

Ministry of Finance

VAT Department

VAT Guidance for Education Services
Version 2: August 28, 2014

This guidance is provided on the basis of continuing public consultation and will be expanded and revised as necessary, based on feedback.



Introduction

This guide is intended to provide those offering education services with additional information about Value Added Tax ("VAT"). It should be read in conjunction with the Value Added Tax Bill 2014 ("VAT Bill"), the Value Added Tax Regulations 2014 ("VAT Regulations"), the VAT Rules, and The Bahamas VAT Guide ("VAT Guide"), all of which can be found on the website of the Government of The Bahamas ("Government").

Which education services are exempt from VAT?

In accordance with the VAT Bill "education services funded by tuition costs in a course of study as prescribed in the Regulations" are exempt from VAT. Therefore, for the service to be exempt from VAT it must be all of the following:

- an education service;
- funded by tuition costs; and
- provided as a course of study.

Education services are defined within the VAT Regulations as tuition or instruction for students provided by an institution registered with the Ministry of Education, the Department of Social Services, or the Public Hospitals Authority being:

- a) a pre-primary, primary, or secondary school;
- b) a technical college, community college, or university;
- c) an educational institution established for the promotion of adult education, vocational training, or technical education;
- d) an institution established for the education or training of physically or mentally handicapped persons; or
- e) an institute established for the training of sports persons.

The following services are considered to be included in the costs of tuition and are exempt from VAT;

- course instruction costs;
- books; and
- other materials explicitly included by the institution in the cost of tuition.

A course of study only applies to enrolment in:

- a preschool, primary school or secondary school; and
- a tertiary level programme of study at an institution of higher learning which would, upon successful completion, result in the grant of a degree.

Therefore, tuition fees charged by higher education establishments will be taxable unless they are for a degree course.

Tuition fees for professional or personal development courses, continuing education courses and seminars, or tutoring services will all be taxable at the standard rate.

The following are not considered part of the costs of tuition and are considered taxable supplies, when provided for an additional charge:

- Vocational training.
- Books and other materials supplied for a separate charge.
- Catering services.
- The sale of uniforms.
- School trips.
- Examination services.
- Counselling and careers guidance.
- Arranging work experience.
- Supplies of graduation certificates.
- Goods from school shops or vending machines.
- The sale of photographs.
- Events to which a charge is made unless it is a charitable event (see guide on Charities, Clubs and Associations).
- The provision of school facilities or equipment for a charge.
- Other services or amenities which cannot be directly attributed to education services funded by tuition costs in a course of study.

What if I am not an institution registered with the public authorities as described above but supply tuition and instruction?

Any supply of tuition or instruction that is not an education service, funded by tuition costs and provided in the course of study is a taxable supply. For example, if you provide golf lessons or private tuition for a fee your services are taxable and you will be required to register for VAT if your turnover exceeds the VAT registration threshold outlined below.

If you are a charity and are providing educational services, you should also read the guide on Charities, Clubs and Associations as your supplies may not be made by way of business and therefore are not subject to VAT. Also, charities can recover VAT on certain goods and services used in their charitable activities.

What about the provision of day-care and after-school care?

In accordance with Part I section 9 of the Second Schedule of the VAT Bill, the provision of day-care and after-school care is exempt from VAT when provided by any institution or business. The exemption covers the charge for the day-care or after-school care, if you make a separate charge (for example for meals) you are making a separate supply of goods or services and must consider whether that would be a taxable supply or not.

When would an educational institution be required to register for VAT?

If you make 'taxable supplies' you will have to register for VAT if you either:

- make taxable supplies and the total sales value of the taxable supplies for the previous 12 months has exceeded a specific limit called the 'VAT threshold'; or
- at the beginning of any 365 day period you consider that the total value of your taxable supplies will exceed the VAT threshold in the next 365 days.

The VAT threshold is \$100,000 of taxable supplies.

You should apply for VAT registration within 14 days of meeting the requirements. If you meet the requirements for registration, the Comptroller of VAT ("the Comptroller") will register you for VAT within 21 days of your application.

If you do not register for VAT when you should, you will still become a taxable person and may need to account for VAT on your supplies even if you haven't charged it.

You can choose to register for VAT if you make or intend to make taxable supplies, even if you don't have to register. This is referred to as "voluntary registration". Some businesses may want to voluntarily register for VAT so that they can claim a refund of the VAT they are charged by suppliers.

Once you are registered for VAT you are required to charge and account for VAT on any taxable supplies you make. You will also need to comply with the invoicing requirements outlined in the section "How do I charge VAT?" in the VAT Guide.

What VAT can I recover on costs?

You cannot recover VAT on purchases that relate to supplies that are exempt from VAT.

If you make taxable supplies you will be able to recover the VAT on costs that relate to those taxable supplies provided you are registered for VAT. For example, if you provide catering services for which you make a separate charge for catering services to everyone using the facilities, you can recover VAT on the food and equipment used to provide the catering services.

You will only be required to register for VAT if the turnover from your taxable supplies exceeds the VAT registration threshold of \$100,000 in a 12 month period or you expect the turnover from your taxable supplies to exceed \$100,000 in the next 12 months.

You can however, voluntarily register for VAT. Once registered for VAT you would have to charge VAT on any taxable supplies you make but this would enable you to recover VAT on costs that directly related to taxable supplies and some VAT on overhead costs.

If you are registered for VAT and make both exempt and taxable

supplies you can recover the VAT on costs that directly relate to taxable supplies and a portion of the VAT incurred on other costs that relate to both taxable and exempt supplies. So the first step in determining the amount of VAT that can be recovered on costs would be to allocate the costs to an activity. There will be some costs that cannot be allocated to a specific activity, these costs will need to be apportioned. To determine the amount of VAT you can recover on costs that relate to both taxable and exempt supplies you should follow the standard method of apportionment set out in the VAT Guide. If you feel that the standard method of apportionment does not give a fair and reasonable allocation of costs to taxable and exempt supplies you can apply to the Comptroller to use a special method. In your application you must detail the method you propose to use. You must not use a special method without written agreement from the Comptroller.

If you are a registered charity providing educational services you may also be able to recover VAT on certain goods and services you provide even though your services are exempt from VAT. Further details are contained in the guide on "Charities, Clubs and Associations".

Who is responsible for the VAT obligations of an educational institution?

Those that are responsible for the management of the institution will be responsible for the VAT obligation. If the institution is a limited company, then the directors will be responsible for the management of the company. If the institution is managed by committee members or a board of governors, it is the committee or board of governors that are jointly responsible for the VAT obligations. A committee member or governor will have joint responsibility for the VAT obligations for the time that they are on the committee or board of governors. A member of a committee or board can be elected to be the contact for matters in respect of VAT.

The Law

You may find the following references to the legislation useful.

VAT Bill

Second Schedule Part I section 4 - exemption from VAT of education services funded by tuition costs in a course of study.

Second Schedule Part I section 9 - exemption from VAT of day-care and after-school care.

VAT Regulations

Part I section 2 - description of what is considered to be education services for the purposes of the VAT exemption.

Part I section 9 - services covered by the VAT exemption for education 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: vat@bahamas.gov.bs

Or you can write to us:

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