

The Bahamas proposes VAT rate increase and other VAT-related changes

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The Bahamian Government in its 2018/19 [budget communication](#) has proposed an increase in the rate of Value Added Tax (VAT) from the current 7.5% to 12%, effective 1 July 2018. The rate increase and other changes to the VAT regime were announced in the House of Assembly on 30 May 2018.

The communication goes on to propose elimination of VAT on all breadbasket items except sugar, effective 1 August 2018. This would mean the elimination of VAT on the following items: butter, cooking oil, mayonnaise, grits, cheese, corned beef, evaporated milk, margarine, rice, flour, bread, tomato paste, baby cereal, baby formula, soup, broths, baby food, powdered detergents, condensed milk, soaps, fresh milk and mustard.

Other changes proposed are the elimination of VAT on medicines, residential property insurance, residential electricity bills at or under BSD100¹ and water bills at or under \$50 - for clarity, this is not for the first \$100 or \$50 in a person's bills, but it is targeted at those bills which come in at or under the stated amounts. The budget communication also provides for the zero rate of VAT to apply to fundraising activities held by charitable organizations.

The document also proposes various concessions in respect of Real Property Tax, Customs duties, Excise duties, Business License fees and Stamp Tax.

These changes are currently only proposed in the budget communication. No legislation or further update has been issued at this point.

Endnote

1. Currency references in this Alert are to BSD.

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