



Ministry of Finance

**Department of Inland Revenue
Value Added Tax Department**

ADVANCE VAT RULING

Subject: The determination of whether the benefit or advantage of accounting and other similar services provided to certain entities is within or outside The Bahamas

Request Presented to the Comptroller

1. The Taxpayer required a ruling on the VAT treatment of the provision of accounting, financial and other professional services by the Taxpayer to clients in various scenarios.
2. The Taxpayer provides audit, accounting, financial advisory, tax, consulting and risk advisory services.
3. The scenarios outlined by the Taxpayer were as follows:
 - a. Scenario #1: Audit services are provided to a trust that is established in The Bahamas and administered by a local Bahamian trust company. The settlor and beneficiaries of the trust are non-Bahamian citizens/residents, the trust assets are held in institutions outside The Bahamas, and the invoices for the services will be issued to the settlor.
 - b. Scenario #2: Audit services are provided to an IBC established in The Bahamas. The directors and shareholders of the IBC are all non-Bahamian citizens/residents and the IBC's bank accounts are all outside The Bahamas.
 - c. Scenario #3: Audit services are provided to a mutual fund established in The Bahamas. All operations of the mutual fund, including their services, bank accounts and employees, are outside The Bahamas.
 - d. Scenario #4: Audit services are provided to a company that is established in and operates business within The Bahamas. The company provides services to both Bahamian and international clients. The services that are being provided to the company will be utilized by the company to serve their international clients.



Issues

Comptroller's Definition of the Issues

The Comptroller defines the relevant issues as follows:

- Whether the professional services are being supplied from a place of business in The Bahamas.
- Whether the professional services are being supplied to a recipient within or outside The Bahamas
- Whether the recipient uses or obtains the benefit or advantage of the services within or outside The Bahamas

The Comptroller thereby rules as follows:

1. A supply of the services of an accountant or any similar services is deemed to take place within and is treated as a zero rated export from The Bahamas, when the services are supplied from a place of business in The Bahamas, and are supplied to a recipient who uses or obtains the benefit or advantage of the supply outside The Bahamas.
2. However, where the recipient of the supply uses or obtains the benefit or advantage of the services within The Bahamas, the supply is standard rated for VAT.
3. The VAT treatment of the audit services in each of the scenarios, is therefore based on where the recipient is using the services or where the recipient obtains the benefit or advantage of the services.
4. As a general rule, where services are provided to an entity that is established in The Bahamas, the services are prima facie deemed to be used in The Bahamas. Accordingly, if the audit services are required for purposes outside The Bahamas, the Taxpayer must obtain from the recipient and have available for inspection by the Comptroller, records to support the treatment of the services as zero rated.

Scenario #1

5. The definition of "person" in section 2 of the VAT Act includes a trust. For the purposes of the VAT Act, the trust is therefore a separate person from the settlors and beneficiaries. Accordingly, in scenario #1 the trust is the recipient of the audit services.
6. In the circumstances where the trust has been established in The Bahamas and is administered by a local Bahamian trust company, the audit services are deemed to be used in The Bahamas.
7. The provision of audit services to the trust are, therefore, standard rated for VAT.



Scenario #2

8. With respect to scenario #2, the VAT treatment is based on the purpose for which the IBC has requested the audit services.
9. If the audit services are being provided to satisfy statutory obligations of a regulator in The Bahamas or are otherwise being used in The Bahamas, then the services are subject to VAT at the standard rate. On the other hand, if the audit services are being provided to satisfy obligations of a regulator outside The Bahamas, or are otherwise required for purposes outside The Bahamas, then the services are VAT zero rated.

Scenario #3

10. With respect to scenario #3, we assume that the mutual fund is an incorporated entity with legal personality based on the information provided to the effect that the invoices will be issued to the mutual fund.
11. The same decision applies as indicated above in Scenario #2.

Scenario #4

12. With respect to scenario #4, the audit services are standard rated for VAT. The audit services are being provided to the company which the company uses in the operation of their business within The Bahamas.
13. It is irrelevant whether some of the clients of the recipient company are international clients.

Time Period for Ruling

This Advance Ruling is for the period commencing the 3rd March, 2023 and remains in effect until withdrawn.

Signed: **COMPTROLLER OF VAT (Ag)**

Date: 31st October, 2023

