



Ministry of Finance

VAT Refund On First Home Construction/Renovation

GUIDANCE DOCUMENT



DEPARTMENT OF
INLAND REVENUE
Central Revenue Administration

THE DEPARTMENT OF INLAND REVENUE



INTRODUCTION

This guide is intended to provide Bahamian individuals with information about obtaining a refund of Value Added Tax ("VAT") when constructing or renovating their first home. 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 is considered eligible for this refund?

Only Bahamian citizens constructing or renovating their first home may be eligible for a refund of VAT paid on the acquisition of qualifying goods and/or services.

The value of the land purchased and construction costs for the first home, inclusive of labour and materials, must not exceed \$500,000. The value of the completed property must also not exceed \$500,000.

You are ineligible to receive this refund if you:

- Already own a home within The Bahamas or in any other jurisdiction prior to applying for this refund;
- Purchased your home prior to January 2003;
- Previously benefited from a first home concession or exemption under either the Stamp or VAT Act.

Who is considered a Bahamian citizen?

A Bahamian citizen means a natural person, that is, an individual who is a citizen of The Commonwealth of The Bahamas. Bahamian companies and other entities and Non-Bahamian individuals, companies and other entities are not eligible.

Refund details

With effect from 1 July 2022, VAT incurred on qualifying goods and services purchased for the construction or renovation of a first home may be refunded up to a maximum of \$40,000. However, the actual refund granted to an applicant will be determined based on the benefit that the applicant would have been entitled to if s/he had purchased a first home for the same price as the combined value of the land and construction costs.



Documentation

The following documents are required to be submitted for the DIR to determine eligibility for this benefit:

1. Completed Form 67A
2. Passport or Certificate of Naturlisation
3. NIB card
4. Ministry of Works & Urban Development – Building Permit issued by Building Controls Division
5. Preliminary plans that provide details of the building project for the applicant's first home, noting whether a new build or renovation project. At a minimum, specific details of the following are required:
 - i. Square footage of the living area (inclusive of outdoor buildings, pool, garage, carport, driveway etc.)
 - ii. Intended styling of exterior walls (cement blocks, wood, stucco, vinyl etc.)
 - iii. Number of bedrooms
 - iv. Number of bathrooms
6. Mortgage or construction contract (if applicable)
7. Copy of conveyance

Registration & Process



Registration Application Submission

Complete and submit Form 67A with supporting documents by email to FirstHomeExemption@bahamas.gov.bs



VAT & TIN Registration

Upon approval, the applicant will be registered for VAT and provided with a TIN solely for the purpose of processing the claim for refund.



Complete Construction/Renovations

Complete work within 18 months of the VAT registration. The work will be considered to be completed once the owner has received a permanent occupancy certificate.



Invoices

Ensure that all invoices for expenses state the TIN of the registrant supplier, as well as the TIN assigned to the applicant. Refunds will not be granted for invoices that do not comply with the requirements of the VAT legislation.*



Refund Application

At the conclusion of the construction or renovations applicants are required to submit Forms 75 and 76. All VAT invoices/sales receipts, customs declarations and receipts are required to be included.



DIR Review & Processing

DIR will review the refund request and determine the amount payable. Additional documentation may be requested if further verification is required.

***Applicants that incurred expenses before these guidelines were issued may include ALL eligible invoices issued with effect from 1 July 2022 in their refund claim irrespective of the inclusion of the assigned TIN, provided that the applicant applies for First Home Exemption by June 30 2023.**



Qualifying VAT expenses

A claim for refund of VAT paid is only permitted for the following expenses:

1. VAT/stamp duty paid on the conveyance for the acquisition of the land or unfinished or dilapidated property.
2. Construction, alteration or restoration of the home structure.
3. The installation of systems of heating, lighting, ventilation, power supply, drainage, sanitation, water supply, fire protection, air-conditioning.
4. The internal cleaning of buildings and structures so far as carried out in the course of their construction, alteration, or restoration.
5. Painting the internal or external surface of the structure.
6. Operations which form an integral part of, or are preparatory to, or are for rendering complete such fixtures, architectural, surveying, 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.

Purchases of furnishings, appliances and amenities such as air-conditioning units, generator, alarm system, etc are NOT eligible for a VAT refund.



Record keeping and accounts

A record of all purchases is required to be kept. This means retaining a copy whether electronic or in paper form of all VAT purchase invoices. Applicants who do not have the requisite copies of invoices on which VAT has been paid or import documents displaying the VAT amount(s) will not be able to recover VAT on these costs.

VAT invoices must be submitted to support the applicant's construction or renovation expenses. Further VAT invoices should contain all required components of a proper VAT invoice.

(See guidance note on invoices, sales receipts and credit & debit advices).

A copy of the stamped conveyance or Comptroller's receipt issued for VAT paid on the conveyance must be submitted to support claims for refund in respect of VAT/stamp duty paid to stamp the conveyance.

Are goods or services obtained from suppliers outside The Bahamas eligible?

Yes. Applicants are not restricted to locally sourced goods and services. If goods or services are obtained from suppliers outside The Bahamas VAT will need to be paid to the Comptroller of Customs on the importation of the goods, where they are subject to tax. A copy of the Customs receipt and corresponding itemized Declaration should be submitted with the claim.



Assessment of the property

The RPT Unit at the DIR will be required to do an assessment at the conclusion of construction to evaluate the total value of the first home dwelling, inclusive of land costs and improvements to the identified property. Following this the value will be updated in DIR records.

Joint Ownership



- 1** Where a Bahamian and non-Bahamian acquired land together for the purpose of constructing their first home, or have a house in a dilapidated state with the intention of making renovations, only the Bahamian is entitled to a refund on his interest in the property.
The non- Bahamian will be required to pay VAT at the standard rate as set out in the Value Added Tax Act.



- 2** Where property is owned by two or more persons comprising both Bahamian and non-Bahamian citizens, only the interest of the Bahamian citizens will be eligible for receiving the VAT refund.

The interest of the Non- Bahamians will be subjected to the standard rate as set out in the Value Added Tax Act.

Note: If property is owned by two Bahamian citizens, and one of them has previously received a first home benefit, only the interest of the Bahamian citizen that has not yet received the benefit is eligible for the VAT refund.

Examples & Calculations

VAT RATES

STAMPING OF CONVEYENCE

Up to \$100,000 = 2.5%
\$100,001 - \$300,000 = 4%
\$300,001 - \$500,000 = 6%

FIRST HOME PURCHASE

\$0 - \$300,000 = 0%
\$300,000 - \$500,000 = 4%

The following example illustrates what is considered in the refund process related to the construction/renovation of a first home. The refund is the VAT amount paid in excess of what someone who made an outright purchase of a first home for \$437,000 would pay with the reduced VAT rate.

FIRST HOME CONSTRUCTION/ RENOVATION



Labour \$125,000
VAT 10% = \$12,500

Materials \$240,000
VAT 10% = \$24,000

Land \$72,000
VAT 2.5% = \$1,800

Total: \$437,000
VAT \$38,300

VS

FIRST HOME OUTRIGHT PURCHASE



Total: \$437,000
VAT \$17,480

Total VAT eligible for refund: \$38,300 - \$17,480 = \$20,820

Purchase of a Duplex

Where land is acquired for the purpose of constructing or renovating a duplex by a Bahamian, only the expenses in relation to the part of the duplex which is intended to be used by the owner as his/her residence will be subjected to a VAT refund. In other words, if a Bahamian citizen wishes to renovate or construct a duplex with the intention that part of it will be used as a rental, that rented portion will be subjected to the standard tax rate as outlined in the Value Added Tax.



CONSTRUCTION/RENOVATION



Labour \$100,000 + VAT 10%/2 = \$5,000

Materials \$150,000 + VAT 10%/2 = \$7,500

Land \$200,000 + VAT 4%/2 = \$4,000

Total: \$450,000 VAT \$16,500

VS



OUTRIGHT PURCHASE



Total: \$450,000 VAT/2 \$9,000

Total VAT eligible for refund: \$16,500 - \$9,000 = \$7,500.00



Law

You may find the following references to the legislation useful.

VAT ACT 2014 (as amended)

Definitions

Part IV section 19 (10) and (11) – Mandatory registration

Part VII section 58(1)(b) (iii) – Other persons eligible for tax refund

VAT Rules

2015-010 – Content on Invoices and Receipts



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FORM 67A

COMMONWEALTH OF THE BAHAMAS
APPLICATION FOR VAT REGISTRATION FOR FIRST HOME CONSTRUCTION

A. FIRM & INFORMATION (IF APPLICABLE)

1. TIN of Firm

2. Name of Firm

B. ATTORNEY INFORMATION (IF APPLICABLE)

3. Attorney's Name

4. Attorney's Email

5. Date of Submission

C. OWNER'S/MORTGAGOR'S INFORMATION

6. TIN of Owner/Mortgagor (if applicable)

7. Owner's/Mortgagor's Name

8. Owner's/Mortgagor's Address

9. Owner's Email

10. Owner's/Mortgagor's NIB#

D. CONTRACTOR'S/MORTGAGEE'S INFORMATION (IF APPLICABLE)

11. TIN of Contractor (if applicable)

12. Contractor's Name

13. Contractor's Address

14. Contractor's Email

15. TIN of Mortgagee

16. Mortgagee's Name

17. Mortgagee's Address

18. Application Type

- ☐ Construction of First Home
☐ Renovation of First Home
☐ First Home Financing

E. PROPERTY INFORMATION

19. Full Legal Description of Property

20. Property Type

☐ Single☐ Duplex☐ Condo

21. Copy of Construction Contract or Other Instrument being submitted

☐ Construction Contract☐ Other

22. Real Property Assessment Number

F. SIGNATURE

23. Name of Authorized Contact

24. Title of Authorized Contact

25. ☐ We hereby declare that the information provided is true, correct and complete to the best of our knowledge and belief, and that we have the authority to make this disclosure of information and declaration.

 26. Signature of Authorized Person

 27. Date

Please Submit the following Support Documents (if applicable):

- a) Proof of Bahamian citizenship (eg. passport or certificate of naturalization).
- b) Affidavit by owner or mortgagor stating that:
 - 1) the property is his first and only dwelling and there is not and has never been any other dwelling held by him or on his behalf situated either in or outside of The Bahamas, and that he has never received exemption with respect to any acquisition of vacant land or first- time dwelling house under the provisions of the Stamp Act or zero rated or exempt acquisition of a dwelling under the VAT Act; or
 - 2) the acquisition by the purchaser of the dwelling is to replace the first dwelling which he no longer owns due to steps taken against him by a mortgagee as a result of the inability of the transferee to meet his fiscal obligations under a mortgage; and
 - 3) the value of the land (or the amount being borrowed in the case of a mortgage) and construction cost does not exceed \$500,000.
- c) Copy of conveyance,
- d) Copy of mortgage and construction contract (if applicable),
- e) Copy of Building Permit, and
- f) Copy of building plans

You may submit your application and documents to the email address firsthomeexemption@bahamas.gov.bs



Contact Us

1-242-225-7280

propertytaxenquiries@bahamas.gov.bs

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Central Revenue Administration
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<https://inlandrevenue.finance.gov.bs>