



**MINISTRY OF FINANCE**  
**Value Added Tax Department/**  
**Department of Inland Revenue (CRA)**  
P.O. Box N-4866  
Nassau, The Bahamas  
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31 December, 2015

To All Owners and Operators  
Fixed-Base Operators (FBOs)  
The Bahamas.

Dear VAT Registrants,

**RE: Commercially Scheduled Air Services for VAT Purposes and VAT on Fuel**

The VAT Department and the Ministry of Finance have had a series of communication on the VAT treatment of services provided to foreign going aircrafts. In some cases there has been incomplete, less than accurate or less than timely communication on queries raised by the industry. As a result, differences of interpretation on the level of zero-rating that should have applied to foreign going aircrafts have persisted.

We accept responsibility for these lapses, and will not insist on the reversal of 2015 zero-rated treatments which may have applied to foreign going commercial aircrafts.

However, effectively immediately and going forward, zero-rated treatment is only to apply to regularly scheduled passenger, freight and courier services. The treatment also extends to the equivalent of C135 operators who can provide evidence to the VAT Comptroller and Customs Departments that they provide, on average, at least once-weekly flights to or from The Bahamas, even if limited to a specified tourist season.

To facilitate this process the Department of Inland Revenue will issue TINs to all commercial operators and provide certificates on a case by case basis to identify which operators will be eligible for zero-rated treatment on services provided by FBOs. An expedited process will be put in place to process these applications during January 2016. While this is akin to business licensing, non-Bahamas based foreign carriers will remain exempt from licensing fees and related requirements. This amended approach will remove all responsibility from FBOs to directly obtain the commercial designation for any of their customers.

For audit purposes, FBOs will be required to issue VAT invoices (which must cite the TIN) to recognized scheduled carriers, and maintain a copy of each certificate of eligibility for zero-rating on file.

Once carriers have received their "commercial" designations FBOs will be permitted provide back-dated credit for VAT charged to such customers on or after January 1 2016, and offset any output VAT liability for such in amended return filings.

Finally, with regards to the sale of fuel to aircrafts at the time of departure, the policy is unaltered. Zero-rated supplies are to continue only in respect of those recognized international flights categorized as commercially scheduled.

We look forward to your continued cooperation.

Sincerely,

A handwritten signature in blue ink, appearing to read 'John A Rolle'.

John A Rolle  
**VAT Comptroller (Ag.)**

Cc: Roger Forbes, Chief Valuation Officer, Dept. of Inland Revenue  
Charles Turner, Comptroller of Customs  
All Bahamas FBOs