



MINISTRY OF FINANCE  
THE DEPARTMENT OF INLAND REVENUE

# VAT GUIDANCE

## FOR THE CONSTRUCTION INDUSTRY



DEPARTMENT OF  
INLAND REVENUE  
Central Revenue Administration



## Introduction

This guide is intended to provide businesses in the construction industry with information about Value Added Tax (“VAT”). It should be read in conjunction with the Value Added Tax Act, 2014 (“VAT Act or the Act”), as amended, the Value Added Tax Regulations 2014 (“VAT Regulations”), as amended, the VAT Rules and The Bahamas 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 Guide?

The following persons who are engaged in construction industry may find this Guide useful:

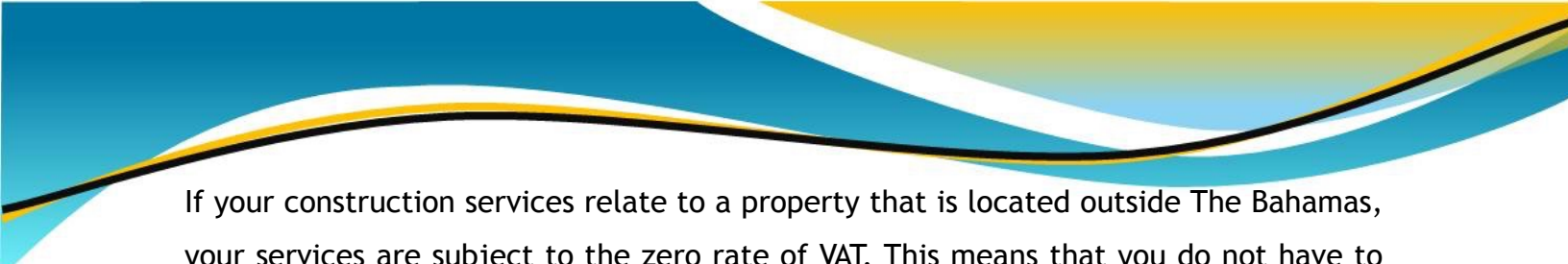
- Contractor and subcontractor
- Developer;
- Professional service providers -Architect, quantity surveyors
- Suppliers of construction goods

### Are construction services subject to VAT?

Construction services are subject to VAT. There is however no VAT charged on the rental of dwelling, as the Act exempts such transactions from VAT.

If you charge for construction of a new property in The Bahamas your services are subject to VAT at the standard rate of 12%. If you charge for maintenance, repair or refurbishment of an existing property in The Bahamas your services will also be subject to the standard rate of VAT.

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



If your construction services relate to a property that is located outside The Bahamas, your services are subject to the zero rate of VAT. This means that you do not have to charge VAT on your services and you can recover VAT you incur in The Bahamas on supplies relating to the services you are providing.

If you construct and sell the said property, this is treated as a supply of goods and not a supply of services. The sale of the property is exempt from Vat to the purchaser, but will attract Stamp Tax.

### **What if I am both the contractor and the developer?**

For the purposes of this guide a developer is a person who constructs and sells developed properties. This includes property developed for rental/lease and is owned by the developer.

If you are both the contractor and developer of a new property, you must consider what it is you will be supplying. If you construct and sell the said property, this is treated as a supply of goods and not a supply of services. If you have been contracted to construct a building or a structure, you are providing construction services.


Additional information can be found in the “VAT Guidance on Land and Property”.

### **What if I am a subcontractor?**

A subcontractor is a contractor who has been hired by the primary contractor to provide construction services on his behalf.

Any construction service you provide to the primary contractor is subject to VAT at the standard rate.

Subcontractors are sometimes engaged to carry out the following construction services:

- 
- the installation in any building or structure of systems of heating, lighting, ventilation, power supply, drainage, sanitation, water supply, fire protection, air conditioning, elevators or escalators;
  - the internal cleaning of buildings and structures so far as carried out in the course of their construction, alteration, extension, repair or restoration;
  - painting the internal or external surface of any building or structure
  - operations which form an integral part of, or are preparatory to, or are for rendering complete such construction operations including site clearance, earth moving, excavation, tunneling or boring laying of foundations, erections of scaffolding, site restoration, landscaping and the provision of roadways and other access works;

Please note all the above services are subject to VAT at the standard rate whether they are provided by a contractor or subcontractor.

### What if I am renovating an existing property?

If you are renovating or working on an existing property your services will be subject to VAT at the standard rate, even if you are building an extension or adding an outbuilding to an existing dwelling.

### Architects, surveyors, consultants and supervisors

The supply of architectural, surveying, consultancy and supervisory services are taxable supplies subject to VAT at the standard rate.

## Goods on hire

Sometimes contractors ask persons to supply certain goods on hire.

The provision of these hired goods is subject to VAT at the standard rate. Examples include the hire of:

- plant and machinery
- scaffolding, formwork
- security fencing,
- mobile offices;
- portable toilets and washrooms

## How do I charge VAT?

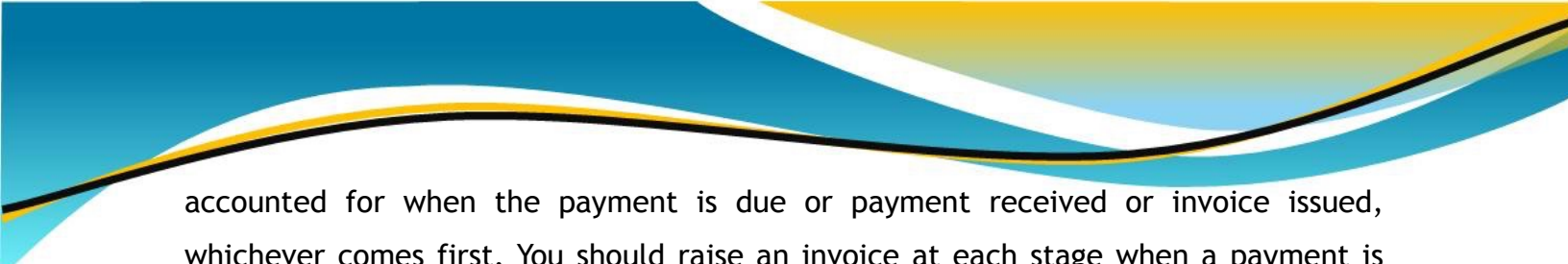
Generally, VAT is to be applied to the total consideration or the amount you are charging for your service if you are only providing construction services. Given the nature of the industry, most construction contracts take several months to complete. Here, the Act makes special provision for the VAT to be charged on each phase completion.

If you are a developer, Stamp tax would be charged on the sale. As a developer you would not need to charge VAT on the sale or transfer of real property which as at 1<sup>st</sup> July is an Exempt supply. Vat you incur in the process of development will not be reclaimable as an input Vat credit on your returns as the VAT incurred will be in relation to an Exempt Item.

## Treatment of stage/phase payments?

Stage payments are commonly used in the construction industry whereby a payment is required at certain stages in the construction. Where an agreement has been reached for stage payments for the supply of construction goods or services, VAT is to be





accounted for when the payment is due or payment received or invoice issued, whichever comes first. You should raise an invoice at each stage when a payment is due detailing the charge for that particular stage and the amount of VAT charged.

### **What about retention payments?**

Sometimes a buyer will retain a sum of money until such a time that any potential construction related problems become apparent and have been corrected.

Where the contract provides for retention by the recipient of part of the purchase price pending satisfactory completion of the whole or part of the contract, VAT becomes payable on the amount retained when the payment becomes due to you or the payment is received whichever comes first.

If the recipient is a registrant, a VAT invoice should be issued for each stage when a payment is due or payment received.

### **What if I take a deposit or a retainer?**

Some contracts call for a deposit or mobilisation to be made at the beginning of the contract. A mobilisation is subject to VAT at the time of payment at the standard rate.

### **What if I only supply construction materials?**

The supply and importation of construction materials is subject to VAT. If you import construction materials or buy the materials from a wholesaler you will pay VAT on the importation or purchase of those materials, however, you can recover the VAT that you have paid. If construction materials are used in the provision of construction services, the amount invoiced for this material and your services is subject to VAT at the standard rate of 12%.

## What if I supply the real estate and construction materials as a developer?

The VAT that you pay for all of the materials and services that you acquire or engage in the development is not recoverable. The conveyance of the project to the purchaser is however subject to the appropriate stamp tax on the presentation of the conveyance for stamping and recording.

## Accounting for VAT on Taxable Supplies

For all taxable supplies made, you must provide the recipient 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.

A VAT invoice must show certain information 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 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.

## THE RECOVERY OF VAT ON PURCHASES

If you are a contractor you will incur VAT on goods and services that you purchase. The VAT you pay to your suppliers is referred to as input tax. You may be able to recover VAT incurred on costs as input tax.

## What is input tax?

Input tax is the VAT you are charged on your business purchases and expenses, including:

- goods and services supplied to you in The Bahamas;
- import VAT you paid on goods you import from outside The Bahamas; and
- import VAT you paid on any services supplied from outside The Bahamas.

### What can I reclaim as input tax?

You can normally reclaim input tax incurred on purchases that relate to supplies made by you which are liable to VAT at the standard rate or the zero rate of VAT. You can only reclaim VAT on supplies that have been made to you in the course of business.

### What can't I reclaim as input tax?

You may not reclaim input tax that is not allowable under S50 VATA 2014 as amended or where the invoice or receipt on which the claim relies does not confirm to the requirements as stated in S54 VATA amended the VAT regulations and VAT rules. Where you use a passenger vehicle, input tax can only be claimed if the vehicle is used exclusively for the furtherance of the business activity and the vehicle is registered in the name of the VAT registrant (see VAT Rule 2015-011 - Input Tax Credit for Passenger Vehicle).

### When can I claim a refund of VAT?

If your input tax exceeds your output tax, and you are required to submit monthly VAT Returns, you can carry forward the excess and use it to off-set any VAT due in the following tax period. If any excesses still remain, you should submit an application for a refund. However, if more than 50% of your taxable supplies are zero rated you do not have to carry the excess through to the next tax period, you can submit a claim following the end of the tax period in which the credit arises.

If you are filing quarterly VAT Returns or semi-annual VAT Returns and are due a refund, you can file a claim after the end of the tax period in which the refund claim arose. You do not need to carry the refund on to the next VAT return.

It should be noted however, that any claim for a refund must exceed \$500.

It should also be noted that:



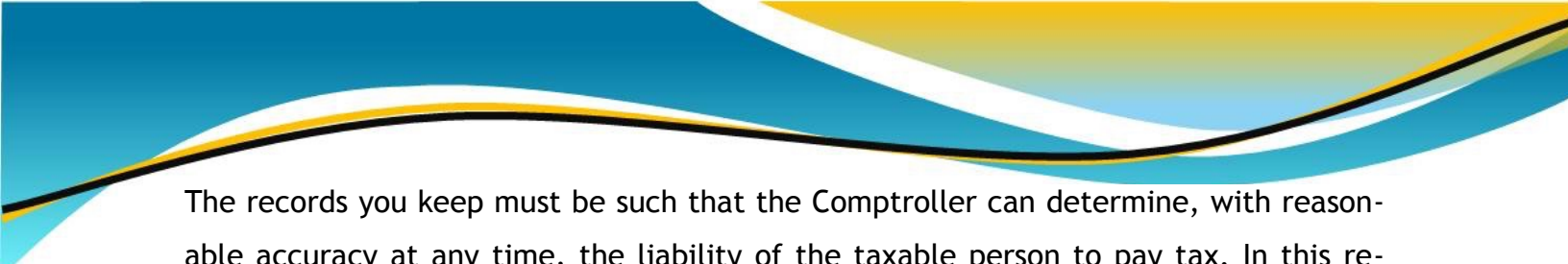
- the Comptroller may request documentation to support your claim such as invoices, receipts and tax credit or debit notes;
- claims will normally be allowed by the end of the first calendar month following the date a claim for a refund is filed although this can be delayed if there is the need to carry out an investigation to verify your claim; and
- the Comptroller may also reduce your claim by any penalty, fine, interest or tax owing the Government.

### **What if I buy goods or services from suppliers situated outside The Bahamas?**

If you buy goods or services from suppliers outside The Bahamas you will need to pay VAT to the Comptroller of Customs on the importation of the goods, if they are subject to tax. In the case of import of services, VAT should be reported to the VAT Comptroller, when the regular VAT return is filed. For taxpayers who are not registered for VAT, you should report VAT on imported services within seven days from the date of importation of the service. VAT is calculated on the value paid to the service provider.

### **Record keeping and accounts**

You must keep a record of all your supplies and purchases. This means keeping a copy of all sales invoices, debit and credit notes, receipts, and all purchase invoices either in paper or electronic form. All sales invoices must be sequentially numbered so if you spoil an invoice and have to issue a new one you must keep a copy of the spoiled invoice. If you do not hold a copy of an invoice on which you have paid VAT or import documents showing the VAT amount, you are not entitled to recover the VAT on these costs, so it is very important that you keep these documents.



The records you keep must be such that the Comptroller can determine, with reasonable accuracy at any time, the liability of the taxable person to pay tax. In this respect you should maintain a copy of your normal accounting records, for example:

- an up-to-date list of your sales and purchases;
- income and expense accounts;
- cash register rolls, audit rolls, and tapes or similar records;
- bank statements;
- records of supplies to staff and directors or self-supplies;
- accounting instruction manuals, systems, programs and any relevant documentation in use to describe the accounting system; and
- other records as required by the Comptroller.

You should also keep a VAT file with a copy of each VAT Return submitted with the supporting calculations providing an audit trail back to the sales and purchase records. This would include a record of any apportionment calculations you have made and any VAT adjustments.


These records must be kept for at least 5 years.

Additionally, you must keep all VAT collected in an account separate and apart from all other funds collected by the business.

### What is VAT grouping?

Where several entities have common ownership they can apply for group registration. If approval is granted by the Comptroller, only one entity will be required to file VAT returns. Transactions between these entities will not attract VAT.

Each business entity must be conducting or in the course of conducting a taxable activity and registered separately with individual TIN. The group must decide which business will be the representative member. The business that is the representative will be the member responsible for completing and rendering the single return on



behalf of the group and this business TIN will be used for this purpose. However, each business will continue to use their individual TIN for external business transactions. For further details on VAT Group, refer to the Guidance on VAT Group.

## The Law

You may find the following references to the legislation useful.

### **VAT Act 2014**

Definitions

Part IV section 21 - registration

Part V section 31(9) - the conversion of a condo or commercial rental establishment to a dwelling

Part V section 33 - place of Supply

### **VAT (Amendment) Act 2015**

Section 3 (as amended)

Section 50 (as amended)

Section 14



## VAT Regulations

### Definitions

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

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

Part I Regulation 10 - commercial rental establishment

Part I Regulation 11 - condos leased collectively

Third Schedule (regulation 27) Part I - classification of real property

Third Schedule (Regulation 27) Part II - capital goods



## 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:

Department of Inland Revenue  
Central Revenue Administration  
Value Added Tax Unit

P. O. Box N-13  
Nassau, N.P.  
Bahamas

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