



Ministry Of Finance

VAT Department

VAT Guidance for the Transportation of
Passengers and Goods
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Introduction

This guide is intended to provide businesses engaged in the transportation of passengers or goods by air, sea or land, or businesses providing related goods or services and additional information about Value Added Tax (“VAT”). It should be read in conjunction with the Value Added Tax Act 2014 (“VAT Act”), the Value Added Tax Regulations 2014 (“VAT Regulations”), the VAT Rules and The Bahamas General VAT Guide (“VAT Guide”), all of which can be found on the website of the Government of The Bahamas (“Government”).

Who should read this guidance?

You should read this guidance if you are providing, or looking to provide, transportation services. This includes taxi and bus services, transporting cargo or passengers by land, air or sea or you if provide services that relate to the transport of goods.

What is passenger transport?

Passenger transport is the movement of persons in a vehicle, aircraft or vessel provided with a driver, pilot, captain or crew from one point to another.

The following are examples of passenger transport:

- a taxi journey from one destination to another stated destination;
- a bus journey from one destination to another stated destination;
- a flight from The Bahamas to another Bahamian island, the USA, or any other country; or
- a journey by boat from Nassau to another Bahamian island, the USA, or any other country.

If a supply of passenger transport includes a supply of catering (such as a meal on a flight) the supply of catering will take on the same VAT treatment as the passenger transport. Incidental supplies can also be included in a charge for passenger transport, such as:

- the transport of accompanied luggage and charges for excess luggage;
- an accompanied vehicle, for example if you take your vehicle on a ferry with you;

- airport passenger charges;
- seat reservation charges and
- berths or cabins on ships.

The following are not considered a supply of passenger transport but are still subject to VAT at the standard rate:

- a tour of Nassau on a mini bus stopping at various destinations;
- a tour/excursion to one or various islands on a boat, or a charter fishing trip;
- the hire of a car;
- the charter of a boat or yacht;
- the private charter, hire or lease of an aircraft; or
- pleasure flights.


Passenger transport is subject to the zero rate of VAT if the journey is from a place in The Bahamas to a place outside The Bahamas or from a place outside The Bahamas to a place in The Bahamas. This is referred to as “international passenger transport.”

Passenger transport is subject to the standard rate of VAT (7.5%) if the journey is from a place in The Bahamas to another place in The Bahamas, even if the journey takes place, to some extent, in international airspace or waters. This is referred to as “domestic passenger transport.”

In respect of air travel, where there are connecting internal flights required for the completion of a journey to a place outside The Bahamas, the whole journey will be subject to VAT at the zero rate. For example, a journey involving connecting flights from Marsh Harbour, Abaco to Nassau and then on to Miami will be subject to the zero rate of VAT. However, if there is an intention to stay at a domestic destination or stopover that lasts more than 48 hours but the intention was to arrive at an international destination, the domestic flight is taxable at the standard rate.

What is the transport of goods?

The services provided in respect of the transport of goods are often referred to as “freight transport services.” Freight transport is the movement of goods/cargo, unaccompanied vehicles, documents, and mail including parcels and packages from one destination to another. This



includes the movement by sea, air or land. The VAT treatment of these services depends on whether they are international or domestic freight transport services.

International freight transport is subject to the zero rate of VAT.

Domestic freight transport is subject to the standard rate of VAT.

What are international freight transport services?

International freight transport is the movement of goods from a place outside The Bahamas to a place in The Bahamas or from a place in The Bahamas to a place outside The Bahamas; even if some of this journey takes place in The Bahamas the whole service provided, will be subject to the zero rate of VAT.

Normally there will be several links in a supply chain in respect of a supply of freight transportation.

An example is as follows:

A business requests a freight forwarder to collect a parcel from their office in The Bahamas and deliver it to their customer in the United States. They also ask the freight forwarder to insure the contents of the parcel while it is in transit. The freight forwarder uses a sub-contractor to collect the parcel and deliver it to the port. Another subcontractor is then used to ship the parcel by sea to the United States and by land delivering the parcel to the end customer. They also obtain insurance from an insurance broker.

STEP 1

Transport of the goods by land to the port.

STEP 2

Transport of the goods by sea to the USA.

STEP 3

Transport of the goods by land to the customer.

The VAT treatment would be as follows:

- The services of the freight forwarder to the business would be zero rated. This is because the freight forwarder is providing a complete service from a place in The Bahamas to a

place outside of The Bahamas. As such, the service is considered a supply of international transportation.

- The service provided by the sub-contractor who collected the goods and delivered them to the port would be subject to VAT at the standard rate as this is a domestic transportation service.
- The services of the shipping agent who transported the goods from The Bahamas to the USA would be zero rated as this involves the transportation of the parcel from a place within The Bahamas to a place outside The Bahamas.
- The services of the sub-contractor providing the transportation once the parcel lands in the USA are not subject to VAT in The Bahamas as this service takes place outside The Bahamas.
- The insurance services provided by the insurance broker would also be zero rated as they relate to the export of goods

To be clear, a place inside The Bahamas means the entire territory of The Commonwealth of The Bahamas, including its territorial waters, airspace and its Exclusive Economic Zone. A “place outside The Bahamas” is not simply outside The Bahamas territorial waters or airspace. The passengers or goods have to land in a jurisdiction other than The Bahamas for the zero rate of VAT to apply.

VAT on the transport of goods to The Bahamas

The supplier of freight transport services is not required to charge VAT on the transport of goods to The Bahamas as the services are initiated outside The Bahamas and the cost of freight will be included in the cost of imported goods for VAT purposes as it is subsumed into the value of the goods in accordance with the Customs Management Act. Based on the Customs Management Act, if the inland freight is a condition of the sale, customs duty will apply. Additionally, if the seller or buyer receives some benefit either directly or indirectly duty applies. If not, there is no duty on inland freight.

The value of goods imported on which the VAT is calculated is the total of the:

- customs value of the goods for the purposes of customs duty under the Customs Management Act;

- total invoice value, freight and insurance charges, amount of any customs duty, excise tax, environmental levy or surcharge, or any other fiscal charge or tax (other than VAT) payable on the importation of goods; and
- amount of any customs service charge payable on the importation of the goods.

If you transport goods, once they have been imported from the port to a place in The Bahamas then your services will be considered a domestic supply of transportation and subject to VAT.

If you provide courier services and are collecting the VAT and duty on the importation of goods, you should not charge VAT on your charge for postage but must include the charge for postage in the value of the imported goods.

I am not a freight forwarder but I want to charge my customer for delivery, do I charge VAT?

If the goods are to be exported from The Bahamas (i.e. they will go from a place in The Bahamas to a place outside The Bahamas) your charge to your customer for freight services will be zero rated.

If the goods are transported from one place in The Bahamas to another place in The Bahamas your charge to the customer will be subject to VAT at the standard rate.

If the goods are to be imported from a place outside The Bahamas into The Bahamas your charge for freight will be zero rated; however, bear in mind that the goods may be subject to import VAT and the value of the goods at the time of importation will include the cost of freight.

I am importing goods and the supplier has charged me for freight, do I need to declare VAT on the importation of a service?

No. The cost of freight will be included in the value of the goods imported such that the VAT on the freight service will be part of the VAT charged on the imported good.

What about services ancillary to the transport of goods or passengers?

Services that are ancillary to the transport of goods or passengers include:

- handling and storage services for ship and aircraft cargo;
- loading and unloading cargo;
- stowing;
- securing or moving cargo;
- preparing necessary bills of lading;
- demurrage;
- container inspection;
- stevedoring; and
- portage and storage.

Ordinarily, the supply of an ancillary service is subject to VAT; however, if you supply:


- any of the ancillary services listed above;
- operational or management services; or
- services relating to or the arranging of a supply of the storage, repair, maintenance or arranging of a container temporarily imported under The Bahamas Customs Management Act in relation to a foreign-going vessel or aircraft,

and your services are supplied directly to a person resident outside The Bahamas who is not a taxable person in The Bahamas, your supply is zero rated.

A foreign-going vessel or aircraft is one that is used commercially predominantly on international routes.

The maintenance or repair (including parts used) of a foreign-going vessel or aircraft is zero rated.

If the ancillary services are part of, and ancillary to, the transportation of goods and are included in the charge for the transportation of the goods, then they take on the same VAT treatment as the transport. For example, where a freight forwarder charges for taking a parcel from in The



Bahamas to a destination outside The Bahamas the charge will include an element for ancillary services so the whole service will be subject to VAT at the zero rate.

In respect of the above services, it should also be noted that a supply of storage services is different from the rental of space in a commercial property. If you provide storage services you will not allocate a specific site or space for the provision of this service, it will be up to you where you store the goods on your premises. If you rent or lease a specific space to your customer, this is a provision of a commercial property and will be subject to VAT if the property is in The Bahamas whether the customer is resident in The Bahamas or not. For further information on supplies of commercial property you should read “VAT Guidance on Land and Property”.

Who should register for VAT?

You should consult The Bahamas General VAT Guide on timing and other requirements for more information on registration.

Do I need to provide a VAT invoice or VAT receipt for sales that are subject to VAT?

You are required to provide an invoice or receipt for sales that are subject to VAT at the standard rate when supplying domestic transportation of goods and passengers. For sales at the zero rate of VAT any receipt or invoice must clearly show that the sale is subject to the zero rate of VAT.

VAT invoices do not have to be computer generated.

How do I account for VAT on the goods and services I supply?

The VAT on your supplies is called output tax. You declare your output tax on your VAT Return. You must declare all sales which fall within the VAT period on the relevant VAT Return. For example, if you submit monthly VAT Returns, all sales that occur in March must be included on the March VAT Return.

Your input tax is offset against your output tax and you pay to the Comptroller the balance. Sometimes the input tax may exceed the output tax in which case you may be able to request a refund (see section “The Recovery of VAT on Purchases”).

Are purchases subject to tax?

You will incur VAT on goods and services that are taxable. For example, you may incur VAT on the lease, purchase, or importation of the aircraft, vessel or vehicle you use to provide transport services. You may also incur VAT on consumables such as fuel, if purchased in The Bahamas and to be consumed in The Bahamas.

However, the following services relating to foreign-going vessels or aircraft (i.e. used commercially predominantly on international routes) are specifically subject to VAT at the zero rate:

- A supply of services directly in respect of the repair, maintenance, cleaning, outfitting, refurbishment, or improvement of the aircraft or vessel.
- The supply of services by a port authority (within the meaning of section 3 of the Port Authorities Act (Ch 269)) or the manager of an airport in relation to the aircraft or vessel where
 - The aircraft or ship owner or operator is resident outside The Bahamas; and
 - The aircraft or ship is used in international commercial services.
- Services in connection with the operation or management of an aircraft or vessel or services comprising of the handling, pilotage, salvage, or towage whilst it is in The Bahamas is zero rated when provided directly (not through an agent) to a person resident outside the Bahamas and is not a taxable person in The Bahamas.
- Services or the arranging of a supply of services to a person resident outside The Bahamas who is not a taxable person where such a supply is made directly, (ie not through an agent) of the storage, repair, maintenance or arranging of a container temporarily imported under The Bahamas Customs Management Act.



What if I import supplies of goods or services from outside The Bahamas?

Goods and services that are imported into The Bahamas are subject to import VAT if they would have been subject to VAT if supplied by a business in The Bahamas. This is to ensure that a business in The Bahamas is not disadvantaged by having to charge VAT and can compete on equal terms with businesses not established in the Bahamas.

Further details of when import VAT is payable is provided in the VAT Guide.

The recovery of VAT on Purchases

You should consult the Bahamas General VAT Guide on filing and recovery of VAT on inputs.

The Law

The following references to the legislation may be useful.

VAT Regulations

Regulation 15 (4) – Zero Rated Supplies

Part I section (2) the interpretation of ancillary transport services and definition of “international transport services

CONTACT US

Further information can be obtained from the Taxpayers Services help desk: 1 (242) 225 7280

Or you can contact us by email: vatcustomerservice@bahamas.gov.bs

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