



*Adequate Revenues for the Future*



# **TRANSITIONAL IMPORTS & SERVICES CONTRACTS**



# OUTLINE OF PRESENTATION

- ▶ Effective purpose of transitional arrangements.
- ▶ Transitional options for goods
- ▶ Transitional options for services



## OBJECTIVES

- ▶ To soften the introduction of VAT
- ▶ To ensure that Registrants be allowed to take advantage of the lower rates of duties.
- ▶ To ensure that the value of imported goods does not have an increase in prices.



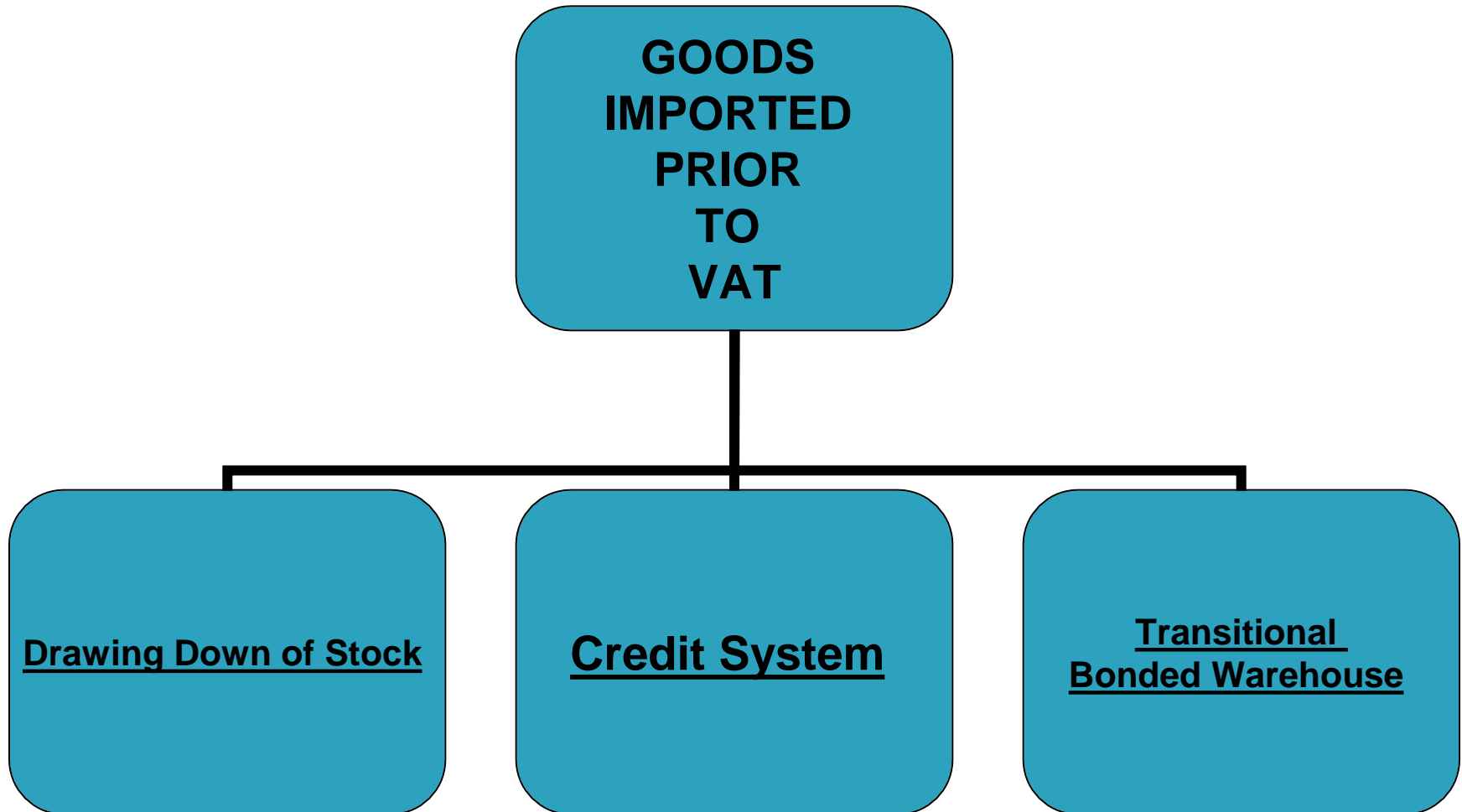
# HOW VAT WORKS – REGISTERED BUSINESSES, CONSUMERS & GOVERNMENT

	Pre-VAT Regime (100% markup)	VAT Regime (100% mark up)	Govt. Revenues	Maintain \$- value of profit (\$140)	Govt. Revenues
	\$	\$	\$	\$	\$
CIF Value for Customs	100.00	100.00		100.00	
Customs Duty	40.00	<u>22.00</u>	22.00	22.00	22.00
Processing Fees 1%	<u>1.40</u>				
<u>Landed Cost</u>	<u>141.40</u>	<u>122.00</u>		<u>122.00</u>	
VAT @15% (input VAT)	NIL	<u>18.30</u>	18.30	18.30	18.30
Selling Price	282.80	244.00		280.60	
VAT @15% (Output VAT)	NIL	<u>36.60</u>	18.30	<u>42.90</u>	24.60
Price to consumer	<u>282.80</u>	<u>276.60</u>		<u>323.50</u>	
Supplier's Gross profit (100%)	<u>141.40</u>	<u>120.00</u>		<u>140.00</u>	
Government Revenue	<u>40.00</u>	<u>56.60</u>	<u>56.60</u>	<u>64.90</u>	<u>64.90</u>



# IMPORT TRANSITIONAL MEASURES

ADMINISTRATIVELY DONE:  
CUSTOMS MANAGEMENT ACT 2011





# Drawing Down of Stock

This transitional method is whereby:

- ▶ Businesses would bring their stock to minimum;
- ▶ To ensure that there is no double taxation on their goods;
- ▶ This method was found not to be favorable in the majority of countries when implementing VAT.
- ▶ Business owners normally prefer not to their inventory to a minimum level.



## Credit System:

This system allows for:

- ▶ The importer to receive credits for goods on which they would have paid customs duties prior to the implementation of VAT, to avoid the increase in price where the VAT will be added to the old price that included the duty
- ▶ However, in other countries it has been found out that the credits received by the Registrants are not passed on to the consumer.
- ▶ Lack of inventory control results in business abusing the system by claiming credits even when the “old stock” is depleted. (Grenade 1986).



# Transitional Bonded Warehouse

## ▶ **DEFINITION:**

- ▶ A bonded warehouse is a facility utilized by importers or traders to suspend the payment of Customs Duties and Taxes on imports upon the approval of the Comptroller of Customs:
- ▶ The duties are paid when the goods are taken out of Bond for home consumption.

## ▶ **REQUIREMENTS:**

- ▶ The physical location of the proposed site must be to the satisfaction of the Comptroller of Customs.
- ▶ The annual warehouse license fee is normally waived .
- ▶ All duties and taxes must be paid by ex- warehouse entry before the removal of the goods.
- ▶ Extended only to potential Registrants.
- ▶ Operates with a dual lock system.





## REQUIREMENTS cont;

- ▶ The requirements for the Transitional Bonded Warehouse facility will be effective for a maximum of three (3) months, i.e. two months prior to VAT implementation, and one month after.
- ▶ When goods are removed from the Transitional Bonded Warehouse, duties taxes and charges must be paid at the appropriate rates at the time of removal.
- ▶ All outstanding Duties and Taxes are to be paid within one month prior to the end of the Transitional Bonded Warehouse arrangement.



# SERVICES

## CONTRACTS

- ▶ Section 23 of the Draft Bill makes provisions for such; i.e.

### Subsection (4)

"Where a contract was concluded before the entry into force of this Act and no provision relating to tax was made in such contract, and where the supplier after the entry into force of this Act becomes a registrant and makes taxable supplies under the contract,

Recover from the recipient of a taxable supply made after the entry into force of this Act the tax due on the supply."

### Subsection (6)

*"The contract price, in relation to a contract concluded after the date this Act comes into force which does not provide for tax, is deemed to include tax and a taxable person who makes a taxable supply under such contract must pay and account for output tax chargeable on the supply."*



# QUESTIONS??????

- ▶ Contact information for CRA/VAT unit

[VAT@bahamas.gov.bs](mailto:VAT@bahamas.gov.bs)

225-7280 (toll free)

**Thank You for your attention!!!!**