

VAT PRESENTATION

to

BAHAMAS BRIDAL ASSOCIATION



- Presented by
- VAT IMPLEMENTATION TEAM
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Why VAT in The Bahamas

- Government's Fiscal Position
2007- 2014

Source: Budget Communication 2013/14	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Projected 2013/14	TOTAL
TOTAL DEFICIT	-197	-430	-488	-243	-508	-629	-529	-3024
Government Debt (30 June)	-2633	-2996	-3395	-3561	-4006	-4514	-4957	-4957

Government's Tax Reform Agenda

- Broaden Revenue Base
- Improve revenue performance from existing taxes
- Reduce Customs Duties and excise Taxes
- Control Government spending

The cost of In-Action

- Unchecked rise in debt
- Less capacity to borrow for emergencies
- Credit downgrade and eventual loss of access to credit markets

OUTCOME:

- higher tax increase
- larger reductions in spending
- possible reduction in public sector employment

Other Tax Options:

- **Income Tax (Personal and/or Corporate)**
 - Imposes steep tax rates on higher levels of Income in some cases well in excess of 50% are applied.
 - Acts as a disincentive to work effort and entrepreneurship.
 - Corporate Income tax on profits discourages Investments and Innovation.
- **Payroll Tax:**
 - High rates of Tax on employment must be imposed in order to generate significant revenues.

Other Tax Options Cont'd:

- **Sales Tax:**
 - Susceptible to evasion if rate is in excess of 10 percent
 - Cascading of the tax burden
 - Acts as a disincentive to exporters
 - Prices include sales tax on domestic supplies

Rebalancing of Revenue

Revenue Items	Revenue Foregone	Revenue Gains
Projected VAT yield		525
Projected Revenue Foregone		
Customs Duties	-208	
Excise Tax	-45	
Hotel Occupancy Tax	-44	
Projected Total Foregone		-297
Expected Revenue Gains		228

What is VAT?

- VAT is a broad-based tax on consumption
- VAT is charged on:
 - imports; and
 - Domestic Consumption

Design of VAT

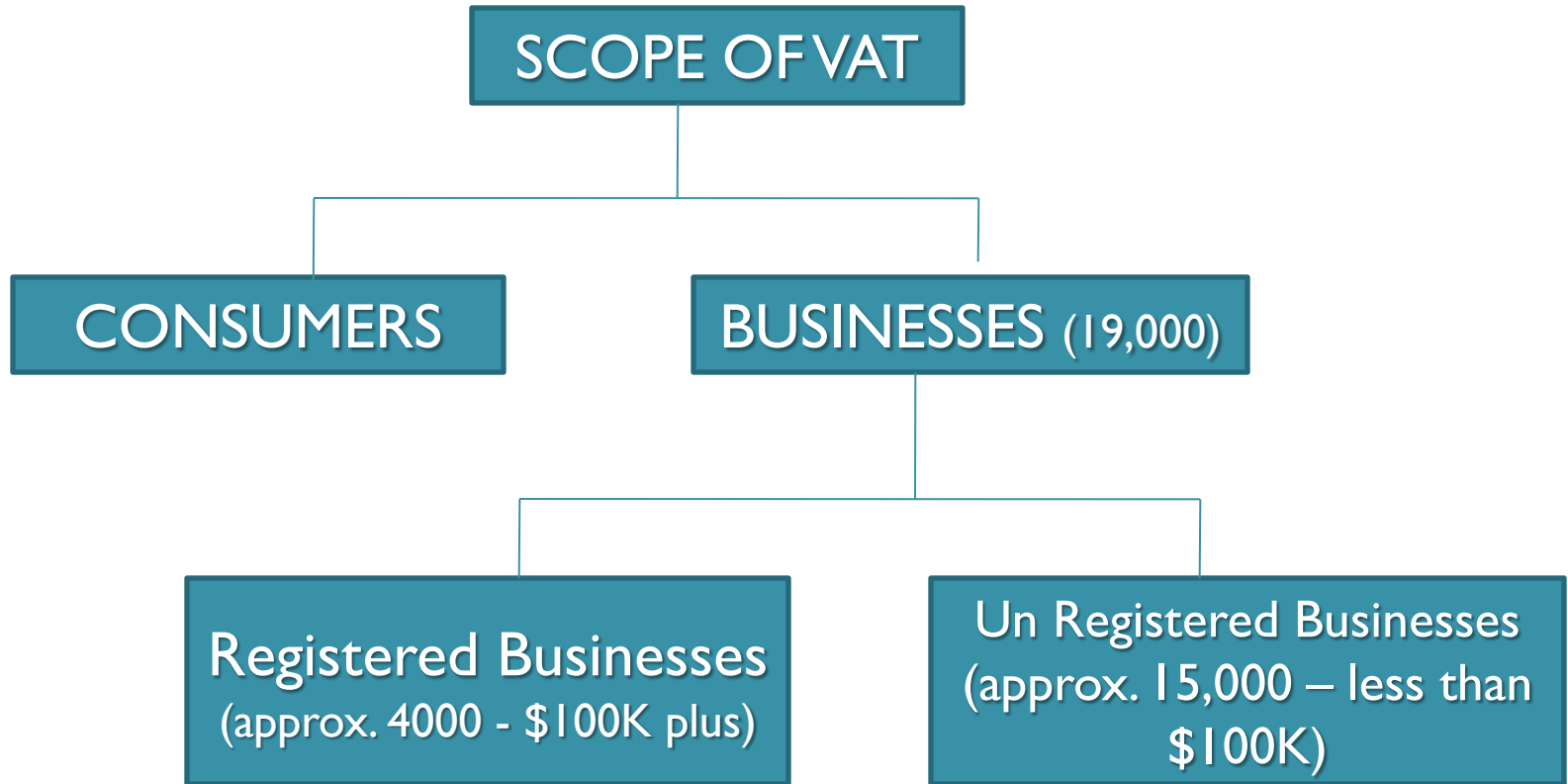
The VAT is designed to:

- improve administrative efficiency
- increase tax compliance
- improve revenue generation
 - Standard rate
 - Hotel Accommodation & Food and Beverages (reduced rate)
 - Zero-rate (0%) (e.g. Exports)
 - Exemptions

VAT EFFECTS ON PRICES, REVENUE - CONSUMERS, BUSINESSES & GOVERNMENT

	Pre-VAT Regime	VAT Regime	Govt. Revenues
	\$	\$	\$
CIF Value for Customs	100.00	100.00	
Customs Duty	<u>40.00</u>	<u>20.00</u>	20.00
<u>Landed Cost</u>	<u>140.00</u>	<u>120.00</u>	
VAT @15%	<u>NIL</u>		18.00
Selling Price	280.00	240.00	
VAT @15%	<u>NIL</u>	<u>36.00</u>	18.00
Price to consumer	<u>280.00</u>	<u>276.00</u>	
Supplier's Gross profit (100%)	<u>140.00</u>	<u>120.00</u>	
Government Revenue	<u>40.00</u>	<u>56.00</u>	<u>56.00</u>

SCOPE OF VAT



VAT Impact On Stakeholders

VAT & The Consumer

- VAT paid by all consumers
- Paid on imports at customs
- To be paid when goods & services are bought locally from VAT registered retailer
- No filing requirement to the Government

VAT IMPACT ON SERVICE (REGISTERED BUSINESS)

Any service activity within the Bahamas carried on in the form of a business is vatable.

Wedding planners/consultants

Photographers/videographers

Food service providers/cake bakers/make-up

Salon Services/transportation companies

Florist/decorators

Musicians/entertainers- must apply for registration a minimum of Forty-eight hours prior to the commencement of the Entertainment.

The promoter must pay a security for the payment of tax and receive the Comptroller's approval in writing.

How VAT Impacts Businesses

VAT & The Registered Business

- Pay VAT on imports
- Pay VAT on local purchases of goods and services from other registered business
- Charge VAT on sales
- Deduct VAT paid from VAT collected send difference to Government
- Keep records of all purchases and all sales
- Required to display a VAT registration Certificate at place of business
- Be required to issue sales tax receipts and tax invoices

VAT Impact on Unregistered Businesses

VAT & The Un-Registered Business

- Pay VAT on imports (as is done with Customs Duty)
- Pay VAT on local purchases of goods and services from other registered businesses
- Not allowed to charge VAT on their sales
- No filing obligations with Government
- Sales receipts issued cannot state VAT

VAT ADMINISTRATION

- Registration
 - sales turnover of 100K or more per year must register as business registrants
 - Sales turnover under 100k may volunteer to register
- Monthly filing of Returns and Payment of VAT
- Compliance & Audit
- Objections and Appeals

VAT Impact on Retailers and Wholesalers

- Pricing will be VAT inclusive invoice will indicate;
 - standard rate,
 - zero rated, or
 - exempt
- VAT incurred on purchases relating to goods and services
 - Can be recovered via input credits
 - Should not be a cost component of the end supply
- Tax invoice indicates that VAT was charged
 - Must be presented to registrants on sale of taxable activity
 - Enables customer to claim credit
- Transactions between separate entities, but with a common ownership can apply for VAT grouping.

How VAT Impacts Hotels and Accommodation

- Registration threshold is proposed to be 100k
- Holiday accommodation will be subject to a reduced VAT rate in addition to;
 - Supplies of facilities for business meetings, weddings and banquets
 - Other services & functions will be charged at the standard VAT rate
 - Internet access, pay per view, tours, service charges
 - A continuous supply of 45 days or more can be taxable or exempt
- All inclusive packages will be taxable at the standard rate
- Supplies by pool administrators are subject to VAT

BENEFITS OF VAT

- Tax Imposed on Goods And Services – Equality
- Imposes Greater Discipline on Businesses
- Incentive to Business on Capital expenditure – Therefore Encourage Investments
- Audit Trail-Promotes Greater Efficiency In The Collection of Taxes
- Allows consumers to manage consumption

IMPORTANCE OF TAXATION

ULTIMATELY.....

- Collection of taxes allow Government to provide essential public goods and services
 - Improved physical infrastructure (roads, bridges, schools etc.)
 - Improved health care
 - Improved educational services
 - Increase and enhanced social safety net programmes

Public Education

- Nationwide presentations and discussions on VAT
- Consultation on VAT Legislation
- Training of Staff
- General education of all businesses & consumers
- Advisory Visits to businesses

Thank you for your attention!!!!

QUESTIONS?????

- Contact information for VAT implementation team:

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www.bahamas.gov.bs/vat