue - Administrazione

Introduction

This guide is intended to provide businesses engaged in the transportation of passengers or goods by air, sea or land, or businesses providing related goods or services with information about Value Added Tax ("VAT"). It should be read in conjunction with the Value Added Tax Act 2014 ("VAT Act") as amended, 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.

Who should read this guidance?

You should read this guide if you provide transportation services. This includes taxi and bus services, transporting cargo or passengers by land, air or sea or you if provide services that relate to the transport of goods and/or passengers.

What is passenger transport?

Passenger transport is the movement of persons in a vehicle, aircraft or vessel provided with a driver, pilot, captain or crew from one point to another.

The following are examples of passenger transport:

- a taxi journey from one destination to another;
- a bus journey from one destination to another;
- a flight from The Bahamas to another Bahamian island, the USA, or any other country; or
- a journey by boat from Nassau to another Bahamian island, the USA, or any other country.
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If a supply of passenger transport includes an incidental supply (such as a meal on a flight) the supply will take on the same VAT treatment as the passenger transport.

Incidental supplies can also be included in a charge for passenger transport, such as:

- the transport of accompanied luggage and charges for excess luggage;
- an accompanied vehicle, for example, if you take your vehicle on a ferry with you;
- airport passenger charges;
- seat reservation charges and
- berths or cabins on ships.

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

The following are not considered a supply of passenger transport but are still subject to VAT at the standard rate:

- an island tour on a minibus stopping at various destinations;
- a tour/excursion to one or various Bahamas islands on a boat, or a charter fishing trip;
- the hire of a car;
- the charter of a boat or yacht;
- the private charter, hire or lease of an aircraft; or
- pleasure flights.
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Passenger transport is subject to the zero rate of VAT if the journey is a place in The Bahamas to a place outside The Bahamas or from a place outside The Bahamas to a place in The Bahamas. This is referred to as “international passenger transport.”

Passenger transport is subject to the standard rate of VAT (7.5%) if the journey is a place in The Bahamas to another place in The Bahamas, even if the journey takes place, to some extent, in international airspace or waters. This is referred to as “domestic passenger transport.”

In respect of air travel, where there are connecting internal flights required for the completion of a journey to a place outside The Bahamas, the whole journey will be subject to VAT at the zero rate. For example, a journey involving connecting flights from Marsh Harbour, Abaco to Nassau and then on to Miami will be subject to the zero rate of VAT. However, if there is an intention to stay at a domestic destination or stopover that lasts more than 48 hours but the intention was to arrive at an international destination, the domestic flight is taxable at the standard rate.

What is the transport of goods?

The services provided in respect of the transport of goods are often referred to as “freight transport services.” Freight transport is the movement of goods/cargo, unaccompanied vehicles, documents, and mail including parcels and packages from one destination to another. This includes the movement by sea, air or land. The VAT treatment of these services depends on whether they are international or domestic freight transport services. International freight transport is subject to the zero rate of VAT. Domestic freight transport is subject to the standard rate of VAT.

What is the VAT treatment for regularly scheduled International Commercial Airlines?

International Commercial Airline transportation is airlines that have regularly scheduled flights from a place in the Bahamas or from a place outside the Bahamas. Local business operators that provide goods such as “Consumable goods and certain services not provided by the airport authority to those airlines are zero rated. Consumable goods are goods that are consumed on the aircraft or vessel. All other goods or services fees which are provided by the airport authority such as passenger processing fees (PPF), passenger facility charges (PFC) and security fees provided to international commercial airlines are subject to VAT at the standard rate of 7.5%. These standard rated fees that are charged by the airport authority would be collected by the airlines from the passengers on behalf of the airport authority and they are not to be stated as part of the airlines’ VAT return.

What are international freight transport services?

International freight transport is the movement of goods from a place outside The Bahamas to a place within The Bahamas or from a place within The Bahamas to a place outside The Bahamas; even if some of this journey takes place in The Bahamas, the whole service provided will be subject to the zero rate of VAT.

Normally there will be several links in a supply chain in respect of a supply of freight transportation.

For example:

A business requests a freight forwarder to collect a parcel from their office in The Bahamas and deliver it to their customer in the United States. They also ask the freight forwarder to ensure the contents of the parcel while it is in transit. The freight forwarder uses a sub-contractor to collect the parcel and deliver it to the port. Another subcontractor is then used to ship the parcel by sea to the United States, delivering the parcel to the end customer by land. The business will also obtain insurance from an insurance broker.

STEP 1

Transport of the goods by land to the port.

STEP 2

Transport of the goods by sea to the USA.

STEP 3

Transport of the goods by land to the customer.

The VAT treatment would be as follows:

- The services of the freight forwarder to the business would be zero rated. This is because the freight forwarder is providing a complete service from a place within The Bahamas to a place outside of The Bahamas. As such, the service is considered a supply of international transportation.
- The service provided by the sub-contractor (to the freight forwarder) who collected the goods and delivered them to the port would be subject to VAT at the standard rate as this is a domestic transportation service.
- The services of the shipping agent who transported the goods from The Bahamas to the USA would be zero rated as this involves the transportation of the parcel from a place within The Bahamas to a place outside The Bahamas.
- The services of the sub-contractor providing the transportation once the parcel lands in the USA are not subject to VAT in The Bahamas as this service takes place outside The Bahamas.
- The insurance services would also be zero rated as they relate to the export of goods.

To be clear, a place inside The Bahamas means the entire territory of The Commonwealth of The Bahamas, including its territorial waters, airspace and its Exclusive Economic Zone. A “place outside The Bahamas” is not simply outside The Bahamas territorial waters or airspace. The passengers or goods have to land in a jurisdiction other than The Bahamas for the zero rate of VAT to apply.

VAT on the transport of goods to The Bahamas

The supplier of freight transport services is not required to charge VAT on the transport of goods to The Bahamas as the services are initiated outside The Bahamas and the cost of freight will be included in the cost of imported goods for VAT purposes as it is included in the value of the goods in accordance with the Customs Management Act.

The value of goods imported on which the VAT is calculated is the total of:

- the customs value of the goods for the purposes of customs duty under the Customs Management Act;
- total invoice value, freight and insurance charges, the amount of any customs duty, excise tax, environmental levy or surcharge, or any other fiscal charge or tax (other than VAT) payable on the importation of goods; and

- the amount of any customs service charge payable on the importation of the goods.

If you transport goods, once they have been imported from the port to a place within The Bahamas then your services will be considered a domestic supply of transportation and subject to VAT.

I am not a freight forwarder but I want to charge my customer for delivery, do I charge VAT?

If the goods are to be exported from The Bahamas (i.e. they will go from a place in The Bahamas to a place outside The Bahamas) your charge to your customer for freight services will be zero rated.

If the goods are transported from one place within The Bahamas to another place within The Bahamas your charge to the customer will be subject to VAT at the standard rate.

I am importing goods and the supplier has charged me for freight, do I need to declare VAT on the importation of a service?

No. The cost of freight will be included in the value of the goods imported such that the VAT on the freight service will be a part of the VAT charged on the imported good.

What about services ancillary to the transport of goods or passengers?

Services that are ancillary to the transport of goods or passengers means services including:

- handling and storage services for the ship and aircraft cargo;
- loading and unloading cargo;
- stowing;
- securing or moving cargo;
- preparing necessary bills of lading;
- demurrage;
- container inspection;
- stevedoring; and
- portage and storage.

if you supply:

- any of the ancillary services listed above;
- operational or management services; or

- services relating to a supply of the storage, repair, maintenance or arranging of a container temporarily imported under The Bahamas Customs Management Act in relation to a foreign-going vessel or aircraft,
- and your services are supplied directly to a person resident outside The Bahamas who is not a taxable person in The Bahamas, your supply is zero-rated.

A foreign-going vessel or aircraft is one that is used commercially and is predominantly on scheduled international routes.

The maintenance or repair (including parts used) of a foreign-going vessel or aircraft providing international commercial services is zero-rated.

If the ancillary services are part of, ancillary to, and are included in the charge for the transportation of the goods, then they take on the same VAT treatment as the transport. For example, where a freight forwarder charges for taking a parcel from within The Bahamas to a destination outside The Bahamas the charge will include an element for ancillary services so the whole service will be subject to VAT at the zero rate.

In respect of the above services, it should also be noted that a supply of storage services is different from the rental of space in a commercial property. If you provide storage services you will not allocate a specific site or space for the provision of this service, it will be up to you where you store the goods on your premises. If you rent or lease a specific space to your customer, this is a provision of a commercial property and will be subject to VAT if the property is in The Bahamas whether the customer is resident in The Bahamas or not. For further information on supplies of commercial property, you should read "VAT Guidance on Land and Property".

[Are purchases subject to tax?](#)

You will incur VAT on goods and services that are taxable. For example, you may incur VAT at the standard rate on the lease, purchase, or importation of the aircraft, vessel or vehicle you use to provide transport services. You may also incur VAT on consumables such as fuel if purchased in The Bahamas and to be consumed in The Bahamas.

However, the following services relating to foreign-going vessels or aircraft (i.e. used commercially and predominantly on international routes) are specifically subject to VAT at the zero rate:

- A supply of services directly in respect of the repair, maintenance, cleaning, outfitting, refurbishment, or improvement of the aircraft or vessel.
- The supply of services by a port authority (within the meaning of section 3 of the Port Authorities Act (Ch. 269)) or the manager of an airport in relation to the aircraft or vessel where
 - The aircraft or ship owner or operator is resident outside The Bahamas; and
 - The aircraft or ship is used in international commercial services.
- Services or the arranging of a supply of services to a person resident outside The Bahamas who is not a taxable person where such a supply is made directly, (i.e. not through an agent) of the storage, repair, maintenance or arranging of a container temporarily imported under The Bahamas Customs Management Act is zero rated.

However, services in connection with the operation or management of an aircraft or vessel or services comprising of the handling, pilotage, salvage, or towage whilst it is in The Bahamas is exempt when provided directly (not through an agent) to a person resident outside the Bahamas who is not a taxable person in The Bahamas.

[What if I import supplies of goods or services from outside The Bahamas?](#)

Goods and services that are imported into The Bahamas are subject to import VAT if they would have been subject to VAT if supplied by a VAT registered business in The Bahamas. This is to ensure that a business in The Bahamas is not disadvantaged by having to charge VAT and can compete on equal terms with businesses not established in the Bahamas.

Further details of when import VAT is payable is provided in the Bahamas General VAT Guide.

The recovery of VAT on Purchases

You should consult The Bahamas General VAT Guide on filing and recovery of VAT on inputs.

The Law

The following references to the legislation may be useful

Amendment to the First Schedule of the principle Act, Part II, Section 12 - Zero-Rated Supplies of Services.

VAT Regulations

Regulation 15 (4) - Zero-Rated Supplies

Part I section (2) the interpretation of ancillary transport services and definition of “international transport 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:

Department of Inland Revenue
Central Revenue Administration
Value Added Tax Unit
P. O. Box N-13
Nassau, N.P.
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<http://inlandrevenue.finance.gov.bs/value-added-tax/>