



MINISTRY OF FINANCE
THE DEPARTMENT OF INLAND REVENUE

VAT GUIDANCE

ON 2021 AMENDMENTS



DEPARTMENT OF
INLAND REVENUE
Central Revenue Administration



The following is a list of frequently asked questions on the 2021 VAT amendments.

Q. When does the VAT rate change from 12% to 10%?

A. The new VAT rate becomes effective January 1, 2022. On that date and thereafter, VAT registrants must sell goods and services at the new VAT rate of 10%. VAT will be charged on imported goods at 10% by Customs.

Q. What happens if I have a contract where the rate charge for services is 12%, however, the work will not be completed by January 1, 2022?

A. Where there is an ongoing service contract where the initial VAT rate charged was 12%, there will be a reduction in the VAT rate to 10% for services that have not been rendered by December 31, 2021. The contractor/service provider will be required to charge 10% on the invoices from January 1, 2022 onwards. Where the service has been rendered prior to January 1, 2022 but payment has not been made, the 12% rate still applies.

Q. What happens if I sell goods prior to January 1, 2022 but they are delivered on or after the January 1st?

A. Based on the time of supply rules, once the contract was entered into prior to January 1, 2022, VAT continues to be payable at 12%. No adjustment should be made to the transaction



Q. How much time will retailers be allowed to change the price reflected on goods?

A. The new rate of 10% is required to be charged on all goods sold on January 1, 2022 and thereafter. However, there will be a transition period of 90 days from the effective date whereby retailers will be allowed to change their shelf prices.

Q. What happens if my services were zero rated but were made exempt by the VAT Amendment December 2021?

A. If after the amendments all services provided are now categorized as exempt supplies, the business will no longer be able to claim any input tax credits and must cancel its VAT registration.

Q. What happens if I have an item on lay-away but I collect it after January 1, 2022?

Based on the time of supply rules, if an item was placed on lay-away before the change of rate and the goods were not collected by the December 31, 2021, the rate of 10% will apply to the sale. Unless the contract provides otherwise, the merchant will be required to reduce the amount payable for the sale by the amount of the rate change. The merchant will report the change as input tax adjustment in the return for the period in which the refund is granted and upload the credit note to support the transaction.

Q. For merchants who participate in the flat rate scheme, what is the new flat rate?

A. The new flat rate scheme is 6.5%. Those who have been approved by DIR to participate in the flat rate scheme will charge 10% for the goods but report 6.5% on the tax return.

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



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

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>