



**Ministry Of Finance**  
**VAT Department**

**VAT RULE 2018-002**  
**Flat Rate Accounting Scheme**  
**and Requirements.**



# VALUE ADDED TAX RULE

## 2018-002 - Flat Rate Accounting Scheme and Requirements

### **A. Authority**

This Rule is made under Section 17 of the Value Added Act, 2014.  
This rule revokes Rule 2015-012.

### **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:**

VAT Regulation 19 - Cash basis accounting for VAT Returns.

### **D. Application of Rule**

The Flat Rate Accounting Scheme is a method of reporting for VAT whereby businesses simply apply a net rate of VAT to their turnover to calculate the amount of VAT to be paid to the Comptroller.

The flat rate is considered to be the average rate that a business would pay if they used their records to determine the amount of VAT payable to the Comptroller each VAT period. This rate is 7.5%.

Other than exceptions which the Comptroller may allow this Rule applies to registrants with an annual turnover at or below \$400,000 filing within the Commonwealth of The Bahamas except those individuals in Freeport registered with the Grand Bahama Port Authority. It specifies the VAT requirements to be met by registrants who apply to use the Flat Rate Accounting Scheme.

### **E. Comptroller's Rule**

#### **A registrant who applies for approval under regulation 19(1) to use the Flat Rate Accounting Scheme:**

1. Must be a start-up business that expects taxable turnover within the following 12 months to not exceed \$400,000 and indicate this in the registration declaration; or an existing business that with declared turnover below \$400,000 upon registration as well within information used for business license.
2. Must use the scheme for a minimum of one year even if the taxable turnover exceeds \$400,000 during that year.
3. Is entitled to claim input VAT separately on their depreciable capital purchases provided the registrant has a VAT Invoice, including the purchase of:
  - a. Plant and machinery of a value of at least \$5,000 to be used in furtherance of trading activities.

- b. Office equipment including computers, printers and cash registers of a value over \$1000 per item.
- 4. Must charge their customers 12% on their standard rated supplies, but remit 7.5% of their total VAT inclusive sales to the Comptroller at the end of their filing period.
- 5. Except when zero-rated, must declare output VAT on sales of capital items at the standard rate of 12% and not the flat rate of 7.5%.
- 6. May not be a business in Freeport registered as a Port Licensee under the Hawksbill Creek Agreement, having access to Clause 2 supplies on which VAT does not apply.

**F. The period for which this Rule applies**

This Rule shall apply from July 1<sup>st</sup>, 2018 and remains in effect until it is withdrawn or revoked by the Comptroller.

**G. Approval and Coming into Force**

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Approved by The VAT Comptroller

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Date