

**DISASTER RECONSTRUCTION AUTHORITY
(SPECIAL ECONOMIC RECOVERY ZONE)
(RELIEF) ORDER, 2020**

Arrangement of Order

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**DISASTER RECONSTRUCTION AUTHORITY ACT, 2019
(NO. 36 OF 2019)**

**DISASTER RECONSTRUCTION AUTHORITY (SPECIAL
ECONOMIC RECOVERY ZONE) (RELIEF) ORDER, 2020**

WHEREAS the Prime Minister has by Order dated the 4th day of December, 2019, designated the Islands of Abaco, the Abaco Cays, Grand Bahama Island, Sweetings Cay, Deep Water Cay and Water Cay, to be special economic recovery zones pursuant to section 22(1) of the Disaster Reconstruction Authority Act, 2019 (*No. 36 of 2019*);

NOW THEREFOR the Minister of Finance, in exercise of the powers conferred by section 22(2) of the said Act, makes the following Order:

1. Citation and commencement.

- (1) This Order may be cited as the Disaster Reconstruction Authority (Special Economic Recovery Zone) (Relief) Order, 2020.
- (2) This Order shall come into force on the 1st day of July, 2020.

2. Interpretation.

In this Order —

“**Secretary**” has the meaning ascribed thereto under section 2 of the Business Licence Act (*Ch. 329*);

“**SERZ**” means a special economic recovery zone as designated by the Prime Minister under section 22(1) of Disaster Reconstruction Authority Act 2019 (*No. 36 of 2019*);

“**VAT**” means value added tax.

REAL PROPERTY TAX

3. Real property tax relief within a SERZ.

Subject to the provisions of paragraph 4, any improved property that —

- (a) was either partially or entirely destroyed as a result of the passage of Hurricane Dorian;
- (b) is situate in a SERZ; and
- (c) prior to the coming into force of this Order, would be subject to the payment of tax under the Real Property Tax Act (*Ch. 375*),

shall be exempt from real property tax for the year 2020, where the property is reconstructed, restored or otherwise habitable by the 1st day of October, 2020.

4. Liability to pay tax for breach of conditions.

Where property referred to in paragraph 3 is not reconstructed, restored or otherwise habitable by the 1st day of October 2020, the rate of tax that would have been charged, levied, collected and paid under section 3 of the Real Property Tax Act (*Ch. 375*) shall apply and be added to the assessment for the year 2021.

BUSINESS LICENCE

5. Relief from business licence tax.

Where a business is situate in a SERZ and the business —

- (a) operates only in the zone, the business licence tax shall be nil;
- (b) has a branch or subsidiary outside of the zone, the business licence tax associated with the turnover derived from the branch or subsidiary in the zone, shall be deducted from the calculation of the aggregate or sum of the business licence tax of the business or group,

for a period of one year beginning on the 1st day of January 2020, on the condition that by the 31st day of August, 2020, the business increases its staff complement to fifty per cent of the number of persons that were employed by the business on the 31st August, 2019.

6. Provisional business licence.

- (1) Every Bahamian applicant who —
 - (a) makes a new application to the Secretary to operate a business in a special economic recovery zone; and
 - (b) submits an application to the Secretary for a provisional licence to undertake activities related to the operation of the proposed business,

shall be eligible to receive a provisional licence for any business situate in the zone, unless the proposed business is a hazardous undertaking.

- (2) This paragraph shall expire on the 31st day of December, 2020.
- (3) For the purposes of this paragraph, “**hazardous undertaking**” means persons carrying on business in the categories of—
 - (a) mining, quarrying, and oil and gas extraction;
 - (b) electric power generation, transmission and distribution;

- (c) natural gas distribution;
- (d) water, sewage and other systems;
- (e) petroleum and coal products manufacturing;
- (f) chemical manufacturing;
- (g) petroleum and petroleum products merchant wholesalers;
- (h) gasoline stations, pipeline transportation.

TAX ON GOODS

7. Relief on taxes on goods imported into the SERZ.

The importation of goods specified—

- (a) in Part A of the *Schedule*, for the period commencing on the 1st day of July, 2020 and ending on the 31st December, 2020; and
- (b) in Part B of the *Schedule*, for the period commencing on the 1st day of July, 2020 and ending the 30th day of June, 2021,

subject to conditions stipulated by the Ministry of Finance, shall be zero rated under the Value Added Tax Act, 2014 (*No. 32 of 2014*) and exempted from any taxes and fees under—

- (i) Customs Management Act, 2011 (*No.30 of 2011*);
- (ii) Excise Act, 2018 (*No. 22 of 2018*); and
- (iii) Tariff Act, 2018 (*No. 21 of 2018*).

8. VAT zero rating on local wholesale and retail sales of goods.

Within a SERZ—

- (a) the local wholesale or retail sale of any goods specified in Part A of the *Schedule* and the retail sale of fuel for the period commencing 1st day of July, 2020 and ending the 31st December 2020; and
- (b) the local wholesale or retail sale of any goods specified in Part B of the *Schedule*, for the period commencing 1st day of July, 2020 and ending the 30th June, 2021

subject to conditions stipulated by the Ministry of Finance, shall be zero rated under the Value Added Tax Act, 2014 (*No. 32 of 2014*).

9. VAT zero rating and relief from import taxes on goods purchased outside of SERZ.

- (1) In accordance with conditions stipulated by the Ministry of Finance, where goods specified within the *Schedule* are sold by a VAT registrant

within The Bahamas but outside of a SERZ and shipped into a SERZ by the registrant, to a customer for use within a SERZ—

- (a) the sale shall be zero rated under the Value Added Tax Act, 2014 (*No. 32 of 2014*); and
 - (b) the importation of such goods into The Bahamas shall be zero rated under the Value Added Tax Act, 2014 (*No. 32 of 2014*) and exempted from import tax under the —
 - (i) Customs Management Act, 2011 (*No. 30 of 2011*);
 - (ii) Excise Act, 2018 (*No. 22 of 2018*); and
 - (iii) Tariff Act, 2018 (*No. 21 of 2018*).
- (2) Where a VAT registrant operating outside of a SERZ has sold goods specified within the *Schedule* and shipped the goods into a SERZ to a customer free of import tax in accordance with this Order he may apply to the Customs Department for a refund of the import tax.
- (3) Order 9 shall expire on the 31st day of December, 2020 in relation to goods specified in Part A and the 30th day of June, 2021 in relation to goods specified in Part B.

10. VAT Zero rating on supply of construction services.

Within a SERZ, for the period commencing on the 1st day of July, 2020 and ending on the 31st December, 2020, the supply of construction services shall be zero-rated under the Value Added Tax Act, 2014 (*No. 32 of 2014*)

11. Conditions for tax relief on goods.

- (1) Any person who seeks to remove tax exempted and VAT zero rated goods valued in aggregate in excess of \$500 from the SERZ to locations inside The Bahamas outside the SERZ or to export these goods outside The Bahamas, must report the intended movement of the goods to the Customs Department and make the payment of VAT and other taxes and fees to the Customs Department that would otherwise be applicable.
- (2) Any person who fails to report and make payment as outlined herein will subject to the seizure of the goods and the payment of fines as prescribed by the Minister of Finance.

TAX ON SALE OF REAL PROPERTY

12. Discount on value added tax on the sale of certain real property.

- (1) For the period commencing on the 1st day of July, 2020 and ending on the 31st day of December, 2020, on the sale of any real property, the purchaser

may receive discount on the VAT that is due as a result of that sale, in accordance with the scale below, if the purchaser satisfies one of the conditions specified in section (2) —

VAT DISCOUNT ON REAL PROPERTY PURCHASES

VALUE OF CONSIDERATION: FROM	VALUE OF CONSIDERATION: TO	VAT VALUE	DISCOUNT GRANTED CONDITIONALLY
Zero	\$100,000	Up to \$2,500	50% Max \$1,250
\$100,001	\$250,000	\$1,000 to \$25,000	35% Max \$8,750
\$250,001	\$500,000	\$25,001 to \$50,000	20% Max \$10,000
\$500,001	\$1,000,000	\$50,001 to \$100,000	15% Max \$15,000

- (2) A purchaser will be eligible for discount on the value added tax due upon the sale of real property if he demonstrates —
- (a) that the property is fully habitable;
 - (b) where the property is not fully habitable he has plans to make repairs and can start the repairs within 75 days of closing; or
 - (c) where the property is vacant, he has plans showing that he intends to undertake material commercial or residential development of the property.
- (3) Where a property was subject of the tax discount under this Order and the purchaser has not started construction, or repairs within 75 days of closing of the sale that tax becomes payable as if this Order was not in force.

13. Repeal.

The Disaster Reconstruction Authority (Special Economic Recovery Zones) (Relief) Order, 2019¹ is repealed.

¹S.I. No77 of 2019.

SCHEDULE

(Order 7)

PART A

GOODS

Unprepared Food of all types, including packaged and processed foods

Water

Fruit & Vegetable Juice

Personal Hygiene Products

Medicine and Medical Supplies

Clothes, Footwear, Hats, Belts, Socks, Stockings, Gloves, Scarves

Cleaning Supplies

Beds & Bedding Materials

Landscaping Supplies

Pest Control Supplies

Electrical Generators

Farming Equipment & Supplies

Fishing Equipment & Supplies

Replacement Boats

Replacement Boat Engines

Manufacturing Equipment

Cots

Protective & Safety Gear

Household furniture, furnishings and appliances

Solar Panels

Mosquito netting

Office Supplies & Equipment

Tents

Air Conditioning Units

Replacement Motor Vehicles

Replacement Golf Carts

Replacement Motor Cycles

PART B

Hardware Supplies

Building Materials

Electrical fixtures and materials

Plumbing fixtures and materials

Made this day of , 2020

MINISTER OF FINANCE