



MINISTRY OF FINANCE  
THE DEPARTMENT OF INLAND REVENUE

# VAT GUIDANCE ON HOTEL ACCOMMODATION AND THE TOURISM INDUSTRY



DEPARTMENT OF  
INLAND REVENUE  
Central Revenue Administration

## Introduction

This guide is intended to provide businesses in the holiday accommodation and tourism industry 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 guidance if you are providing, or intend to provide, hotel or other types of holiday accommodation and other tourism related services such as tours and dive operations in The Bahamas. Hotel accommodation includes accommodation in a condo or condo hotel, villa, timeshare property, holiday home, bed and breakfast, motel, boarding house, guest house, hostel or similar establishment. Supplies by tour operators include persons who provide tours, arrange bookings and packages sold by tour operators and travel agents directly or on behalf of the hotel.

## What is an Accommodation?

The different types of accommodations are holiday and residential.

## What is a Holiday Accommodation?

For the purpose of this guide, holiday accommodation includes the provision of furnished sleeping accommodation in a condo, house, apartment or room where the accommodation is usually provided for short-term stays of less than 45 days. The VAT Regulations define a “hotel” as a hotel, motel, inn, boarding house, guest house, hostel, or similar establishment in which lodging is regularly or normally provided to five or more persons at a daily, weekly, monthly or another periodic charge.

## What is a Residential Accommodation?

Residential accommodation is not holiday accommodation. Residential accommodation includes accommodation in a condo, house, apartment, timeshare, room, caravan, houseboat or tent where the accommodation is provided as a place of residence or abode for a person(s). In this respect, the accommodation is likely to be provided for more than 45 days.

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

## Is the supply of holiday accommodation subject to VAT?

Yes. A supply of holiday accommodation is subject to VAT at the standard rate of 7.5%. For the avoidance of doubt, a supply of a condo that is part of a hotel complex, including a condo that is part of a rental pool, is made in the course or furtherance of a taxable activity regardless of the value of the taxable supplies associated with such condo within any period of ninety days.

## Who should register for VAT?

You should consult The Bahamas General VAT Guide on timing and other requirements for more information on registration.

## What if a visitor wants to stay for 45 days or longer?

Accommodation provided in a motel, inn, boarding house, guest house, hostel or similar establishment will be subject to VAT irrespective of the duration of the stay. Also where a non-resident has invested in a condo, timeshare or house under the International Persons Land Holding Act (Ch. 140), and the “permit” declares that the use of the property is for rental, the property will be treated as commercial and all supplies of accommodation will be subject to VAT at the standard rate (see Regulation 10). Properties which form part of a hotel or resort complex are subject to similar treatment. Regulation 10 makes it clear that stays of over 45 days are not treated as taxable commercial rental supplies, only when the properties are not classified as investment rental holdings of non-residents under the International Persons Land Holding Act.

## What if I supply other services with the accommodation?

Hotels and similar establishments will often provide other services with the accommodation. Some examples are as follows:

- a charge for internet access in the room;
- a charge for extra TV channels;
- charges for viewing movies;
- an extra charge for a room with a balcony or with a better than standard view;
- a charge for the use of a child cot or crib;
- use of sporting facilities such as the gym, tennis courts or golf course;
- use of the spa;
- tours of the island;

- snorkeling or fishing;
- valet parking
- food and beverages supplied in restaurants;
- administration and service charges, including mandatory service charges; or
- resort levy

These services are also subject to VAT at the standard rate. VAT will not apply to gratuity that is collected exclusively for payment as part of employees' compensation.

### What about functions and business facilities?

Supplies of facilities for business meetings, merchandise displays, trade exhibitions, weddings, banquets and other such events are subject to VAT at the standard rate. The supply of food and drink at these events are also subject to VAT at 7.5%.

### What is the VAT treatment of casino income?

Games of chance, gambling and lotteries within the meaning of the Lotteries and Gaming Act are exempt from VAT. This means that you do not charge VAT on the provision of such activities. If you provide other facilities within the casino, you need to treat those as separate supplies and charge VAT once those supplies are subject to VAT. If you have a casino in your hotel you are restricted from recovering the VAT you incur on costs related to the casino (see The Bahamas General VAT Guide).

### Exempt supplies

- A) Supplies between hotel and related casino of the following items are exempt from VAT including:
- Permanent staff (that do not require a work permit)
  - Accommodations, meals, service bar operations and other incidental services, provided on a complimentary basis by the casino to patrons.
- B) Importation of services by a casino in connection with overseas marketing

### What about accommodation provided to yachts?

Accommodation provided to yachts by way of berthing and mooring facilities is treated as rental of space and is subject to VAT at the standard rate.

### What about other tourism related activities?

Other tourism activities such as charter tours whether inland or at sea, diving and snorkeling are taxable and should be charged VAT at the standard rate of 7.5%.

### What if a condo or similar accommodation is provided to visitors through a pool?

Where the accommodation is provided in condos or other such accommodation that forms part of a pool or other collective rental arrangement, it is the administrator who is required to register for VAT. The administrator is treated as making the supply of the holiday accommodation, and possibly other services to the guests. However, if the condo pool administrator does not register and declare any VAT due as required, the condo owner will be responsible for charging, declaring and paying any VAT due. When determining whether the VAT threshold for registration has been exceeded the administrator of the pool should consider the collective income received from the rental of all the condos in the pool.

The supply by the owner of the condo to the administrator of the pool is considered to be a long-term supply and is not treated as a supply for VAT purposes, therefore, there is no requirement for the owner to register for VAT.

### What if I own a condo and supply it directly to visitors, i.e. not through a pool?

If you supply a condo or other such accommodation on a short-term basis you will be making taxable supplies and will need to consider whether there is a requirement to register for VAT. If the income from any taxable supply you make exceeds the VAT registration threshold of

\$100,000 within a 12 month period or you expect to exceed the threshold within the next 365 days you will be required to register for VAT. Once registered for VAT you will be required to charge VAT on any short-term supply of the accommodation. If you are registered for VAT you will be able to recover VAT on any costs that relate to your taxable supplies (see The Bahamas General VAT Guide). You may still voluntarily register if your supplies do not or will not exceed the VAT threshold.

### Tour packages sold to travel agents or tour operators.

You should account for VAT on the wholesale price charged to the travel agent or operator for the accommodation or any other services provided. If the agent operates on a commission and charges you as the hotel operator, the commission is a supply of services by the tour operator to you. If the tour operator is in The Bahamas they will charge you VAT which you can recover provided it relates to taxable supplies. If the tour operator is located outside of The Bahamas and they charge you a commission on the sale of the hotel accommodation this is an imported service. For the VAT treatment of imported services (see section “Buying goods and services from suppliers outside The Bahamas.”)

If the tour operator does not charge you commission but includes the commission in the cost of the holiday to the customer there is no further supply to you as the hotel operator, and as such you need take no further action. In this case, it is the net revenue recognized by the hotel and not the retail price paid by the client that is subject to VAT. The tour operator’s retail supply in this instance is to the customer rather than to the hotel operator.

### Packages, accommodation or flights sold by tour operators or travel agents.

Travel agents in The Bahamas must charge VAT on any separate administration charge they make for processing a booking with a hotel or airline irrespective of the customer.

If they charge a commission to a hotel or airline that operates from The Bahamas they either charge VAT on the commission or treat the commission as VAT inclusive and apply the VAT fraction of 3/43.

Tour operators in The Bahamas that sell packages need to consider where their customer is resident and the location of the holiday to determine the VAT treatment.

- If they sell holiday packages where the accommodation is in The Bahamas to other tour operators or individuals that are outside The Bahamas the value of the package should be charged VAT at the standard rate of 7.5%;
- If they sell a package where the accommodation is in The Bahamas to a Bahamian resident or operator the value of the package will be subject to VAT at the standard rate of 7.5%;

- If they sell holiday packages where the accommodation is outside The Bahamas (irrespective of who is purchasing the package) both the commission and the package are zero-rated;
- If a tour operator in the Bahamas is asked by an overseas operator to put together a package on his behalf, the commission charge for that service will be zero rated; If a tour operator in The Bahamas is asked by a local operator to put together a package on his
- behalf, the commission charged for that service will be taxable at the standard rate of 7.5%.

### Should VAT be reported on complementary rooms and other services?

Where rooms and services are provided free of charge as part of a marketing campaign, output VAT should be assessed using the fair market value. Fair market value is defined as the value that the supply will ordinarily fetch if sold to an ordinary customer. If rooms and supplies are donated to charities, as part of the fundraising activities of the charities, no output tax will be assessed.

Supplies by the hotel to the on-property casino will be exempt, where these are subsequently provided to the casino patrons on a complimentary basis.

### Should VAT be assessed on Promotion Board Levy?

Output VAT should be reported on promotion board levy as it forms part of the overall taxable income of the hotel.

### Display of prices on menus in restaurants

All prices should be displayed VAT inclusive. However, flexibility is given to dine-in facilities to include a note in the menu disclosing the additional amount of VAT that will be added to the bill, where the price is VAT exclusive. Dine-in restaurants outside of hotel properties will have a similar flexibility. Notation must appear on the menu to indicate the VAT rate of 7.5% that will apply on all items. This must be given the same prominence as announcements of mandatory gratuity.

## ACCOUNTING FOR VAT TAXABLE SUPPLIES

### VAT Invoice and VAT Receipts

For all taxable supplies you made, you must provide the buyer with a VAT invoice or VAT receipt. A VAT invoice is required when you make taxable supplies to another registrant. However, a VAT receipt should be given to any other person. Both must show certain information (see VAT Rule) and can be either in paper or electronic form. You do not need to produce an invoice on a computer if you do not have one. You can use a pre-printed invoice pad that has duplicate sheets, as long as the sheets are sequentially numbered. You can write in the specific details each time you issue an invoice.

### Tax point or time of supply

The “tax point” or “time of supply” is the date when a sale is considered to take place for VAT purposes. There are rules that tell you if this is the date of the actual supply; the date of the invoice or some other date, depending on the circumstances. For hotel purposes, the tax point is the first of the following, the night spent or payment is received.

It is important to put the correct date for the time of supply on your invoice because both you and your customer will need this information to make sure the VAT on the invoice is accounted for on the correct VAT Return.

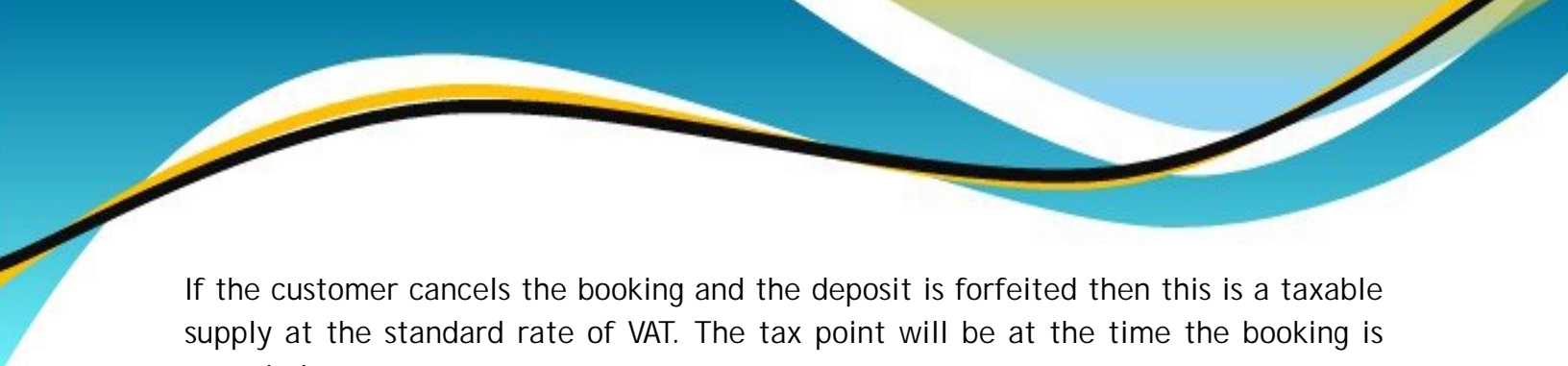
You must issue invoices or receipts immediately upon a supply to enable the recipient of the supply to recover any VAT charged, if applicable.

The time of supply is the earliest of:

- the date an invoice is raised;
- receipt of payment;
- the date goods are delivered or made available to the recipient; or
- the date the performance of services is completed.

A tax point is not created when you receive a booking unless payment is received with the booking or you raise an invoice to request payment. Although payment of a deposit would normally create a tax point, if you receive a deposit for hotel or holiday accommodation you do not need to declare any VAT as output tax at the time the deposit is received. You should declare VAT on the total amount (including the deposit) when the customer pays or you raise an invoice, whichever occurs first.





If the customer cancels the booking and the deposit is forfeited then this is a taxable supply at the standard rate of VAT. The tax point will be at the time the booking is canceled.

If you receive payment in advance then VAT will become due on the whole payment at the time of payment.

Services in this sector are deemed to be rendered on a nightly basis, therefore, the time of supply is deemed to be when the revenue is recognized. For example, a guest who checks in on January 10, 2017, and checks out on February 6, 2017, VAT is reported for the period January 10<sup>th</sup> to 31<sup>st</sup> on the January VAT Return and for the period February 1 to 6, 2017, on the February VAT Return.

### How do I account for VAT on the goods and services I supply?

The VAT on your supplies is called output tax. You declare your output tax each month on your VAT Return. You must declare all sales which fall within the VAT period on the relevant VAT Return. For example, all sales that occur in March must be included on the March VAT Return.

Your input tax is offset against your output tax and you pay to the Comptroller of VAT (“Comptroller”) the balance. Sometimes the input tax may exceed the output tax in which case you may be able to request a refund (see The Bahamas General VAT Guide).

### Taxable value of your supply

The general rule is that tax should be applied to the total amount you have charged your guests for any taxable goods or services you have supplied or will supply. This includes an amount charged for compulsory service charge. However, VAT will not be charged on any gratuity collected from guests on behalf of your staff, provided the full amount of the gratuity so collected is paid to the staff. Staff who receive the gratuity payment must be those who are directly involved in the delivery of service provided.

VAT is to be applied to all other incidental charges such as energy charge, levy, laundry, telephone. The provision of meals, snacks, drinks are also subject to VAT.

Output VAT will not be assessed on free meals provided to staff. Output VAT will also not apply where staff is required to stay on property in connection with their duty and a room is provided.

The following example demonstrates how to calculate the value on which VAT is charged for hotel or holiday accommodation:

Charges	\$
Accommodation	200.00
Promotion Board Levy	20.00
Energy surcharge	12.00
Other facilities charges	20.00
Sub-total	252.00
VAT @ 7.5%	18.90
Total charges	270.90
Maid Gratuity \$10/day	10.00
Total invoice	280.90

For the purpose of the above, VAT is applied to all charges except the gratuity (which is a percentage of accommodation only) paid to the staff.

## 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.

#### VAT Act

Part II section 5 (2) - administration of condos

Part IV section 19 (2) - mandatory registration

Part IV section 21 (a) - registration threshold

Part V section 38 - calculation of the value of a hotel accommodation or tour package.

Second Schedule (as amended) - item 15.

#### VAT Regulations

##### Definitions

Part I Regulation 4 (4) - supply of a dwelling

Part I Regulation 4 (5) - supply of a condo

Part 1 Regulation 10 - commercial rental establishment

Part I Regulation 11 - condos leased collectively

#### VAT Rules

VAT Rule on Transitional Rules Hotel Bookings 2014-001

VAT Rule on Treatment of Mandatory Gratuities 2014-022

VAT Rule on Condominium and Homeowner Associations 2014-024

## 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](mailto:taxinquiries@bahamas.gov.bs)

Or you can write to:

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<http://inlandrevenue.finance.gov.bs/value-added-tax>