



VAT PRESENTATION Education Services Charities and Non- Profits

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OUTLINE OF PRESENTATION

- ▶ VAT & Charities
- ▶ Does a Charity have to register or VAT?
- ▶ Special Rules for Charities
- ▶ VAT & Non Profit Organizations
- ▶ Compliance
- ▶ Administrative Penalties
- ▶ Questions



VAT & Charities

**Who is considered a
charity?**



VAT & Charities

The VAT legislation outlines certain criteria that have to be met for an organization to be considered a charity.

- a) Is carried on for purposes other than profit or gain
- b) Under establishing documents:-
 - i. Must utilize any assets or income solely in furtherance of its aims and objects.
 - ii. Prohibited from transferring any of its assets or income to uses other than charitable acts or to paying for employees
 - iii. Can transfer assets to a similar charity on winding down or dissolution



VAT & Charities Cont'd...

Other requirements:

- a) Be organized exclusively to carry out, and in fact carry out, relief of poverty or educational, charitable, social welfare, civic improvement or similar activities, in the public interest.
- b) Not be involved in partisan political activities.
- c) Not receive more than 50% of its funding from one person or organization or from a group or organization that does not deal with each other at arm's length.
- d) Annually disburse more than 50% of contributions received towards their charitable activities
- e) Not satisfy the requirements for their charitable activities by the exchange of gifts between other approved charities, persons, organizations or other legal persons.
- f) Be in compliance with any laws in the Bahamas governing charities, and be residing in the Bahamas during the tax year.



DOES A CHARITY HAVE TO REGISTER FOR VAT?

A charity can make non-business supplies, supplies that are exempt from VAT and supplies that are subject to VAT.

A charity is required to register for VAT if it:

- makes taxable supplies and the total sales for the previous 12 months has exceeded \$100,000;

or

- at the beginning of any 365 day period you consider that the total value of your taxable supplies will exceed \$100,000 in the next 365 days.

SPECIAL RULES FOR CHARITIES

An approved charity can apply for a refund of VAT incurred on “qualifying” goods and services.

The goods and services on which VAT can be recovered include the following:

- ▶ Utility Services inclusive of electricity, water, and telecommunication services;
- ▶ Construction of and repairs to occupied premises

Exempt import of goods

Goods may be imported exempt from import VAT if they are intended to be an unconditional gifts and will not be resold once the Customs Comptroller has written notification from the VAT Comptroller prior to the entry of the goods.



VAT AND Non Profit Organizations

- ▶ Who is considered a Nonprofit Organization? (Refer to Companies Act 2010 Section 161)
 - Nonprofit organizations can include charities, clubs, associations and some nongovernmental organizations.
 - A nonprofit is considered to be an organization that cannot, in accordance with its constitution, distribute any surplus funds either by a direct distribution in the form of dividends or other payment means.
 - Clubs and associations should not automatically assume that they are not making taxable supplies purely because they are not aiming to make a profit.

VAT AND Non Profit Organizations Cont'd...

Memberships are taxable - If the member receives a direct benefit in return for the payment of the membership fee, the organization is undertaking a business activity and making a taxable supply.

Direct benefits can include but are not restricted to:

- ▶ Provision of handbooks, information, periodicals, free entry to events admission to premises or events for free or for a reduced charge;
- ▶ Provision of catering facilities such as discounted or free food and bar facilities in a club house; and
- ▶ Entrance to social events such as dances, balls and annual dinners.

Examples: *Being a member of a society will provide free access into certain attractions such as a museum or historical site; or meals and accommodation are provided to members only; or members are entitled to discounted goods or services.*



VAT AND Non Profit Organizations Cont'd...

If a member of a non-profit organization is not considered to get a direct benefit in return for paying a membership fee the membership income is not considered a supply for VAT purposes, as the services provided in return are considered non-business.

Examples:-

- ▶ ***Trade unions, political, industry and similar bodies, learned societies and foundations***



QUESTIONS?

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THANK YOU for your attention!!