



DEPARTMENT OF
INLAND REVENUE
Central Revenue Administration

TAXATION UPDATE

BUSINESS LICENCE ACT, BLA 2023



DIR EXPECTATIONS

TAXATION UPDATE 2023



EXPECTATIONS

- 1) Demonstrate that you have a clear understanding of your client's business and ensure that your documentation support that fact.
- 2) Ensure that the taxpayer, the 'legal person', only has 1 TIN (exception for those person's operating inside and outside the Port Area on Grand Bahama).
- 3) Ensure that restaurants, bars, and liquor stores located in the Port Area apply for a government business licence notwithstanding that there is a Freeport exemption.

EXPECTATIONS

- 4) Ensure that the business owner has the required number of licences, by location and/or activity.
- 5) Ensure that the taxpayer reports the total turnover from all business activities. BL tax rates and exemptions are based on the overall turnover and VAT mandatory registration threshold is also based on the total turnover from all the business activities carried on by the 'legal person'.
- 6) Ensure that the taxpayer complies with the requirement to maintain and keep proper books and records including source documents for a period of 5 years.

EXPECTATIONS

- 7) Ensure that BL turnover is calculated on an accrual basis notwithstanding that the taxpayer may be authorized to use the cash scheme of accounting for VAT purposes.

- 8) Ensure that the required additions and permitted subtractions from BL turnover are in harmony with section 32 of the Business Licence Act, 2023. For example, ensure that the sale of capital assets, including real property is included in the turnover calculation when these properties are sold in the ordinary course of the business.

EXPECTATIONS

- 9) Ensure that you identify any taxpayer that is part of a VAT group given the special rules in place under the **Third Schedule** to the Business Licence Act, 2023.

- 10) Ensure to investigate any variance between the turnover for BL purposes and turnover reported on the VAT returns. Ensure that a proper reconciliation has been prepared and **reconcile to the records**.

EXPECTATIONS

- 11) Consider reasonability tests such as a comparison between the revenue from the Income Statements vs. the business turnover for BL and VAT purposes. Compare the value of revenue deposits to the reported turnover.
- 12) Enquire about intercompany transactions.
- 13) Obtain an attestation from the taxpayer as to the completeness and accuracy of the accounting information and calculation of turnover **(from all business activities).**



DEPARTMENT OF
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Central Revenue Administration

S₃₂ TURNOVER

BUSINESS LICENCE ACT, BLA 2023

TURNOVER

“Turnover” is a statutorily defined term whose meaning differs from the concept of earned revenue and generally accepted accounting principles.

Furthermore, the definitions contained in the VAT Act, 2014, and the Business Licence Act, 2023, are not identical.

Consider that the value of the BL turnover could be $> =$ or $<$ VAT turnover

S₃₂ TURNOVER

- 1) Subject to subsection (3), “turnover”, for the purposes of this Act, means total revenues in money and money’s worth accruing to a person from his business activities in or from within The Bahamas during the year of assessment, without any deductions on account of the cost of the property sold, the cost of the materials used, the cost of services used, labor costs, taxes, royalties paid in cash or in kind or otherwise, interest or discount paid or any other deductions whatsoever.

S₃₂ TURNOVER

- 2) Without prejudice to the generality of subsection (1), turnover includes –
- a) all cash, credit sales, and commissions;
 - b) The gross amounts receivable as compensation for personal services;
 - c) The gross receipts derived from trade, business, commerce or sales;
 - d) The total value proceeding or accruing from the sale of tangible or intangible property or service, or both including all deposits and progress payments received in relation to the sale;
 - e) The gross receipts by reason of the investment of the capital of any business engaged in by the taxable person, including rentals, royalties, fees, reimbursed costs or expenses;

S₃₂ TURNOVER

- f) In relation to an international business company, all revenues recorded by the international business company in its books and records in The Bahamas, whether or not any portion of such revenues is attributable to activities conducted outside The Bahamas;
- g) The gross premiums payable to an insurer under an insurance contract;
- h) Revenue accruing from **proprietary trading**;
- i) Revenue accruing from operations as a **family office**;
- j) Any other emoluments however designated, including all interest, carrying charges, fees or other like income, however denominated, derived by a taxable person from repetitive carrying of accounts, in the regular course and conduct of his business, and extension of credit in connection with the sale of any tangible or intangible property or service.

S₃₂ TURNOVER

Turnover **does not** include –

- a) Output tax collected by a business in accordance with the Value Added Tax Act, 2014 (*No. 32 of 32 of 2014*);
- b) The sale of capital assets, including real property unless such sale is in the ordinary course of the business;
- c) In relation to an insurer, commissions derived from reinsurance business, where tax is paid on the total reinsurance premium;
- d) In relation to any agent, an amount received for on behalf of a principal in an agency relationship except, where the principal is a non-resident;

S₃₂ TURNOVER

Turnover **does not** include –

- e) an amount received on items sold by an **auctioneer**, where the auctioneer has no title or interest in the goods sold, except for the auctioneer fee or commission;
- f) subject to rules issued by the Secretary, a **gratuity** charged as part of the price of services provided in hotels and restaurants where – the gratuity is calculated on the price of the service exclusive of the value added tax; and the amounts collected are paid in full to eligible employees in accordance with rules issued by the Secretary;
- g) revenue accruing from **transactions between members of a group** under section 34 which fall within the exclusions specified in Part B of the Third Schedule;

S₃₂ TURNOVER

Turnover **does not** include –

- h) revenue derived from services provided by a business to an entity where
 - i. the ultimate beneficial owner of ninety *per centum* of the shares equivalent ownership interest in both the business and the entity is the same person;
 - ii. and the entity is not a business;
 - i) revenue derived from investment in government securities; and
 - j) any other exclusion as the Minister may by order allow.
- 4) For the purposes of subsection (1), revenue accrues to a person from his business activities **when the revenue is earned, due or received, whichever is earliest.**

S33, TURNOVER - NON-ARM'S LENGTH TRANSACTIONS



- 1) Where the Secretary is of the opinion that –
 - a) any transaction carried out **between related persons** was carried out for a consideration substantially different from that obtainable at arm's length or for no consideration;
 - b) and the effect of this would be to reduce the amount of tax payable by any person, the Secretary may, for the purposes of assessing that person's tax liability, treat the transaction as having been carried out for such consideration as would in his opinion have been obtainable at arm's length.

S33, TURNOVER - NON-ARM'S LENGTH TRANSACTIONS



- 2) Subsection (1) shall not apply if the person shows to the satisfaction of the secretary that –
 - a) the transaction did not have as its object, or one of its objects, the avoidance of tax; and
 - a) the consideration for which the transaction was carried ***out was of a value not less than the cost incurred in providing the subject matter of the transaction (including a reasonable sum of overheads).***

S33, TURNOVER - NON-ARM'S LENGTH TRANSACTIONS



Without prejudice to subsection (1), where the Secretary has no reason to believe that any transaction carried out for a consideration substantially different from that obtainable at arm's length, or for no consideration, was carried out with the object of reducing the amount of tax payable by any person, or for purposes including that object, he may treat the transaction as having been carried out for consideration as could in his opinion have been obtainable at arm's length.



DEPARTMENT OF
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Central Revenue Administration

BUSINESS LICENCE RETURN

ESTIMATED AND ACTUAL TAX

S35, ACTUAL TAX AND ESTIMATED TAX

- 1) The estimated tax payable in a year shall be calculated by a business based on the turnover of the business in the immediately preceding year.
- 2) A licensee may elect to pay the estimated tax **in full or in instalments** in accordance with subsection (6).
- 3) Where the actual tax for the year is less than the estimated tax paid by a licensee, the amount overpaid shall be carried forward and treated as a credit towards tax payable for the succeeding year.
- 4) A licensee who wishes to pay the estimated tax for any year in instalments **must notify the Secretary in writing at the time of application for the renewal of his licence.**

S35, ACTUAL TAX AND ESTIMATED TAX

- 5) A licensee who in any year does not notify the Secretary by the time of renewal of his license shall be deemed to have selected to pay the estimated tax in full by 31st March.
- 6) A licensee who is approved by the Secretary to pay in instalments shall pay –
 - a) the first instalment by the 31st day of March;
 - b) the second instalment by the 30th day of June;
 - c) the third instalment by the 30th day of September; and
 - d) the fourth instalment by the 31st day of December.

S35, ACTUAL TAX AND ESTIMATED TAX

7) For the purposes of this section –

“estimated tax” for any year means tax computed by applying the applicable rate under section 34 to the estimated turnover for that year;

“estimated turnover” for any year means turnover for the prior year;

“unpaid tax” means the amount by which the actual tax exceeds the estimated tax.



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BUSINESS LICENCE RETURN FORM

WALKTHROUGH

THE BUSINESS LICENCE RETURN

7 TABS TO A SUCCESSFUL ENGAGEMENT

1. Reconciliation to financial statements
2. Revenue items
3. Exclusions
4. Calculation of turnover
5. VAT reconciliation
6. Final reconciliation
7. Accounting policies



THE BUSINESS LICENCE RETURN

TAB 1 "RECONCILIATION TO FS"

This TAB aims to convert non-calendar fiscal year's sales revenues per the financial records to the calendar year basis for BL purposes.

BUSINESS LICENCE RETURN	
ENTITY NAME:	-
TIN	-
FISCAL YEAR TOTAL REVENUE PER BOOKS & RECORDS (OR WHERE APPLICABLE AUDITED FINANCIAL STATEMENTS) OF THE REPORTING ENTITY	
Reconciliation from fiscal year revenue to calendar year revenue per financial statement reporting framework	
(a) Revenue related to prior calendar year included in fiscal year (input as negative)	
Plus (b) Revenue related to current calendar year excluded from fiscal year (input as positive)	
CALENDAR YEAR TOTAL REVENUE PER BOOKS & RECORDS OF THE REPORTING ENTITY	-

TAB 1 – FYE DECEMBER 31 NO ADJUSTMENTS REQUIRED

BUSINESS LICENCE RETURN	
ENTITY NAME:	Pinder's Services Ltd.
TIN	987-654-321
FISCAL YEAR TOTAL REVENUE PER BOOKS & RECORDS (OR WHERE APPLICABLE AUDITED FINANCIAL STATEMENTS) OF THE REPORTING ENTITY	550,000.00
Reconciliation from fiscal year revenue to calendar year revenue per financial statement reporting framework	
(a) Revenue related to prior calendar year included in fiscal year (input as negative)	
Plus (b) Revenue related to current calendar year excluded from fiscal year (input as positive)	
CALENDAR YEAR TOTAL REVENUE PER BOOKS & RECORDS OF THE REPORTING ENTITY	550,000.00

TAB 1 – FYE JUNE 30, ADJUSTMENTS ARE REQUIRED

DEDUCT JULY TO DECEMBER PRIOR CALENDAR YEAR'S FS REVENUES, ADD JULY TO DECEMBER CURRENT YEAR FS REVENUES



BUSINESS LICENCE RETURN	
ENTITY NAME:	Bay Street Industries Limited
TIN	123-456-789
FISCAL YEAR TOTAL REVENUE PER BOOKS & RECORDS (OR WHERE APPLICABLE AUDITED FINANCIAL STATEMENTS) OF THE REPORTING ENTITY	550,000.00
Reconciliation from fiscal year revenue to calendar year revenue per financial statement reporting framework	
(a) Revenue related to prior calendar year included in fiscal year (input as negative) July to December 20Y1	(200,000.00)
Plus (b) Revenue related to current calendar year excluded from fiscal year (input as positive) July to December 20Y2	375,000.00
CALENDAR YEAR TOTAL REVENUE PER BOOKS & RECORDS OF THE REPORTING ENTITY	725,000.00

THE BUSINESS LICENCE RETURN

TAB 2 "REVENUE ITEMS"



This TAB records:

1. Turnover by business unit (location/licence) and revenue stream (activity).
2. Related party transactions that must be added to "turnover" (this excludes Part B supplies under the the *Third Schedule* to the BLA, 2023)
3. The revenues (based on a calendar year from TAB 1 + the value of the above-noted related party transactions.

BUSINESS LICENCE RETURN			
ENTITY NAME:			
TIN:			
1. REVENUE (Calendar Year):			
Report revenues earned from business activities in or from within The Bahamas for each business unit per the books & records of the reporting entity			
		1	2
	Description Revenue Stream Per Books & Records	Revenue Amount	Revenue Amount
Line 1			
Line 2			
Line 3			
Line 4			
Line 5			
Line 6			
Line 7			
TOTAL		-	-
2. RELATED PARTY TRANSACTIONS (Calendar Year):			
Report Related Party Transactions (other than transactions under Part B of Third Schedule with other members of the Reporting Entity's VAT Group)			
	Name of Related Party	Price charged/Revenue allocated for the goods and services	Total Cost to provide the goods or services (including overheads)
1			10
2			
3			
4			
5			
TOTAL		0	10
CALENDAR YEAR TOTAL REVENUE PER BOOKS & RECORDS OF THE REPORTING EN			10.00
			CHECK
			(10.00)

TAB 2 – TWO LOCATIONS, TWO BUSINESS ACTIVITIES + ONE RELATED PARTY TRANSACTION (VAT WAS NOT COLLECTED FROM THE RELATED PARTY AND NOT RECORDED AS A SALE)



BUSINESS LICENCE RETURN			
ENTITY NAME Pinder's Services Ltd.			
TIN: 987-654-321			
1. REVENUE (Calendar Year): Report revenues earned from business activities in or from within The Bahamas for each business unit per the books & records of the reporting entity			
		1 East Bay Street	2 West Bay Street
	Description Revenue Stream Per Books & Records	Revenue Amount	Revenue Amount
Line 1	Gasoline sales	150,000.00	150,000.00
Line 2	Convenience Store	125,000.00	125,000.00
Line 3			
Line 4			
Line 5			
Line 6			
Line 7			
TOTAL		275,000.00	275,000.00
2. RELATED PARTY TRANSACTIONS (Calendar Year): Report Related Party Transactions (other than transactions under Part B of Third Schedule with other members of the Reporting Entity's VAT Group)			
	Name of Related Party	Price charged/Revenue allocated for the goods and services	Total Cost to provide the goods or services (including overheads)
1	Fernander Enterprises Ltd.	0	25000
2			
3			
4			
5			
TOTAL		0	25000
CALENDAR YEAR TOTAL REVENUE PER BOOKS & RECORDS OF THE REPORTING			575,000.00
			CHECK
			(25,000.00)

TAB 2 – TWO LOCATIONS, TWO BUSINESS ACTIVITIES + ONE RELATED PARTY TRANSACTION (VAT WAS NOT COLLECTED FROM THE RELATED PARTY AND NOT RECORDED AS A SALE)



ENTITY NAME: Bay Street Industries Limited			
TIN: 123-456-789			
1. REVENUE (Calendar Year):			
Report revenues earned from business activities in or from within The Bahamas for each business unit per the books & records of the reporting entity			
		1 East Bay Street	2 West Bay Street
	Description Revenue Stream Per Books & Records	Revenue Amount	Revenue Amount
Line 1	Gasoline sales	200,000.00	200,000.00
Line 2	Convenience store	162,500.00	162,500.00
Line 3			
Line 4			
Line 5			
Line 6			
Line 7			
TOTAL		362,500.00	362,500.00
2. RELATED PARTY TRANSACTIONS (Calendar Year):			
Report Related Party Transactions (other than transactions under Part B of Third Schedule with other members of the Reporting Entity's VAT Group)			
	Name of Related Party	Price charged/Revenue allocated for the goods and services	Total Cost to provide the goods or services (including overheads)
1	Fernander Enterprises Ltd.		25000
2			
3			
4			
5			
TOTAL		0	25000
CALENDAR YEAR TOTAL REVENUE PER BOOKS & RECORDS OF THE REPORTING ENTITY			750,000.00
			CHECK
			(25,000.00)



THE BUSINESS LICENCE RETURN TAB 3 "EXCLUSIONS"

This TAB records on a (split) per licence basis:

1. The turnover determined under TAB2 (financial statement revenues for the calendar year + value of related party transactions) .
2. Items not recorded in the financial records as revenues but that fit into the definition of turnover prior to considering permitted deductions and mandatory inclusions.
3. Items which are permitted deductions (exclusions under the BLA).
4. Items which are mandatory inclusions.

These items are carried forward to TAB 4, "Calculation of Turnover".

...VALUE PER BOOKS & ... ENTITY		10.00	
... (s)			
... Business unit	1	5.00	2
... d in turnover per books & records and business			
... tax collected			
... ents received by the taxpayer as an agent for or on behalf of a principal			
... ounts other than fees/commissions received by an Auctioneer for sale of goods not owned by Auctioneer			
... ratiuties collected by hotels or restaurants that are paid out in full to eligible employees			
TOTAL ITEMS NOT IN BOOKS AND BUSINESS LICENCE			
... cluded items per the Business Licence Act per Business Unit:			
... (a) Output tax collected			
... (b) Sale of Capital Assets (other than in the ordinary course of business)			
... (c) Commissions derived by an insurer from reinsurance business (provided that tax was paid on the total reinsurance premium)			
... (d) Amounts received by the taxpayer as an agent for or on behalf of a principal			
... (e) Amounts other than fees/commissions received by an Auctioneer for sale of goods not owned by Auctioneer			
... (f) Gratuities collected by hotels or restaurants that are paid out in full to eligible employees			
... (g) Revenue from transactions under Part B of Third Schedule			
... (h) Revenue derived from services provided to non-business entities that share the same ultimate beneficial owner			
... (i) Revenue derived from investment in government securities;			
... r excluded items per Business Unit:			
... \ Unrealized gains included in revenue/other income			
... Deferred revenue reported and taxed as revenue received in r year			
... ounts billed but not earned/received reported and taxed as e due in prior year			
... port revenue			
... ue taxed in prior years written off/returned in current			
... revenue taxed by port authority			
... usions (please describe and explain)			
... NS			
... as deferred revenue			
... d or earned			
... nd explain)			

TAB 3 PINDER'S SERVICE, VAT WAS NOT COLLECTED FROM RELATED PARTY

BUSINESS LICENCE RETURN				
ENTITY NAME:		Pinder's Services Ltd.		
TIN		987-654-321		
CALENDAR YEAR TOTAL REVENUE PER BOOKS & RECORDS OF THE REPORTING ENTITY		575,000.00		
TRADING AS:				
Business Licence Number(s)		12345678	87654321	
Total Turnover per business unit		1 325,000.00	2 250,000.00	CHECK -
Items not included in turnover per books & records and business licence				
(a) Output tax collected		30,000.00	25,000.00	
(d) Amounts received by the taxpayer as an agent for or on behalf of a principal				
(e) Amounts other than fees/commissions received by an Auctioneer for sale of goods not owned by				
(f) Gratuities collected by hotels or restaurants that are paid out in full to eligible employees				
		30,000.00	25,000.00	
TOTAL ITEMS NOT IN BOOKS AND BUSINESS LICENCE		55,000.00		
Excluded items per the Business Licence Act per Business Unit:				
(a) Output tax collected		30,000.00	25,000.00	
(b) Sale of Capital Assets (other than in the ordinary course of business)				
(c) Commissions derived by an insurer from reinsurance business (provided that tax was paid on the total reinsurance premium)				
(d) Amounts received by the taxpayer as an agent for or on behalf of a principal		-		
(e) Amounts other than fees/commissions received by an Auctioneer for sale of goods not owned by		-		
(f) Gratuities collected by hotels or restaurants that are				

TAB 3 BAY STREET, VAT WAS NOT COLLECTED FROM RELATED PARTY

BUSINESS LICENCE RETURN			
ENTITY NAME: Bay Street Industries Limited			
TIN 123-456-789			
CALENDAR YEAR TOTAL REVENUE PER BOOKS & RECORDS OF THE REPORTING ENTITY		750,000.00	
TRADING AS:			
Business Licence Number(s)		12345678	87654321
		Gasoline sales including Related Party	Convenience store
Total Turnover per business unit	1	425,000.00	2 325,000.00
Items not included in turnover per books & records and business licence			
(a) Output tax collected		40,000.00	32,500.00
(d) Amounts received by the taxpayer as an agent for or on behalf of a principal			
(e) Amounts other than fees/commissions received by an Auctioneer for sale of goods not owned by Auctioneer			
(f) Gratuities collected by hotels or restaurants that are paid out in full to eligible employees			
		40,000.00	32,500.00
TOTAL ITEMS NOT IN BOOKS AND BUSINESS LICENCE		72,500.00	
Excluded items per the Business Licence Act per Business Unit:			
(a) Output tax collected		40,000.00	32,500.00
(b) Sale of Capital Assets (other than in the ordinary course of business)			
(c) Commissions derived by an insurer from reinsurance business (provided that tax was paid on the total reinsurance			

THE BUSINESS LICENCE RETURN

TAB 4 "CALCULATION OF TURNOVER"



This TAB sets out the calculation of the combined turnover for BL purposes.

The formula is:

- TAB 1 Calendar year FS sales
- + TAB 2 related party transactions
- + TAB 3 items not in FS sales but are turnover (prior to considering permitted exclusions)
- TAB 3 permitted exclusions
- + TAB 3 Mandatory inclusions
- = BL turnover

BUSINESS LICENCE RETURN		
ENTITY NAME:		-
TIN		-
CALENDAR YEAR TOTAL REVENUE PER BOOKS & RECORDS OF THE REPORTING ENTITY		\$10.00
TOTAL ITEMS NOT IN BOOKS AND BUSINESS LICENCE		\$0.00
TOTAL EXCLUSIONS		\$0.00
TOTAL INCLUSIONS		\$0.00
CALENDAR YEAR BUSINESS LICENCE TURNOVER		\$10.00

TAB 4, AMOUNTS CARRY FORWARD AUTOMATICALLY

BUSINESS LICENCE RETURN	
ENTITY NAME:	Pinder's Services Ltd.
TIN	987-654-321
CALENDAR YEAR TOTAL REVENUE PER BOOKS & RECORDS OF THE REPORTING ENTITY	\$575,000.00
TOTAL ITEMS NOT IN BOOKS AND BUSINESS LICENCE	\$55,000.00
TOTAL EXCLUSIONS	\$55,000.00
TOTAL INCLUSIONS	\$0.00
CALENDAR YEAR BUSINESS LICENCE TURNOVER	\$575,000.00

TAB 4, AMOUNTS CARRY FORWARD AUTOMATICALLY

BUSINESS LICENCE RETURN	
ENTITY NAME:	Bay Street Industries Limited
TIN	123-456-789
CALENDAR YEAR TOTAL REVENUE PER BOOKS & RECORDS OF THE REPORTING ENTITY	\$750,000.00
TOTAL ITEMS NOT IN BOOKS AND BUSINESS LICENCE	\$72,500.00
TOTAL EXCLUSIONS	\$72,500.00
TOTAL INCLUSIONS	\$0.00
CALENDAR YEAR BUSINESS LICENCE TURNOVER	\$750,000.00

THE BUSINESS LICENCE RETURN

TAB 5 "VAT RECON"



This TAB requires that you explain the variance, if any, between the VAT turnover reported on line 9 of the VAT returns and the BL turnover calculated in TAB 4.

Your adjustments to reconcile the variance must be described and explained. You can list these below the table.

BUSINESS LICENCE RETURN	
ENTITY NAME:	-
TIN	-
CALENDAR YEAR VAT TURNOVER	
Reconciliation from fiscal year revenue to calendar year revenue per financial statement reporting framework	
Please describe and explain rationale for any negative adjustments (input as negative)	
Please describe and explain rationale for any positive adjustments (input as positive)	
CALENDAR YEAR BUSINESS LICENCE TURNOVER	-
	CHECK
	(10.00)

TAB 5 VAT RECONCILIATION – 2 ADJUSTMENTS

BUSINESS LICENCE RETURN	
ENTITY NAME:	Pinder's Services Ltd.
TIN	987-654-321
CALENDAR YEAR VAT TURNOVER	442,500.00
Reconciliation from fiscal year revenue to calendar year revenue per financial statement reporting framework	
Please describe and explain rationale for any negative adjustments (input as negative)	
Please describe and explain rationale for any positive adjustments (input as positive)	132,500.00
CALENDAR YEAR BUSINESS LICENCE TURNOVER	575,000.00
	CHECK
	-
Cash basis of accounting	107500
Related party transaction	25000
	132500

TAB 5 VAT RECONCILIATION – 2 ADJUSTMENTS

BUSINESS LICENCE RETURN		
ENTITY NAME:		Bay Street Industries Limited
TIN		123-456-789
CALENDAR YEAR VAT TURNOVER		592,500.00
Reconciliation from fiscal year revenue to calendar year revenue per financial statement reporting framework		
Please describe and explain rationale for any negative adjustments (input as negative)		
Please describe and explain rationale for any positive adjustments (input as positive)		157,500.00
CALENDAR YEAR BUSINESS LICENCE TURNOVER		750,000.00
		CHECK
		-
Cash basis of accounting		132,500.00
Related party transaction		25000
		157,500.00

THE BUSINESS LICENCE RETURN

TAB 6 "FINAL RECON"



This TAB explains the turnover variance, if any, between the amount reported by the January renewal deadline and the amount on Statement of Turnover which is due by March 31.

An amendment must be submitted through the portal to update the turnover value.

DIR will grant an automatic extension to April 30 if required but further delays require an application for formal approval.

Whether an extension is granted to extend the time to submit the Statement of Turnover, payment for

taxes based on the business' preliminary calculations must be made by March 31. Penalties will be considered for inaccurate reporting by the licensee. DIR will also submit a complaint of professional misconduct to BICA against practitioners should concerns arise regarding the conduct of the practitioner.

BUSINESS LICENCE RETURN	
ENTITY NAME:	-
TIN	-
CALENDAR YEAR BUSINESS LICENCE TURNOVER SUBMITTED JAN 31	
Reconciliation from fiscal year revenue to calendar year revenue per financial statement reporting framework	
Please describe and explain rationale for any negative adjustments (input as negative)	
Please describe and explain rationale for any positive adjustments (input as positive)	
CALENDAR YEAR BUSINESS LICENCE TURNOVER	-
	CHECK
	(10.00)

TAB 6 RECONCILIATION BETWEEN JAN 31 TURNOVER CALCULATION AND FINAL MAR 31 TURNOVER



BUSINESS LICENCE RETURN	
ENTITY NAME:	Pinder's Services Ltd.
TIN	987-654-321
CALENDAR YEAR BUSINESS LICENCE TURNOVER SUBMITTED JAN 31	550,000.00
Reconciliation from fiscal year revenue to calendar year revenue per financial statement reporting framework	
Please describe and explain rationale for any negative adjustments (input as negative)	
Please describe and explain rationale for any positive adjustments (input as positive) related party transaction	25,000.00
CALENDAR YEAR BUSINESS LICENCE TURNOVER	575,000.00
	CHECK
	-

TAB 6 RECONCILIATION BETWEEN JAN 31 TURNOVER CALCULATION AND FINAL MAR 31 TURNOVER



BUSINESS LICENCE RETURN	
ENTITY NAME:	Bay Street Industries Limited
TIN	123-456-789
CALENDAR YEAR BUSINESS LICENCE TURNOVER SUBMITTED JAN 31	725,000.00
Reconciliation from fiscal year revenue to calendar year revenue per financial statement reporting framework	
Please describe and explain rationale for any negative adjustments (input as negative)	
Please describe and explain rationale for any positive adjustments (input as positive) related party transaction	25,000.00
CALENDAR YEAR BUSINESS LICENCE TURNOVER	750,000.00
	CHECK
	-

THE BUSINESS LICENCE RETURN

TAB 7 “ACCOUNTING POLICIES”

This TAB is analogous to Notes to the Financial Statements. The notes to the Statement of Turnover are essential components of a turnover report. They provide additional context, explanations, and details related to the financial statements and necessary adjustments to determine turnover for business licence purposes. Here are some key points about these notes:

Purpose:

Explanation: The notes explain the assumptions, methodologies, and judgments used in preparing the Statement of Turnover.

Disclosure: They disclose significant accounting policies, and other relevant information.

Content:

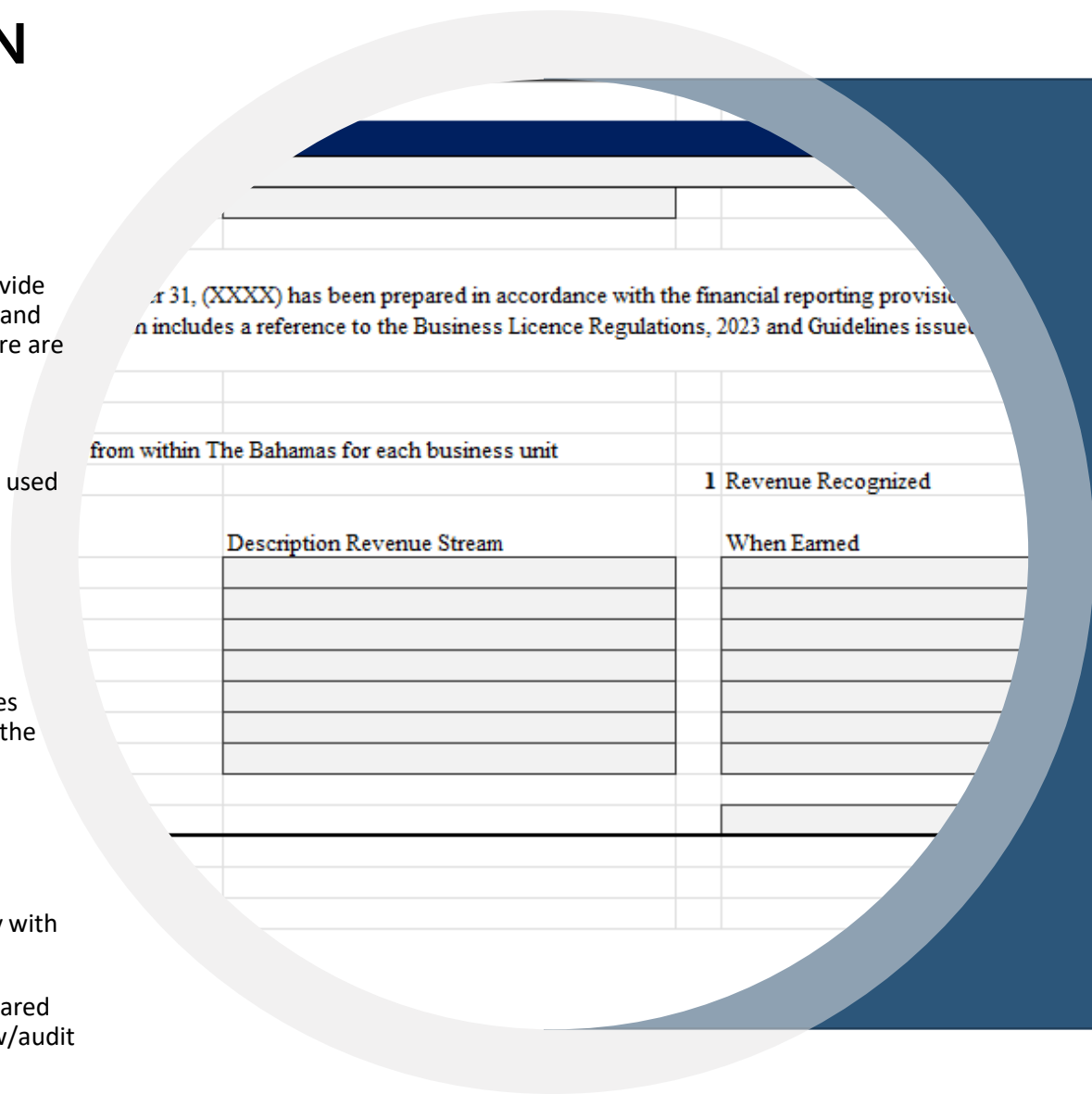
Accounting Policies: The practitioner will outline the business’ accounting policies (e.g., revenue recognition, depreciation methods) relevant to the calculation of the turnover.

Adjustments: Notes provide the rationale for the inclusions and deductions.

Preparation Timing:

Concurrent with the Statement of Turnover: Notes are prepared simultaneously with the Statement of Turnover.

Auditor’s: Auditors review and verify the information in the financial notes prepared by management during their audit process. Similarly, the practitioner will review/audit the information in the notes to the Statement of Turnover.



... r 31, (XXXX) has been prepared in accordance with the financial reporting provisions... n includes a reference to the Business Licence Regulations, 2023 and Guidelines issued...

from within The Bahamas for each business unit		Revenue Recognized
Description Revenue Stream		When Earned

TAB 7 "NOTES TO THE STATEMENT OF TURNOVER"

BUSINESS LICENCE RETURN					
ENTITY NAME:		Pinder's Services Ltd.			
TIN:		987-654-321			
<p>The Business Licence Return of the Taxpayer as at December 31, (XXXX) has been prepared in accordance with the financial reporting provisions of the Business Licence Act, 2023. References to the Business Licence Act, 2023 in this Return includes a reference to the Business Licence Regulations, 2023 and Guidelines issued by the Department of Inland Revenue ("DIR") under the Business Licence Act, 2023.</p>					
1. REVENUE:					
Report revenues earned from business activities in or from within The Bahamas for each business unit					
		1 Revenue Recognized	2 Revenue Recognized	3 Revenue Recognized	4 Revenue Recognized
	Description Revenue Stream	When Eamed	When Received	When Billed But not Eamed or Received	Total
Line 1	Gasoline	300,000.00			
Line 2	Convenience Store	275,000.00			
Line 3					
Line 4					
Line 5					
Line 6					
Line 7					
CALENDAR YEAR BUSINESS LICENCE TURNOVER		575,000.00		-	-
					CHECK
					575,000.00
2. REVENUE RECOGNITION ACCOUNTING POLICIES					
Describe how revenue is earned and the accounting policies					
Line 1	credit is granted to commercial accounts only				

TAB 7 "NOTES TO THE STATEMENT OF TURNOVER"

BUSINESS LICENCE RETURN				
ENTITY NAME:		Bay Street Industries Limited		
TIN:		123-456-789		
<p>The Business Licence Return of the Taxpayer as at December 31, (XXXX) has been prepared in accordance with the financial reporting provisions of the Business Licence Act, 2023. References to the Business Licence Act, 2023 in this Return includes a reference to the Business Licence Regulations, 2023 and Guidelines issued by the Department of Inland Revenue ("DIR") under the Business Licence Act, 2023.</p>				
1. REVENUE:				
Report revenues earned from business activities in or from within The Bahamas for each business unit				
		1 Revenue Recognized	2 Revenue Recognized	3 Revenue
	Description Revenue Stream	When Earned	When Received	When B Receive
Line 1	Gasoline	425,000.00		
Line 2	Convenience	325,000.00		
Line 3				
Line 4				
Line 5				
Line 6				
Line 7				
CALENDAR YEAR BUSINESS LICENCE TURNOVER		750,000.00		
2. REVENUE RECOGNITION ACCOUNTING POLICIES				
Describe how revenue is earned and the accounting policies				



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MINIMUM PROCEDURES

AUDIT/REVIEW PROCEDURES



MINIMUM PROCEDURES

The independent practitioner **must** perform procedures to test the completeness and accuracy of the financial information reported by the business in line with the review/auditing standards.

MINIMUM PROCEDURES

At a minimum, the following procedures are required to be performed for **ALL** reviews and audits:

- The independent practitioner must examine bank statements, sale & purchase records and other financial records of the business.
- A bank analysis must be conducted to ensure that the business' financial activity aligns with its financial statements. The bank analysis must include all accounts held with banks, credit unions and other financial institutions that are used in the operation of the business. If the business is a sole trader, the bank analysis must also include personal accounts in the name of the business owner. A reconciliation is required to explain any material variances as well as any material deposits that do not represent revenue. Any material amounts which are not able to be reconciled are required to be included in turnover.

MINIMUM PROCEDURES

Where the business is a VAT registrant, the independent practitioner must compare the calculated Business Licence turnover and VAT Exclusive total supplies reported on line 9 of the VAT Returns (total supplies including bonded supplies, excluding VAT) for the comparable year and determine whether there are any variances. If a variance exists, the practitioner must conduct a reconciliation.

An appropriate explanation for a material variance, for example, may be where there are differences between the provisions of the BL Act and the VAT Act, such as where the business reports VAT on the cash basis, or where there was a sale of capital assets.

MINIMUM PROCEDURES

- If the business has related party transactions, the independent practitioner must request the price charged or revenue allocated for these transactions, as well as the total cost of providing the goods or services and the arm's length price charged in comparable transactions. If the revenue amount reported by the business for related party transactions is less than the total cost of providing the goods/services, the difference must be included in turnover.
- An appropriate explanation for a material variance, for example, may be where there are differences between the provisions of the BL Act and the VAT Act, such as where the business reports VAT on the cash basis, or where there was a sale of capital assets.

With respect to the minimum required procedures, reconciliations and explanations must be supported by documentation. The independent practitioner is also required to validate the explanations using sampling and other techniques.

MINIMUM PROCEDURES

Additional tests should be conducted bearing in mind the materiality, scoping, risk assessment, and sampling considerations relevant for review and audit engagements under ISRE 2400, ISA 800 and ISA 805.

STATING CORRECT TURNOVER

In cases where the amount declared by the business is found to be materially inaccurate or not reported in accordance with the BL Act, the independent practitioner is required to propose that the business adjust the reported numbers.

The independent practitioner is also required to modify their report, including a statement of what the correct turnover should be, to the extent that determining the correct amount is possible. This adjustment ensures that the Statement of Turnover reflects the correct turnover of the business, in compliance with the legislative requirements. The practitioner's role is to accurately state the turnover, based on the evidence and adjustments made during the review or audit process.

- *NB. The DIR reserves the right to request the working papers of the independent practitioner to determine the level of work conducted.*

FORMAT FOR REVIEWS

The format of the Statement of Turnover should align with the guidelines provided by the DIR, which will include specific templates and/or forms for submission.

The independent practitioner must submit a reviewed BLR and a Report.

REVIEWED BUSINESS LICENCE RETURN

The independent practitioner must review each line item in the BLR and make appropriate adjustments reconciling the numbers to the requirements of the BL Act and Regulations in accordance with the standards stipulated in ISRE 2400 and the verification tests outlined in the guide.

FORMAT FOR REVIEWS

REVIEW REPORT

The Report must detail the accounting policies that were applied by the independent practitioner in determining whether the business recognized revenue in accordance with the Business Licence legislation. This is required to allow the DIR to evaluate the independent practitioner's interpretation of the Business Licence legislation.

The independent practitioner's report must also provide a modified or unmodified conclusion that is applicable to the circumstances and be submitted in the appropriate template.

FORMAT FOR AUDIT

For audits, the deliverables will be the following:

AUDITED FINANCIAL STATEMENTS

The financial statements that are required should provide a comprehensive overview of the financial performance, position, and cash flows of the business.

Specifically, the following financial statements are required to be audited:
Profit & Loss, Cash flow, Balance Sheet, and Comprehensive Income.

FORMAT FOR AUDIT

Audits are required to be conducted under a recognized financial reporting framework (e.g. US GAAP, IFRS, IFRS for SMEs)

Consolidated financial statements may be submitted for related entities. However, a reconciliation showing the turnover for each entity and the taxable transactions between them must be provided in the BLR.

AUDITED RETURN

The independent practitioner must audit each line item in the BLR and make appropriate adjustments reconciling the numbers to the requirements of the BL Act and Regulations in accordance with the standards stipulated in ISA 800 and ISA 805 and the verification tests.

FORMAT FOR AUDIT

AUDIT REPORT

The audit report must be addressed to the Secretary and indicate the independent auditor's opinion in relation to the financial statements and the BLR.

The audit report must also detail the accounting policies that were applied by the independent practitioner in determining whether the business recognized revenue in accordance with the Business Licence Regulation.

FORMAT FOR AUDIT

The Audit Report with respect to the audit of the BLR must also provide a modified or unmodified opinion as applicable to the circumstances and be submitted in the appropriate template. The Audit Report in relation to the audit of the financial statements should be issued in the template in ISA 700 or ISA 701, whichever is applicable.

DUE DATE

STATEMENT OF TURNOVER (Turnover: \$250K to \$4.99M):

The reviewed Return and Report are due by March 31.

STATEMENT OF TURNOVER (Turnover: \$5M and above):

The Audited Return, Audited Financial Statements and Audit Report are also due by March 31.*

However, the DIR will grant an automatic extension of 30 days beyond this period to **April 30** if required by the business. Any further extensions or delays will require an application for formal approval. Extensions will be granted up to June 30.

* Please note that all businesses are required to pay business licence tax by March 31 based on the business' preliminary calculations of turnover. For businesses that are required to be audited, an amendment may be submitted if needed, once the audit is completed.

PENALTIES FOR INACCURATE STATEMENTS

The DIR is committed to maintaining a tax system that promotes compliance and accountability. Punitive measures, including penalties, administrative processes, and professional reporting mechanisms, are established to ensure that businesses and independent practitioners fulfill their obligations while maintaining the highest standards of accuracy and integrity.

REPORTING TO THE POLICE:

Where the DIR suspects that a criminal offence has been committed by either an independent practitioner or a business, the matter may be reported to the police for investigation.

PENALTIES FOR INACCURATE STATEMENTS

Criminal offences under the BL Act include knowingly or recklessly making a false statement in any particulars submitted to the DIR or fraudulently evading or assisting any person to fraudulent evade tax.

Depending on the nature and severity of the offence, if the offender is convicted by the Court, such person may be subject to a fine up to \$100,000, a maximum imprisonment period of 2 years, or both.



PENALTIES FOR INACCURATE STATEMENTS

ADMINISTRATIVE SOLUTION:

As an alternative to criminal proceedings the DIR may address inaccurate reporting through administrative procedures. The DIR may impose a fixed penalty against an independent practitioner for any false statement in a Statement of Turnover or reviewed/audited return that is attributable to the practitioner's neglect, carelessness, willful default or fraud. The maximum penalty that may be imposed is \$150,000.

PENALTIES FOR INACCURATE STATEMENTS

PROFESSIONAL ACCOUNTABILITY:

In addition, should concerns arise regarding the conduct of independent practitioners, the DIR will also submit a complaint of professional misconduct to BICA against such practitioners.

The DIR may also refuse to accept review or audit reports from any such practitioner until the complaint is investigated and disciplinary action taken by BICA. This approach aims to uphold professional standards and foster accountability.



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LUNCH



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Central Revenue Administration

CASE STUDIES

LED BY DIR AUDITOR



CASE STUDIES

Mrs. Elicia Williams

Auditor

Revenue Enhancement Unit

Department of Inland Revenue

Freeport, Grand Bahama

Case studies are inspired by recent tax compliance audits.

CASE STUDY 1 – THE INCONVENIENCES

Intro:

You had a half hour consultation with a new client. At the end of this consultation interview, your firm will settle on the terms and scope of an engagement, whenever necessary, with the clients.

Scenario

Two individuals come to you seeking assistance for Business Licence purposes. These would be new clients to your practice. They indicate that although they excel at running a business, they've heard something from other business owners about a Statement of Turnover.

Question

What do you hope to learn during the consultation meeting (assume that the individuals did not bring in records for this meeting)?

CASE STUDY 1 – THE INCONVENIENCES

- o Who owns and operates the businesses, i.e., who is the legal person?
□ individual, partnership, corporation, association, etc.
- o Nature of business activities, location(s)?
- o Approximate turnover for prior year from the person's business activities?
- o TIN assigned?
- o Business license number assigned; what type of business activities are covered?
- o Whether the legal person possesses a VAT registration?
- o Filing frequency and method of reporting VAT (cash or accrual basis)?
- o Whether the taxpayer is current in his filing obligations (VAT & BL)?
- o Accounting system, books and records maintained?
- o Who lodges the returns and how are they prepared in general terms?

Question: What would be the general use for this information?

CASE STUDY 1 – THE INCONVENIENCES

- To determine level of tax compliance.
- Getting context; gathering an understanding of the business, its activities, who carries it on, answering some basic questions – Who? What? Where? When? and How? in order to make a preliminary determination of potential areas of VAT and/or BL non-compliance.
- Practitioners who have a current knowledge of the statutory rules will more effectively identify potential risks.

CASE STUDY 1 – THE INCONVENIENCES

- The Inconveniences are siblings, brother, and sister each managing a separate convenience store on New Providence. Each business operation began prior to 2015 with its own point-of-sale system, business bank account and TIN. The TINs were registered under trade names.
- The sister-managed store has been VAT-registered since 2015. The sister files VAT returns for the store that she manages. Each store has a business licence which are up to date.
- All the sales are comprised of standard rated supplies. The sister believes that the store that she manages generated \$390,000 in turnover in 2023 while her **brother says his was \$185,000.**
- Although they manage the stores independently, they indicate that they run the stores in partnership as evidenced by a rudimentary partnership agreement that was agreed upon at the time of their parents' retirement.

CASE STUDY 1 – THE INCONVENIENCES

Who is the legal person? Why?

What is the legal person's turnover, if we assume that the sales are accurately indicated?

What are some of the potential areas of non-compliance?

Upon obtaining the books and records, what might be one of the first steps you would undertake?

What is the scope of the engagement that you would carry out? Why?

What instructions will you have for your client and what opinion will you give?

CASE STUDY 1 – THE INCONVENIENCES

Who is the legal person? Why?

- The partnership, brother and sister.
- A person includes a partnership, the person that actually owns the business activities.

CASE STUDY 1 – THE INCONVENIENCES

What is the legal person's turnover, if we assume that the sales are accurately indicated?

- $\$390,000 + \$185,000 = \$575,000?$

CASE STUDY 1 – THE INCONVENIENCES

What are some of the potential areas of non-compliance?

- There should only be one TIN and one VAT certificate for the partnership. The two business licences are to be associated with the single TIN.
- The sales from the brother-operated store were subject to VAT and reported on the VAT returns currently being filed. **Remember that section 10(3) the VAT Act will deem the brother-managed store sales to be VAT inclusive.**
- The BL taxes were calculated at the incorrect BL rate (0.5% vs. 0.75%). The business licence tax rate jumps to 0.75% when turnover exceeds \$500,000.

CASE STUDY 1 – THE INCONVENIENCES

Upon obtaining a review of the books and records, what might be some basic first steps?

- Understand how the returns were filed by tracing to the books and records.
- Determine whether there is a variance between the G/L balances and the returns lodged.

Note: You discover that the sister made a typo, resulting in \$10,000 in Output VAT being under reported in the year.

CASE STUDY 1 – THE INCONVENIENCES

What is the scope of the engagement that would you carry out? Why?

- this is a review engagement as the combined turnover exceeds \$250,000; there should only be (1) statement of turnover
- you must examine the bank statements, sale & purchase records and other financial records, including a review of the individuals personal bank statements as the partnership is between two individuals
- a bank analysis must be conducted to determine whether it is in harmony with the financials; unidentified deposits must be included in turnover (from all bank statements)
- in this case there is some VAT reporting and you must compare line 9 to the business turnover for BL purposes; there will be a variance in the present case
- an explanation would include the fact that the incorrect entity was registered and some of the brother-managed turnover was not included on the VAT returns
- any 'transaction' between the two stores is NOT business turnover (i.e., these would not be related party transactions)

CASE STUDY 1 – THE INCONVENIENCES

What instructions will you have for your client and what opinion will you give?

You must require the client to submit a change in circumstances to register the partnership under a single TIN with two connected Business Licences.

You must include the additional turnover from the brother-managed store because it forms part of the partnership's business activities. The BL tax rate is based on the combined turnover. You would propose the following turnover:

The total turnover = \$390,000 + **[\$10,000/10%]** + **[\$185,000 x the consideration fraction (i.e., 100/110)]** = \$390,000 + \$100,000 + \$168,182 = \$658,182 (vs. \$575,000).

If the client refuses the above, then this is a case where the amount declared by the business is materially inaccurate and not reported in accordance with the BLA, 2023. Although you proposed that the partnership adjust the reported numbers under a single TIN with two business licences, you will need to modify your report to indicate that reported amount is materially incorrect. You must include a statement of what the correct turnover should be, as you are able to ascertain the amount after examining both sets of books and records and therefore cannot certify an incorrect value. Your role is to accurately state the turnover, based on the evidence and adjustments made during the review or audit process.

Note: Although not part of the validation process, it would be good practice to advise the client to amend the VAT returns for the underreported taxable supplies.

CASE STUDY 2 – LEAVING IT FOR ANOTHER DAY

Key Facts

Your new client has a retail location in Nassau and a second location in Freeport.

Your client correctly applied for and was granted separate TINs.

The client applied for a business licence for his Nassau operations under the Freeport TIN (in error). As a result, the client did not actually pay any BL taxes because a business licence exemption was applied against the business licence taxes that were calculated.

You were engaged to provide a Statement of Turnover for the Nassau operations only as one is not needed for his business activities in Freeport.

You discover that the client has a VAT certificate linked to his Freeport operations and that he correctly reported the VAT payable from his Freeport operations.

The client failed to obtain a VAT certificate for his Nassau operation. He did not charge, collect, or report any output VAT or claim input VAT deductions on his Freeport VAT returns.

Taxable supplies exceeded \$1 million annually in Nassau.

The client knew he was required to have a VAT certificate for the Nassau operations, but he was so busy conducting business.

He candidly admitted that he understood his obligations, but he was willing to pay a small fine as he knew the VAT rules would allow him to offset the input VAT deductions against the output VAT payable.

CASE STUDY 2 – LEAVING IT FOR ANOTHER DAY

Who is the legal person? Why?

What is the legal person's turnover, if we assume that the sales are accurately indicated?

What are some of the potential areas of non-compliance?

What is the scope of the engagement that you would carry out? Why?

What instructions will you have for your client and what opinion will you give?

CASE STUDY 2 – LEAVING IT FOR ANOTHER DAY

Who is the legal person? Why?

Although one legal person runs both operations, special rules apply because of the Hawksbill Creek Agreement.

The person's operations must be split. Both TINs will be registered under the same person.

CASE STUDY 2 – LEAVING IT FOR ANOTHER DAY

What is the legal person's turnover, if we assume that the sales are accurately indicated?

For business licence purposes, the person's turnover from the Freeport activities are excluded.

CASE STUDY 2 – LEAVING IT FOR ANOTHER DAY

What are some of the potential areas of non-compliance?

BL taxes have never been paid on the Nassau turnover.

The person is an unregistered taxable person for purposes of his Nassau operations.

CASE STUDY 2 – LEAVING IT FOR ANOTHER DAY

What is the scope of the engagement that you would carry out? Why?

- this is a review engagement as the combined turnover exceeds \$250,000; there should only be (1) statement of turnover
- you must examine the bank statements, sale & purchase records and other financial records, including a review the individual's personal bank
- a bank analysis must be conducted to determine whether it is in harmony with the financials; unidentified deposits must be included in turnover (from all bank statements)
- in this case there isn't any VAT reporting therefore there is no comparison to be made
- an explanation would need to include the fact that the individual is an unregistered taxable person who has not filed not VAT returns for the his Nassau operations
- any 'transaction' between the two stores is business turnover (i.e., if the Nassau location provides goods and services to the Freeport location, it must be included in the calculation of turnover of the Nassau operations)

CASE STUDY 2 – LEAVING IT FOR ANOTHER DAY

What instructions will you have for your client and what opinion will you give?

The client should be directed to file a change in circumstances so that BL is connected to the Nassau TIN.

If the client refuses the above, then this is a case where the amount declared by the Nassau business portion is materially inaccurate and not reported in accordance with the BLA, 2023. If the client does not link the business licence to the proper TIN, the client would be granted a Freeport exemption and not pay any BL taxes. Your role is to accurately state the turnover for the legal person (i.e., the person's turnover from the Nassau operations), based on the evidence and adjustments made during the review or audit process.

Note: although not part of the validation process, it would be good practice to advise the client register for VAT and file returns from the effective (i.e., compulsory) date of registration (i.e., as determined under section 19 of the VAT Act)

Unfortunately for the taxpayer, the permitted ITCs are restricted under section 48(2) of the VAT Act.

48(2) An unregistered taxable person is allowed, subject to section 50 restrictions, to a claim for input tax deduction where –

(a) the taxable supply or taxable importation to which a claim relates occurred no more than three months prior to the actual date that the taxable person is registered, regardless of the effective date of such registration;

(b) the goods are on hand, or the services have not yet been performed, at the date of registration; and

(c) such person's records and accounts in relation to the supply or import are acceptable to the Comptroller.

(3) A claim for input tax deduction pursuant to subsection (2) is allowable only where the taxable person pays the total amount of tax due and payable under the assessment prior to being registered by the Comptroller.

Advise employer that he may be subject to fixed penalties notwithstanding that it could be mitigated by coming forward voluntarily.

CASE STUDY 3 – RECORDS WILL NOT DEFINE ME

Key Facts:

An individual has operated a restaurant and bar since the early 2010s.

The individual has a TIN; he obtained a VAT certificate effective January 1, 2015.

The individual ceased to file either the VAT returns or business licence returns during the pandemic as there was a big downturn in business.

The individual asserts that he was under \$100,000 in taxable supplies but business had picked up, but he believes that is under \$250,000 per annum in sales. He was not aware of the change in legislation but wants to make things right.

The individual confirmed that he did not record all sales when the bar was hopping busy to keep things flowing. The business also leased special events (party) space the revenue from which did not flow through the POS system and was not recorded on the nightly summary.

In 2022, the individual began accepting credit card payments that was demanded by an increasing number of his clientele.

Effectively, the individual deposited only a small percentage of the revenues.

Other than a handwritten nightly summary, all reports, till tapes, and source documents were destroyed.

What type of engagement do you have?

CASE STUDY 3 – RECORDS WILL NOT DEFINE ME

Given that the client has been forthcoming in confirming that not all revenues were accounted for, there is an uncertainty as to whether a Statement of Turnover is required because the client does not believe that he exceeded the \$250,000 turnover threshold. Without further information and instructions from the client, there is nothing to certify.

Notwithstanding not knowing whether a Statement of Turnover is required, the client wants you to make things right by paying BL taxes based on a reasonable estimate of his turnover. How would you go about doing so? Any other advice for the client?

CASE STUDY 3 – RECORDS WILL NOT DEFINE ME

You can try to identify the business's main suppliers and obtain purchase documentation, lease agreement, other taxable inputs. From cost of sales (food, drink, cups), you can apply a reasonable markup to determine gross sales.

You may have information from other clients to compare year over year (YoY) turnover increases or decreases to further strengthen the reasonableness of your estimate.

The current POS reports will break down sales paid in cash and by credit card. You can use this data to determine the estimated overall sales in periods when he first began accepting credit cards even in the absence of the POS reports in those earlier periods. These calculations can be compared to the mark-up calculations.

Get an attestation from the client to determine the rental revenues for the special events. Sales of food and drink would have been included in the calculations above.

Advise the client to file the missing VAT returns.

The client must submit an enquiry to bring his business licences up to date.

If your reasonable estimate does not exceed \$250,000, you will not complete a Statement of Turnover and that is the end of the matter.



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QUESTIONS
