



Adequate Revenues for the Future

VAT COMPLIANCE





Objective

- ▶ To explain the Central Revenue Agency's (CRA) roles and responsibilities with regards to compliance, collection and enforcement of Value Added Tax within the Bahamas.



Focal Areas of Compliance

The CRA will focus on the following areas in regards to compliance collections and enforcement of the Value Added Tax:

- ▶ The Good filer/compliant Registrant
 - Keeps Proper Accounting Records
 - Files on Time
 - Files Accurately
 - Pays on Time
 - Display VAT certificate.
 - Issues receipts showing VAT charged.
 - Quotes VAT exclusive prices.

- ▶ The Non-compliant Registrant
 - Does not keep proper records
 - Late/No filing
 - Late/No payment
 - Does not display certificate.
 - Do not issue receipts showing VAT charged.
 - Do not quote VAT exclusive prices.



Focal Areas of Compliance cont'd

- ▶ Non Registrant
 - Meets threshold but did not apply for registration
 - Submits false information to remain under threshold
 - Illegally charges the consumer VAT
 - Issue receipts showing VAT



Matters of Compliance

- ▶ Ensure that TIN correspond with registrants
- ▶ Compliance Department should categorize taxpayer and set guidelines for pursuit of outstanding amounts based on category.
- ▶ The CRA must ensure that taxpayer records are accurate and monthly returns are timely to ensure efficient and effective compliance.
- ▶ The CRA must have proper Information Technology department to produce and maintain accurate records with regards to collections and compliance related matters.
- ▶ Exchange of information and establish working relationship with other government agencies.
 - Important for audit, refund payment, collections and registration procedures.



When VAT is Due

VAT is Due and Payable to the Government:

- 1) at the time importation of goods or services (Border), importer submit an import declaration to Customs.
- 2) monthly, immediately upon filing. Gives the commissioner the authority to extend period to file return, this does not change due date for payment or the application of interest on outstanding payments under.
- 3) when an assessment is made by the VAT Commissioner for tax liability by the date specified in the notice of assessment issued.
- 4) the commissioner may also request security for payment of tax that may become payable.



When Returns are due

Returns are to be filed to the Government:

- 1) On the 21st of the following month.
- 2) Payment should be included if output tax exceeds input taxes.
- 3) Taxpayer can apply for extension to file .
 - Approval of extension does not affect the fact that late fees will due as a result of late filing.



Obligations of Registrants

- ▶ Registrants must ensure that their VAT certificates are displayed.
- ▶ Must pay VAT at point of importation and on domestic goods and services.
- ▶ Taxpayers must issue invoices and receipts with relevant information.
- ▶ Registered taxpayers must file timely tax return whether there is tax payable or not within 21 calendar days after the end of each period. Information must be accurate.



Obligations of Non-Registrants

- ▶ Are required to pay VAT at the border when importing goods into the country.
- ▶ Must pay VAT locally to registered companies on goods and services.
- ▶ Must not have a VAT certificate displayed.
- ▶ Must not produce a VAT invoice or charge VAT.
- ▶ Must keep proper records. They may be audited if suspected of exceeding the VAT threshold.



Compliance Collection

Reporting to the Central Revenue Agency (CRA)

- ▶ Registrants having difficulty filing and or paying VAT should communicate this to the CRA in advance.
- ▶ Late payment attract interest on the outstanding amounts, rate will be determined by regulations.
- ▶ From the date tax becomes due and payable the Commissioner has a lien on the assets of the person liable to pay the tax.



Compliance Procedure

- ▶ Warning notices (verbal and then written)
- ▶ Visitations to the registrant to arrange possible payment plans and agreements.
- ▶ Issue notices for access to premises allowing VAT officers to conduct audits or inspections.
- ▶ If necessary the CRA can take possession of books, documents or computer records for further examination.
- ▶ Third party liability notices which involves contacting the bank of registrant, or contacting a receiver demanding details relevant to assets or statements on behalf of individual.



Enforcement

- ▶ Garnishment of monies held by 3rd parties.

- ▶ Seizure of goods and vehicles other assets where it is proven that VAT due was not paid on goods in question.

- ▶ Goods seized may be sold to cover VAT due.

- ▶ Proceeds from seizure and auctioning of assets will be used for;
 - 1) any other related cost involved in process of seizure and
 - 2) the recovery of delinquent taxes

Enforcement cont'd

- ▶ Goods for Auction includes property and other assets not exempt by law.
- ▶ Publication of names of non compliant tax payers in the newspapers (Name & Shame).
- ▶ VAT Commissioner may recover unpaid tax by distress proceedings.
- ▶ Delinquent taxpayers are restricted from travel until outstanding taxes are settled.
- ▶ Businesses of non compliant taxpayers may be temporarily closed for refusal to pay taxes due.



Summary

Administrative offenses are categorized as minor, serious, and very serious and may impose a maximum fine for contravention or non-compliance.

Fines for individuals range from twelve thousand five hundred dollars, twenty-five thousand dollars, and fifty thousand dollars.

Fines for companies or associations range from twenty-five thousand dollars, seventy-five thousand dollars and one hundred fifty thousand dollars.

Both categories may also include imprisonment.

- ▶ Any objections and appeals must go through the Appeals Panel within thirty days of a decision made by the Commissioner.
- ▶ Further appeal can be made to the Revenue Court within twenty-one days after receiving a decision by the Appeals Panel.



IMPORTANT TO NOTE

- Penalties are meant to influence model taxpayer behavior.
- Will be enforced impartially.
- Where there is flexibility in application of penalty the commissioner must have set guidelines and standards to ensure equity in application. (This is know as the compounding of offence)

▶ QUESTIONS???