



Ministry Of Finance
VAT Department

VAT RULE

2017-001

VAT FREE SHOPPING



A. Authority

This Rule is made under section 17 of the Value Added Act, 2014.

B. Legislation

All legislative references are to the Value Added Tax Act, 2014 and/or the Value Added Tax Regulations 2014, unless otherwise stated.

C. This Rule applies in respect of:

Regulation 15(3) of Value Added Tax Regulation, 2014 with respect to allowing zero-rated supply of specified goods referred to in the tax free goods listing.

D. Application of Rule

This Rule is for the purpose of setting out the framework for the zero-rated (VAT free) VAT treatment of certain purchases made by visitors to The Bahamas and is to be applied in situations where such purchases are made at approved merchants or retailers.

E. Comptroller's Rule

1. A retailer wanting to participate in the VAT Free Shopping Scheme must be a VAT registrant and be compliant with all the requirements of the VAT Act and Regulations, the Business Licence Act and the Customs Management Act and Regulations.
2. Applications to participate in the scheme must be made to the VAT Comptroller on the prescribed form.
3. The Comptroller shall approve all participants in the scheme and shall determine whether such participation is subsequently cancelled or suspended for violations under any of the Acts or regulations in sub-rule 1.
4. The approved retailer shall subscribe to and use the electronic system approved by the VAT Comptroller to record and document all VAT free sales.
5. In accordance with sub rule 3, grounds for suspension or cancellation of participation in the VAT free scheme shall include but not be limited to --
 - i) Violations of this rule;
 - ii) Failure to file a VAT return or to remit amounts payable as VAT to the VAT Comptroller or the Comptroller of Customs;
 - iii) Failure to file annual business license returns or to pay annual business licence fees;
 - iv) Failure to pay any amounts owed under the Customs Management Act and Regulations,
 - v) The suspension or cancellation of VAT registration.

6. VAT Free sales shall only be made to visitors to The Bahamas. A visitor is defined as someone
 - i) whose normal place of residence is not The Bahamas;
 - ii) who does not have a Bahamian passport;
 - iii) who is leaving The Bahamas within 45 days of arrival;
 - iv) who has not worked in The Bahamas in the last 6 months.
7. A VAT inclusive sale of less than \$25 per tax receipt is not eligible for VAT Free treatment under this scheme. In addition, items such as medicine or pharmaceutical products, food, confectionary items, and beverages are not eligible for the VAT Free Scheme.
8. Notwithstanding sub rule 7, there must be a minimum VAT inclusive sale of \$50, and new items eligible for VAT Free sales are as follows:
 - i) wine and spirits
 - ii) rum cake;
 - iii) tobacco products;

These items are to be collected or delivered upon departure at the secured designated VAT Free location at either the airport or port zone.

9. Tourists making VAT free purchases must present to the approved retailer travel or other documentation to show residency status and proof of pending departure from the Bahamas. Such documentation may include but shall not be limited to the following:
 - i) Passport;
 - ii) Drivers Licence;
 - iii) Government issued photo ID;
 - iv) Cruise ID;
 - v) Airline Ticket;
 - vi) Boarding Card;
 - vii) Credit Card

Details of the evidence accepted by the approved retailer shall be recorded electronically in the Customs agent system approved by the VAT Comptroller.

10. On each eligible transaction, the visitor shall be charged the tax exclusive price, plus 15 percent of the VAT that would have been paid if the purchase was not VAT free. The 15 percent surcharged against the VAT rebate shall constitute the processing fee for the transaction.
11. The approved retailer may elect to waive the processing fee charged to the tourist and charge the tourist a lesser amount, provided that the retailer is still held to directly account for the processing fee so waived.
12. The approved retailer must issue both a tax receipt for each transaction and a "VAT Off" slip as proof of the VAT rebate.
13. The approved businesses must report such sales as zero-rated supplies on the VAT Return.
14. The approved businesses must maintain the electronic records of documentation for the zero-rated sales, and supply these to the Comptroller of VAT and the Comptroller of Customs in the manner and frequency prescribed by the Comptroller.

15. The approved businesses must report and remit the processing fee to the Department of Inland Revenue (DIR) on a monthly basis.

F. The period for which this Rule applies

This Rule shall apply for the period beginning on August 1st 2016 until withdrawn. It replaces any interim rules in effect.

G. Approval and Coming into Force

Mr. Simon Wilson
Approved by The VAT Comptroller

March 1, 2017
Date

Version 4: March 2017

