

Bahamian House of Assembly passes 2018/19 Budget to increase VAT Rate

NEW! EY Tax News Update: Global Edition

EY's new Tax News Update: Global Edition is a free, personalized email subscription service that allows you to receive EY Global Tax Alerts, newsletters, events, and thought leadership published across all areas of tax. Access more information about the tool and registration [here](#).

Also available is our [EY Global Tax Alert Library](#) on ey.com.

The Bahamian Government in its 2018/19 [Budget Communication](#) 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 on 30 May 2018.

On 18 June 2018, the House of Assembly passed the 2018/19 Budget Communication. The Senate debate is currently taking place. The Government has since published the [Value Added Tax \(Amendment\) Bill, 2018](#), as well as the [Value Added Tax \(Amendment\) Regulations, 2018](#). These documents highlight the changes achieved through the Budget Communication.

Along with the increased rate of VAT, a high level overview of the changes include the following; first the Bill seeks to clarify and expand the role and powers of the VAT Comptroller to facilitate a more efficient administration of the tax. The Bill also outlines changes to the penalties and fines regime so that fixed penalties may now be automatically applied rather than the requirement to go through a quasi-judicial internal process under the old system.

The key changes are those which amend the First and Second Schedule of the principal act. In summary, this includes a clause to apply the zero rate of VAT to breadbasket items. A detailed list of items is outlined in the Bill and includes; butter, bread, mayonnaise, grits, cheese, corned beef, evaporated milk, margarine, rice, flour, tomato paste, baby formula, soup, broths, baby

food, powdered detergents, condensed milk, soaps, fresh milk and mustard. The zero rate will also apply to medicines and medicinal drugs (as described in the Bill) along with fund-raising activities and events undertaken by charitable or non-profit organizations. These changes are to take effect 1 August 2018.

Other changes include the exemption from VAT on all transfers of real property, residential electricity bills at or under \$100¹ and water bills at or under \$50. Liability insurance contracts, marine, aviation and transport insurance contracts, motor vehicle insurance and insurance contracts on dwellings will also be exempt of VAT as of 1 July 2018.

Although the timeframe provided for businesses to make the requisite system and pricing changes is narrow, there has been no official word on any extension being granted

to the majority of businesses in order to update systems and contracts to account for the new VAT rate. However, the Government has elected to afford the tourism and hospitality industry an extension. Per a [Ministry of Tourism Press Release](#), the Government has come to an agreement that all hotels, resorts, tour operators, attractions and other key tourism related establishments along with the respective international third party affiliates can continue to apply the 7.5% rate to certain bookings. The Government has confirmed that detailed guidance outlining all transitional measures will be issued in the coming days.

It should be noted that this Alert focuses on the VAT changes however, the Budget Communication also proposes changes in respect of Real Property Tax, Customs duties, Excise duties, Business License fees and Stamp Tax.

Endnotes

1. Currency references in this Alert are to BSD.

For additional information with respect to this Alert, please contact the following:

Ernst & Young Ltd. (Cayman Islands), George Town, Cayman Islands

- ▶ Louise Somers louise.somers@ky.ey.com

Ernst & Young, Nassau

- ▶ Phylese Hanna phylese.hanna@bs.ey.com
- ▶ Lucia Armas lucia.armas1@bs.ey.com

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Indirect Tax

© 2018 EYGM Limited.
All Rights Reserved.

EYG no. 010025-18Gbl

1508-1600216 NY
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com