Version for Publication and Comptroller's Approval

Ministry Of Finance
VAT Department

VAT Rule 2015-012
Flat Rate Accounting
Schemes and Requirements

VAT BAHAMAS

Version: December 22-2014

VAT RULE 2015-012

Flat Rate Accounting Schemes and Requirements

A. Authority

This Rule is made under Section 17 of the Value Added Act, 2014.

B. Legislation

All legislative references are to the Value Added Tax Act, 2014 and/or the Value Added Tax Regulations 2014, unless otherwise stated.

C. This Rule applies in respect of:

VAT Regulation 19 - Cash basis accounting for VAT Returns.

D. Application of Rule

The Flat Rate Scheme is a method of reporting for VAT whereby businesses simply apply a net rate of VAT to their turnover to calculate the amount of VAT to be paid to the Comptroller.

The flat rate is considered to be the average rate that a business would pay if they used their records to determine the amount of VAT payable to the Comptroller each VAT period. This rate is 4.5%.

Other than exceptions which the Comptroller may allow this Rule applies to taxpayers with an annual turnover at or below $400,000 filing within the Commonwealth of the Bahamas except those individuals in Freeport registered with the Grand Bahama Port Authority. It specifies the VAT requirements to be met by taxpayers who elect to use the Flat Rate Scheme.

E. Comptroller's Rule

Taxpayers electing to use the Flat Rate Scheme must satisfy the following criteria:

1. Be a start-up business that expects taxable turnover within the following 12 months to not exceed $400,000 and indicate this in the registration declaration; or an existing business that with declared turnover below $400,000 upon registration as well within information used for business license.

2. Taxpayers must stay on the Flat Rate Scheme for a minimum of one year even if the taxable turnover exceeds $400,000 during that year.

3. Taxpayers on the Flat Rate Scheme are entitled to claim input VAT separately on their depreciable capital purchases provided that they have a VAT Invoice, including
   a. The purchase of commercial real property such as hotels, commercial rental establishments and restaurants.
   b. The purchase of industrial real property including buildings in which goods are manufactured or processed and buildings used for the purpose of trade consisting of the storage of goods.
   c. Plant and machinery of a value of at least $5,000 to be used in furtherance of trading activities.
   d. Office equipment including computers, printers and cash registers of a value over $1000 per item.

4. Taxpayers must charge their customers 7.5% on their standard rated supplies, but remit 4.5% of their total VAT inclusive sales to the Comptroller at the end of their filing period.

5. Except when zero-rated, output VAT on sales of capital items must be declared at the standard rate of 7.5% and not the flat rate of 4.5%.

6. The Taxpayer may not be a business in Freeport registered as a Port Licensee under the Hawksbill Creek Agreement, having access to Clause 2 supplies on which VAT does not apply.

F. The period for which this Rule applies

This Rule shall apply for the period beginning on January 1st, 2015 until it is withdrawn or replaced.