



MINISTRY OF FINANCE



VAT GUIDANCE

FOR YACHT CHARTERS



THE DEPARTMENT OF INLAND REVENUE

JULY 1ST, 2022

INTRODUCTION

Effective July 1, 2022, all foreign entities¹ offering sailing services in Bahamian waters will be required to be registered for value added tax (VAT) and charge VAT on all of their yacht charters sailing within the Bahamas.

WHO SHOULD READ THIS GUIDANCE NOTE?

If you are a foreign entity operating yacht charters independently or an agent acting on behalf of a foreign owner/operator of the vessel used for yacht charters within the Bahamas, the information in this guide applies to you.

REGISTRATION FOR VAT

The Department of Inland Revenue (DIR) will register all vessels with information received from the Bahamas Port Department ('the Port'), from yacht owners or from agents acting on their behalf. Thereafter, each vessel operating yacht charters will be assigned an individual tax identification number (TIN) which will be communicated to all operators.

Registrants will be guided through the process of setting up their login credentials at vat.revenue.gov.bs, the DIR's Online Tax Administration System (OTAS). This will allow them the ability to access the system to submit their VAT filings and make the required payments of VAT on yacht charters into the DIR.

Vessels that will be managed by agents will have their assigned TIN linked to the account of the agent. Agents will bear the responsibility of making payments on behalf of the vessels that they represent.

EFFECTIVE DATE OF REGISTRATION

The effective date of VAT registration will be July 1, 2022. Vessels that issued invoices for charters, received bookings or completed charters at any time from July 1 - September 30, 2022 are required to report and pay VAT for all these charters in the VAT return due by October 21, 2022. If there was no activity during this period, vessels should file a zero return.

REPORTING

We are aware that contracts allow for a charter fee as well as an Advance Provisioning Allowance (APA) for services and goods to be covered while the guests are onboard.

¹Bahamian owned businesses with a turnover in excess of \$80,000 per annum are already required to be registered for VAT.

The standard rate of VAT, ten percent (10%), will be assessed on the value of the charter fee and will be required to be accounted for and paid for each charter in the relevant filing period. Registrants will be initially assigned a quarterly filing period. However, where the annual charter sales for a particular vessel exceed \$5 million the filing period will be changed to monthly.

You must declare all yacht charter sales which fall within the VAT period on the VAT Return for the period in which the invoice is prepared or the payment received, whichever is earlier.

Provisions directly sourced by the Captain and crew without a service charge will not be subject to VAT.

VAT will be applicable, at the standard rate, on the APA expenses, in those instances where a service charge is incurred due to the use of a third party to aid in provisioning. Once a reconciliation is finalized with respect to the provisioning of the goods and services, VAT will be charged on the final bill and accounted for in the period in which the bill is issued.

PAYMENT OF VAT

Vessel owners or their agents can access their VAT account at vat.revenue.gov.bs and make the payment of any VAT due in accordance with the requirements under their quarterly VAT filing.

FILING OF VAT RETURNS

Registered vessels will be required to file their VAT returns by the 21st of the month following the reporting period. All charter sales that were invoiced or paid (whichever is earlier) in a particular quarter are required to be reported in the VAT return that is due by the 21st of the month following that quarter.

Registered yacht charter vessels are limited to claiming VAT paid on **expenses related to the upkeep and maintenance of the vessel only**. This represents the input tax incurred on these purchases.

REFUNDS

If any period results in a credit, the registrant may be eligible for a VAT refund.

Once the refund request has been processed and approved, funds will be wired to the bank account provided with the registration details.

FINES & PENALTIES

Fines and penalties will be levied for failure to register, failure to charge VAT, failure to report taxable activity and failure to remit VAT payable to the DIR.

LAW

You may find the following references to the legislation useful.

BOAT REGISTRATION ACT

Boat Registration (Yacht) (Amendment) Rules, 2022

VAT ACT

Section 4 – Imposition of tax

Section 19 – Mandatory Registration

Section 24 - Unregistered taxable person remains liable to pay and account for VAT

Section 47A – Fines for late filing of VAT return, etc.

VAT REGULATIONS

First Schedule (Regulation 44) – Fixed Penalties for Contraventions.