



DEPARTMENT OF
INLAND REVENUE
Central Revenue Administration

VAT WITHHOLDING

QUICK REFERENCE GUIDE
EFFECTIVE: **AUGUST 1, 2022**



VAT WITHHOLDING

BEGINS AUGUST 1, 2022

VAT WITHHOLDING EXPLAINED!

The government will implement a new VAT Withholding process, for payments \$10,000 or above where 40% of the VAT due (on standard rated supplies) will be withheld.

VAT REGISTRANTS

As a VAT registrant you will be able to charge VAT on all invoices that you issue and be able to claim VAT on your business purchases.

NON REGISTRANTS

As a non-registrant, you do not have the ability to claim the VAT paid on your business purchases.

If your payments are \$10,000 or above, VAT will be imputed on the invoice amount and deducted from the final payment, resulting in less monies in your pocket.

HOW IT WORKS (NON-REGISTRANTS)



VAT Withholding agent purchases capital goods or pays rent for a government office space worth \$12,000 from a non-registrant named Jane.



Jane provides the VAT Withholding Agent with an invoice of \$12,000 but does not include a VAT charge (because she is unable to charge VAT).



The VAT Withholding Agent then calculates the imputed VAT using the following formula: $\text{VAT Fraction} = R / (100 + R)$ $R = \text{rate of VAT} \sim (10\%)$.



The imputed VAT, in this case, is = Invoice Amount x VAT fraction $\sim \$12,000 \times (10/110) = \$1,090.91$.



The VAT Withholding Agent deducts 40% of the imputed VAT ($\$1,090.91 \times 40\% = \436.36). Then remits \$436.36 to the VAT Department on Jane's behalf. The agent issues a VAT Withholding Certificate of \$436.36 and pays Jane ($\$12,000 - \436.36) which equals \$11,563.64.

HOW IT WORKS (REGISTRANTS)



VAT Withholding agent purchases capital goods or pays rent for a government office space worth \$100,000 from a VAT Registrant named John.



John gives the Withholding Agent an invoice of \$100,000 + \$10,000 VAT for a total of \$110,000.



Withholding agent pays the invoice and issues a VAT Withholding Certificate in the amount of \$4000 (which is 40% of the \$10,000 VAT due) and remits it to the VAT Department on John's behalf.



John receives \$106,000 from the VAT Withholding Agent and the VAT Withholding Certificate in the amount of \$4,000. He files his VAT return and attaches the VAT Withholding Certificate to show the payment made on his behalf to the VAT Department.

VAT WITHHOLDING AGENTS

As of August 1, 2022, the Ministry of Education & Vocational and Technical Training, The Ministry of Works and Utilities, The Ministry of Public Service and the Treasury Department will be appointed as VAT Withholding Agents who are required to withhold 40% of the VAT charge for payments to suppliers for the procurement, construction, repair or maintenance of capital goods or building supplies, or commercial leases.


VAT WITHHOLDING CERTIFICATE

The VAT Withholding Certificates are provided by the VAT Withholding Agents and will serve as proof of the VAT withheld from the payment amount. The VAT Registrant must use the certificate when filing and submitting VAT returns.

The certificate includes the amount of VAT withheld, the invoice number, the business' trading name, the supplier/vendor name, date which VAT was withheld and the TIN.

▼ SAMPLE VAT WITHHOLDING CERTIFICATE

FORM NO. 73



GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS
MINISTRY OF FINANCE
VALUE ADDED TAX DEPARTMENT
WITHHOLDING VALUE ADDED TAX CERTIFICATE

CERTIFICATE SERIAL NO: _____

Gross amount due (Total amount on invoices) _____

Invoice number(s) _____

Description of transaction _____

Total VAT _____

VAT Withheld _____

Net Payable on invoices _____

Date VAT Withheld (Day/Month/Year) _____

PARTICULARS OF RECIPIENT (SUPPLIER/VENDOR)

TIN _____

Name in full _____

Trading name _____

Vendor ID _____

Contact person _____

Postal address _____

Telephone _____

Email address _____

PARTICULARS OF WITHHOLDING AGENT FOR VAT

TIN _____

Name of Withholding Agent _____

Trading name _____

Date Withholding VAT Certificate issued to supplier/vendor _____

This Certificate is to be distributed as follows

(1) A copy is to accompany the remittance to the Comptroller.

(2) A copy is to be provided to the supplier.

(3) A copy is to be retained by the Value Added Tax Withholding Agent.

VAT RETURN FORM

At the same time, the total amount of VAT withholding from all clients, as shown in the reconciliation, must be paid to the VAT Department. These amounts are then posted to the individual vendors' VAT accounts.

VAT RETURN PROCESS

FORM NO. 74

RETURN FOR WITHHOLDING VALUE ADDED TAX

TIN _____

NAME OF WITHHOLDING AGENT _____

POSTAL ADDRESS _____

EMAIL ADDRESS _____

TELEPHONE NO _____

MONTH/PERIOD _____ YEAR _____

[illegible]

I _____ hereby declare that this return contains a fully, accurate and true account of the required particulars with regard to value added tax withheld.

Signature _____

Date _____



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NOT ANOTHER TAX

VAT Withholding is not a tax, but a way to boost the collection of a portion of VAT due from suppliers. At this time, this process only applies to payments \$10,000 and above for construction services and commercial leases.

VAT RULES **2022**

VAT ACT (SECTION 23A)



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