



MINISTRY OF FINANCE
THE DEPARTMENT OF INLAND REVENUE

VAT-FREE BREADBASKET AND MEDICATION CONSUMER GUIDE



DEPARTMENT OF
INLAND REVENUE



Introduction

This guide is intended to provide information on the Zero Rated (VAT-Free) Breadbasket and Medication lists in relation to the amendments and arrangements made after June 30, 2018. Effective August 01, 2018 all inventories should have been updated in accordance with zero-rated (VAT-Free) Tariff Headings in the Value Added Tax Amendment Act, 2018. This Guide sets out the circumstances and descriptions to which the provisions apply and what characterizations need to be met. This Guide should be read in conjunction with the Value Added Tax Amendment Act 2018, The VAT Rules and The Bahamas General VAT Guide all of which can be found on the Department of Inland Revenue's (DIR) website: inlandrevenue.finance.gov.bs.

Understanding the Term Zero-Rated

Zero-rated is a technical term that means when a business charges VAT for a particular good or service, the rate of VAT will be zero percent as opposed to the standard rate of twelve percent. The zero percent rate on the breadbasket items and medications only apply to the wholesale and retail sale of those items within the Bahamas. Therefore, a business that imports these supplies will pay VAT on the importation at the standard rate of 12%. However, a business can make a claim for input tax deduction in relation to the zero-rated supply. For consumers zero-rated simply means **VAT-Free**. Numerous Breadbasket items as well as over-the-counter and prescription medication are now VAT free. VAT-Free items are listed in the VAT Amendment Act, 2018 based on their Customs Tariff Headings.

Understanding the VAT-Free Breadbasket

VAT-Free Breadbasket items are not just restricted to price controlled items. The VAT zero rating is based on Tariff Headings which allow for a broad range of goods to be included in the VAT-Free list of items. There are 23 categories of goods contained in the Breadbasket list as outlined below:

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



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VAT-FREE BREADBASKET LIST

Effective August 1, 2018

The VAT-Free classification of the breadbasket list is based on the zero-rated tariff list in the VAT Amendment Act, 2018. For consumers, there may be limited exceptions to this list where a specific item is classified under a tariff heading that is not zero-rated.

Baby Cereal
Baby Food
Baby Formula
Bread
Broths & Soups
Butter
Canned Fish
Cheese
Condensed Milk
Cooking Oil
Corned Beef

Evaporated Milk
Flour
Fresh Milk
Grits
Margarine
Mayonnaise
Mustard
Powdered Detergent
Rice
Soap
Tomato Paste

A list of some Breadbasket items with exceptions:

- The Category “**Fresh Milk**” is an exception because it only covers dairy milk in liquid form and not plant-based milk alternatives like soy milk or almond milk. However, *baby milk* is included in powdered form.
- The Category “**Cheese**” includes nearly all types of cheese with the exception of cream cheese and liquid cheese.
- The category “**Soaps**” does not include body wash, liquid soap, hand soap, household soap and dish-washing liquid. It does however, include bathing soap, disinfectant and medicated soaps in bar (solid) form.
- The category “**Bread**” includes packaged bread. However, pita, wraps, soft flour tortilla breads are not included.
- Although “**Margarine**” is included, liquid margarine is not. However, liquid butter is included under the VAT-Free zero-rating
- The category “**Rice**” includes all rice in its raw form. e.g.: white rice, brown rice, and other forms of raw milled rice. However, all pre-cooked (e.g. instant/microwavable) and seasoned rice are not included.

Customers should also be mindful of the following:

- A Zero rating designation does not differentiate across brands or sizes
- Receipts should clearly distinguish taxable items from zero rated items by an identifiable symbol/mark e.g. an asterisk (*)
- Businesses have until August 31, 2018 to update all pricing labels
- The Ministry of Health is spearheading a separate exercise around reshaping the breadbasket to make it healthier. The changes taking place at the moment are only to make the Breadbasket **VAT-Free**.

Special note as it relates to bread

All bread packaged for wholesale or retail sale is now classified as a Zero-rated Breadbasket Item. This means that bread should be sold VAT-Free beginning August 1, 2018 as outlined in the VAT Amendment Act, 2018.

Understanding the VAT-Free Medication List

- All prescription medication and most over-the-counter medication are now VAT-Free.
- The VAT-Free classification of medication is also based on the zero-rated tariff list in the VAT Amendment Act, 2018.

Limited exceptions also apply for the medication list, including:

- First Aid Kits
- Medical Devices
- Vitamins and Supplements which are not VAT-Free even when prescribed by a doctor
- Visit the DIR website: inlandrevenue.finance.gov.bs to see the VAT- Free medication list

The VAT-Free Medication List is classified under the following groups of items on the following page:



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VAT-FREE MEDICATION

Effective August 1, 2018

The VAT-Free classification of medication is based on the zero-rated tariff list in the VAT Amendment Act, 2018. For consumers, there may be limited exceptions to this list where a specific item is classified under a tariff heading that is not zero-rated.

If in doubt ask your pharmacist.

Anti-Bacterial

Anti-Chaffing

Anti-Fungal

Anti-Itch

Anti-Nausea

Aspirin

Eye, Ear & Nose Medication

Cough, Cold & Allergy

Fluid Replacements

Heartburn & Indigestion

Hemorrhoid Medication

Pain & Anti Inflammatory

Pain & Fever

Peroxide

Rubbing Alcohol

Soaking Salts

Stool Softener & Laxatives

Includes All Prescription Medication

DOES NOT INCLUDE

*Vitamins & Supplements, First Aid Kits
and Medical Devices*



Endorsed By:

**Bahamas
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Contact us

Further information can be obtained from the Help Desk: (242) 225-7280

Or 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.
Bahamas**

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