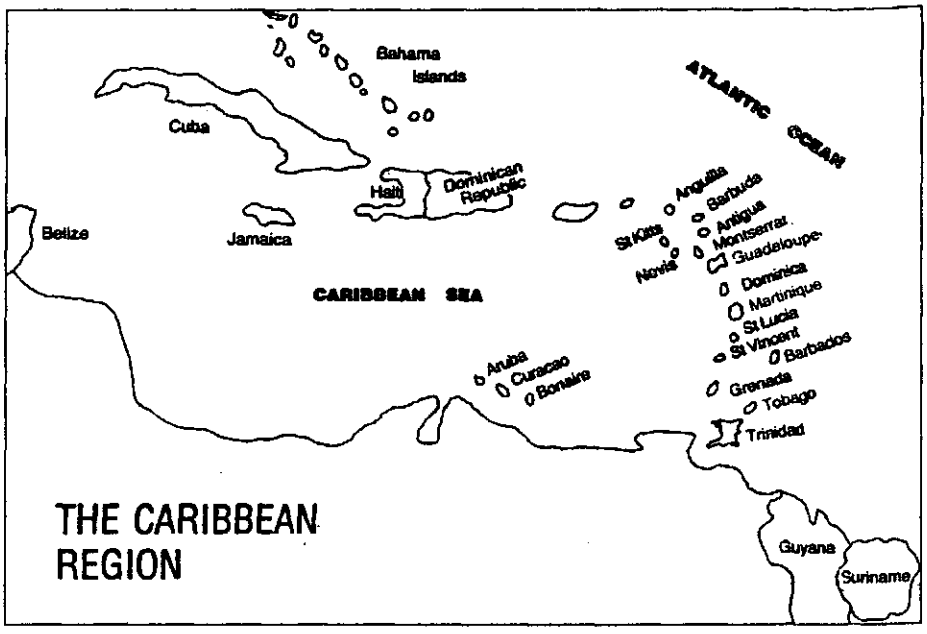
CARIBBEAN DEVELOPMENT AND CO-OPERATION COMMITTEE



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CARIBBEAN DEVELOPMENT AND CO-OPERATION COMMITTEE

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PRELIMINARY DRAFT
NATIONAL TRADE OPERATIONS AND PROCEDURE GUIDE
(BAHAMAS)

UNITED NATIONS

ECONOMIC COMMISSION FOR LATIN AMERICA Office for the Caribbean

The preliminary version of the "National Trade Operations and Procedure Guide" is being distributed for comments and observations from the relevant authorities. A revised version of this Guide will be prepared once the observations regarding the contents of this preliminary version have been received.

DEADLINE: Comments should be received by this Office by 10 September 1983.

BAHAMAS

1. IMPORT REGIME

1.1 Customs duty policy

The Commonwealth of the Bahamas, independent since 1973, signed the Caribbean Common Market Agreement in July 1983, but does not participate in the Common External Tariff arrangements of CARICOM. The Bahamas is also an adherent to the Second Lomé Convention.

The Bahamas maintains its own tariff classification based on an abbreviated version of the Standard International Trade Classification (SITC). Regulations pertaining to this system are contained in the "TARIFF ACT OF 1959 (as amended)". The tariff consists of four (4) sections: i.e.

1. Duty on imports
2. duties on agricultural, marine and allied products;
3. duties on certain products which are manufactured locally; and
4. exemption from duty.

There are further regulations governing the operations of these four schedules.

The customs regulations provide for temporary importation, under bond, of various heavy machinery and equipment used in specific projects.

1.1.1. Import tariffs

The tariff system of the Bahamas contains one schedule of duties consisting of specific duties; ad valorem duties and combination duties. A General Rate of duty is applied to imports from all areas, as there is no preferential tariff.

The most frequent rate of duty is 20 percent ad valorem, with few exceptions - such as tobacco products, automobiles and alcoholic beverages. A few commodities are assessed combination duties, comprising of both specific and ad valorem duties.

As regards Sections (2) and (3) of the "Tariff Act of 1959" (see 1.1 above), they have three (3) progressive duty rates for each commodity which may be invoked to protect the local producer when the local supply of a commodity is adequate.

The tariff schedule lists a number of imports in Section (4) (see 1.1 above), that may be admitted free-of-duty (the list of exempted items may change without warning). Among some of the items which may be admitted free-of-duty are dairy and agricultural equipment,[1/] various bulk foods, books, films,

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1/ Prior approval must be obtained from the Ministry of Agriculture.

cameras, photographic equipment, animal feedstuffs, coal, fertilizers, aircraft and equipment for the printing and forestry industries.

The "Industries Encouragement Act of 1970" provides for the exemption of duties for machinery, tools, equipment and needed raw materials for factories engaged in the production or processing of goods for local consumption and export.

Under the "Hotels Encouragement Act" the Bahamas Government may refund all import duties paid for construction materials and equipment required for the building, extension or furnishing of the facility. This provision applies only to holders of approved plans.

Duties are payable in Bahamas Dollars at the time of customs clearance of goods and may not be prepaid by the exporter.

Ad Valorem duties: This is based on the cif value of the goods imported at the point of entry.

Specific duties: Goods on which specific duties are levied are dutiable by quantity or by net weight. The type or weight of the package is not a factor in the computation of the duty. It is important that the net weight of shipment should be accurately stated on the package in order to avoid any delay in customs clearance or fines as penalties.

Surcharges and Indirect taxes: Under the "Emergency Tax Act of 1969" an additional duty of 12.5 percent ad valorem is levied on the cif value of most imports. Agricultural and food products and raw materials are some of the few items excluded from this additional duty.

In addition a tax of 1 percent ad valorem (cif) is levied on all imports intended to be entered into a bonded warehouse. Imports duties are charged on goods removed from the warehouse.

A stamp duty of 1 percent of cif value is levied on all entered goods.

1.2 Trade Requirements

All permitted goods may be imported without a license. Control of imports is currently exercised by Customs and the subsequent payment for such imports controlled by the Central Bank.

Exchange control is administered by the Central Bank, which controls foreign payments by use of Form 1 (Import Form). This form is required to be completed in triplicate. Price approval of the Central Bank is required for

payments for imports, irrespective of origin, except in Grand Bahama and the Family Islands. Approval normally is given automatically upon submission of pro forma invoices or other relevant documents.

There are no restrictions on current payment for invisibles. Remittances of interest on supplier's credit and overdue payments requires the prior approval of the Central Bank. Outward remittances are levied a stamp tax of B$0.70 for every B$30 or fraction thereof.

1.2.1. Import Permit or Licenses

Though most goods are permitted without a license, import of certain commodities is prohibited or controlled for health, social or humanitarian reasons.

Special permits (or licensing)are required for imports of arms and ammunition, and in some cases, industrial gold. Import license for arms and ammunition is obtainable from the Police Department, while the Central Bank issues licenses for the importation of industrial gold.

1.2.2. Invoices

In order to avoid unnecessary delay in customs clearance, all shipping documents should be forwarded separately from the shipments.

i) Commercial Invoice: "The Comptroller of Customs of the Bahamas advises that for goods not claiming preferential treatment an invoice embodying the usual and essential particulars and certified by a responsible representative of the shipper to be correct, is acceptable."

It is now recommended that the invoice format devised by the United Nations Economic Commission for Europe (ECE) be used. The original of the invoice should be sent to the consignee for each invoice. Shippers must indicate whether each item is included or excluded in the selling price, since all prices including unit price must be shown.

As usual practice is that all invoices should contain a careful description of the goods setting out detailed charges and expenses to arrive at the cif value. Although the price column of the invoice is marked cif, a declaration of fas or fob value is compulsory, while a cif statement of value is optional. It is advisable to insert a 'value clause', such as in Form C-23.

Ordinary commercial invoices are normally accepted for goods not requiring any special tariff treatment. However, each invoice should contain the name and address of exporter and also of the consignee; form of transport;

marks, quantities, kind of packaging; gross and net shipment weight; place of origin and shipment, complete and careful description of merchandize, giving the proper Bahamian tariff schedule number; unit value and total value; showing shipping and insurance costs separately; and any other data to facilitate easy customs clearance.

ii) Consular: not normally required.

iii) Pro-forma invoice: The importer normally requires pro-forma invoices or other relevant documents proving the existence of a purchase contract in order to obtain exchange to cover payment of shipment.

iv) Invoice of goods shipped (packing list): This is not a mandatory document, however, would facilitate customs clearance. Information in this document must correspond to data in other shipping documents.

1.2.3. Bill of Lading

No special form is required for Bills of Lading. At least one copy of the Bill of Lading should be sent to the consignee which must be presented with the entry of goods into the Bahamas.

Each Bill of Lading should indicate the receipt of goods for shipment; name of shipper; name and address of consignee; port of discharge; destination; description of mechandize, and itemized charges. The Bill of Lading must also show all inland freight charges in the country of origin or invoices must be attached. Freight charges must be prepaid.

"To Order" Bills of Lading are accepted.

For air cargo shipments the airwaybill replaces the Bill of Lading. Freight collect air shipments generally are accepted. The number of copies of the airwaybill issued is based on the requirements of the importer and the airline used, subjected to the rules and regulations of IATA and/or ICAO governing the labelling and packaging of dangerous and hazardous or restrictive goods. Such items must be issued with a special shipper's certificate required under IATA rules.

Mail and parcelpost shipment require postal documentation in lieu of Bills of Lading. Customs declaration (Form 2966A) must be completed to show the value of the contents, the cost of the postage and the insurance fee, if any. Each letter or package containing dutiable merchandize, prints and small packages, must have affixed on the address side of the mail, a

green customs label Cl Form 2976 "Authority for Customs to Open International Mail". However, if the sender prefers not to show the description of the contents on the outside or if the value of the contents exceeds US$120.00 then only the upper portion of the Form is affixed on the outside of the package. In this case a Customs Declaration C-2 Form 2976-A "Customs Declaration" is completed and enclosed inside of the package.

Dutiable merchandize is permitted in mail or parcelpost, subject to a maximum weight of 22 lbs, with a maximum length of 4 feet and not exceeding 24 inches in girth. The greatest combined length and girth is 6 feet.

1.2.4. Certificates

- of origin: This is not usually required if requested by the importer or Letter of Credit, then two copies are necessary. Information should correspond to date on other shipping documents. The documents must be certified by a recognized Chamber of Commerce.

- of insurance: No special requirements, but follows normal commercial practice. Follow the instructions of importer and/or insurance company.

- Phytosanitary: Import permits from the Bahamas Director of Agriculture are required for plants and other propagative plant material from all foreign countries except from the State of Florida. Federal or State Certificates are also required for such imports. Fresh fruits with a soft pericarp and fresh vegetables from Hawaii and Puerto Rico and plants which could introduce plants disease into the Bahamas are restricted.

- Cattle health certificate: An origin health certificate must accompany all cattle exports from the US. It must be issued by an accredited Veterinarian in the state of origin, and endorsed by the authorized Veterinary Services certifying that the animals are free from certain diseases and parasites.

- Special Certificates: Other certificates may be required dependent on the commodities imported.

Special permission of the Ministry of Agriculture is required for the importation of any live animal less than six (6) months old. There are special regulations governing the importation of pets.

Firearms must be licensed by the Bahama Police before entry is permitted.

A Customs Certificate of age must be produced for the importation of Whisky and Brandy.

1.2.5. Technical Specifications:

For most industries, compliance with the U.S. or British Technical Standard is accepted.

Electric current is AC 60-cycles, 120/240 and 120/208-Volts; 1,3 phases 2,3,4 wires.

At present both the British Imperial Ssytem and the Metric System are being used. A full conversion to the metric system is being undertaken.

Building materials and components are now being regulated by provisions in the "Building Regulation Act, 1971". There is also a comprehensive set of minimum Standards for the design and construction of buildings - including approved building materials.

1.2.6. Advertising material

Advertising circulars and advertising posters of No Commercial Value may be admitted free-of-duty. Advertising matter for gratuitous distribution are admitted duty-free.

However, advertising matter for manufactured tobacco intended for smoking must clearly state: "Warning - Tobacco smoking may cause heart disease or lung cancer among other diseases".

1.2.7. Labelling and Marking

In order to identify the true origin of the merchandize labelled in English, a mark of origin must bear a legend "Made in (Name of country)".

Imported cigarettes must bear a health hazard warning as of 1 June 1977.

There are no regulations governing marking of packages. However, common shipping practices suggest that goods should bear all identifying marks such as consignee's marks and postmarks. Packages should be numbered unless the contents can be readily identified without numbers.

Exporters to the Bahamas should ascertain whether or not the Bahamas is currently adhering to the UN recommendation for the labelling and packing of hazardous and/or restricted material in a standardized manner and style.[2/]

2/ In 1965 the Intergovernmental Maritime Consultative Organization (IMCO, now IMO) adopted the International Dangerous Goods Code, which includes the UN labelling system. It is now adhered, partially or totally, by more than 30 countries. If goods are going by air then the IATA and/or ICAO regulations regarding packing, labelling snd documentation must be met.

1.2.8. Brands or Trademarks

No established regulations are in force.

1.2.9. Packing

There are no regulations governing the packing of goods except in the case of the packing and labelling of hazardous materials (as outlined in 1.2.7. above).

The type or weight of the packing is not a factor in the computation of the duty.

1.3. Fines and Penalties

Fines and Penalties may be imposed when it is found that customs regulations have been violated. This would be in cases such as where a deliberate attempt has been made to undervalue the imported goods so as to avoid payment of customs duties. In such instances the goods may be confiscated and put for public auction.

Goods are allowed five days after arrival at a port of entry before being entered into customs. Failure to do so may result in the goods being placed in a government warehouse for fourteen (14) days, before being subject to auction.

Merchandize arriving in the Bahamas is immediately subjected to the payments of customs duties and the emergency tax where applicable.

1.4 Specimen Samples

If the samples are of no commercial value, then no duty is applied. Sales samples may be admitted free-of-duty under bond or deposit - refunded upon re-exportation.

1.5 Shipping Restrictions

None established.

1.6 Distribution Channels

Distribution of all commodities are handled by the private sector, through various wholesale and retail outlets.

1.6.1. Agents or Representatives

No Regulations exist as to the establishment of a business agent or representative in the Bahamas. However, a travelling salesman must have a work permit and a travelling salesman license.

2. EXPORT REGIME

2.1. Export Procedures

Any company incorporated in the country which makes export sales is required to surrender to the Central Bank.

For exports to members of the CARICOM member countries, see Annex 1, Section 2.

For exports to the EEC, subject to the Second Lomé Convention, See Annex II, Section 3.

2.2. Exports subject to Special Procedures

For exports of selected products, oils and fats and cane sugar to other members of CARICOM, See Annex I. See also restrictions under the Second Lomé Convention (see Annex II, Section 4) for trade with the EEC.

Exports of hazardous, dangerous or restricted goods may be subject to the International Dangerous Goods Code (see footnote 2/).

2.3 Export Incentives

As member of the CARICOM and ACP countries, incentives provided under these agreements are applicable in this country./ under the industrial and investment promotion scheme See Annexes I and II.

As part of the harmonization of the Caribbean Common Market, the main benefits which can be given to an exporter are exemption from income tax and relief from customs duties, over a stated number of years. The Common Market Agreement sets out the maximum benefits which can be given under the scheme by any signatory government in respect of an approved product, whether destined to the export market or not.

2.3.1. Direct Incentives

The Bahamas has introduced legislation to promote industrial development. The "New Industries Encouragement Act of 1981" replaces the "Industries Encouragement Act of 1970." It offers a number of incentives for export manufacturing, moreso to small-scale enterprises.

In general, the maximum number of years for which benefits may be granted varies with the percentage of local value added contribution). For the award of benefits, enterprises are classified into three groups:

- Group I: Enterprises whose local value added in respect of the approved products amounts to 50 percent or more of the value of the sales, ex-factory, of the product;

- Group II: Enterprises whose local value added in respect of the approved products amounts to 25 percent or more but less than 50 percent of the receipts from sales ex-factory; and

- Group III: Enterprises whose local value added in respect of the approved product amounts to at least 10 percent or more but less than 25 percent of the receipts from sales ex-factory.

The following table shows the maximum number of years for which any LDC government in CARICOM may grant relief from income tax and customs duties.

Table 1

MAXIMUM PERIOD OF TAX CONCESSION ELIGIBILITY

Enterprise Group	Maximum number of years
I	15
II	12
III	10

The scheme permits highly capital-intensive projects irrespective of their local value added to be granted tax holidays and customs relief up to the maximum permissible. The qualifications for such treatment are that the project must involve a capital investment of no less than EC$25 million.

Enterprises whose entire production of the approved product is sold to countries outside the CARICOM, referred to as enclave industries, have been made eligible for tax holidays and customs relief, without a reference to the quantity of their local value added. This is due mainly to their estimated large employment contribution.

The Common Market Agreement does not prohibit the granting of duty-free treatment of imports of raw materials to enclave enterprises after their tax holiday period has expired. It has been the general policy of all member countries of CARICOM to allow such enterprises this concession without limitations.

(a) Dividends tax exemption

Approved enterprises are granted exemption of income tax on the profits of the approved products. Equally important is the provision that the dividends paid from such products to shareholders of such enterprises may also be exempted from tax as long as the shareholders are residents of a CARICOM country.

A collective agreement exists between the MDCs and the LDCs to allow dividends earned in one MDC country to be transferred to an LDC to be exempt from taxation in the recipient's country of residence. Where however, the shareholder is not resident in a CARICOM country, dividends will not be totally exempt from tax, but only from such tax in excess of what the recipient would normally pay in his country of residence.

Interest is not exempt from tax in the hands of the recipient.

(b) Compensatory taxes

(i) Carry forward of losses

If an approved enterprise makes a net loss on the production of the approved product, taking the total holiday period into account, the enterprise can carry forward such losses up to five years after the expiry of the tax holiday, setting them off against profits made later on the approved products.

The net loss on the approved product over the tax holiday period is calculated by summing up all losses made and subtracting all profits made in the period.

(c) Export allowances

Partial relief is granted to enterprises from the income tax chargeable on the profits earned from exports. This provision becomes operative after an enterprise's tax holiday period has expired.

The greater the share of an enterprise's profit which is derived from exports outside the ECCM (sales to other CARICOM members except Barbados qualify for allowance) of the product for which export allowance is given, the greater the relief afforded.

The following table gives the extent of maximum relief in terms of credit tax chargeable on the share of profits made form export sales outside the Common Market's area.

Table 2

MAXIMUM EXPORT ALLOWANCES GRANTED

Share of profits from exports to third countries in total profits of approved product[1/]	Maximum income tax relief of tax chargeable on the approved product (%)
10 to less than 21 percent	25
21 to less than 41 percent	35
41 to less than 61 percent	45
61 percent or more	50

3/ As a general rule, the share of exports on total sales is taken as the share of profits made.

A country is not permitted to grant this relief to an enterprise in respect of a traditional export product of that country. This export allowance should normally be given only for products to be exported outside of the Common Market. This provision was designed to encourage enterprises to increase the share of exports sales in their total sales and is intended in particular to promote the export of manufactures.

The export allowance will be granted to authroized enterprises, provided that:

- the enterprise has been enjoying such benefits only for the first five years after the expiry of the tax holiday or customs rebate period.

- the enterprise has not been granted any tax holiday or customs duty rebate only for the first five years of the life of the harmonization agreement (effective since 1 February 1974).

2.3.1.1. Direct Tariff Incentives

The various incentives provided in the "New Industries Encouragement Act of 1981" includes exemption from duties of various items considered necessary. This provision is also included in the "Hotels Encouragement Act."

2.3.1.2. Direct Credit Incentives

No specific credit incentives or export financing facilities exist.

2.3.1.3. Certificates

Customs tariff preferential treatment of exports to CARICOM members requires certification of origin (see Annex I, Section 1(a) where specimen is provided).

The Lomé Convention also requires certification of origin for exports from ACP states into the EEC (see Annex 2, Section 5). Same is required by the United States under the Generalized System of Preferences (GSP).

No tax refund certificate or tax compensation certificates are given.

2.3.2. Indirect Incentives

In addition to the depreciation allowance to which enterprises are normally entitled, there are other allowances given to approved enterprises on the expiry of the tax holiday.

(a) Initial allowance

An initial allowance not exceeding 20 percent of any plant, equipment and machinery capital expenditures, incurred after the tax holiday has expired, can be deducted.

(b) Special bonus for using local labour

In order to encourage the greater use of local labour and to contribute to the relief of the serious unemployment, a tax holiday can be extended by increasing the measure of value added through a weight or bonus that measures the use of local labour (see Annex I, Section 2(f) for measure of this bonus).

2.3.3. Free Zones

A free trade zone in Freeport has been established on Grand Bahama by the"Hawksbill Creek, Grand Bahama (Deep-water Harbour and Industrial Area) Act of 1953". The main aim of the government is to promote the Grand Bahama as an industrial and commercial center. This Act grants significant tax and tariff concessions to implement this aim.

For this purpose customs duties are not imposed on imports intended for use in business operations in Freeport. Imports which are duty-free includes machinery and equipment for use in Freeport, and materials freely stored, mixed, processed, or re-exported duty-free. However, excludes imports for consumable stores, for personal use and merchandize for sale. Goods shipped from Freeport to any other part of the Bahamas are levied duty.

"The Freeport Port Authority licenses are granted these exemptions from customs duties on imports and exports until the year 2054 through the Hawksbill Creek Act".

3. MULTILATERAL AGREEMENTS AND INTEGRATION SCHEMES

3.1 Bilateral

No information on these agreements.

3.2 Multilateral

The Bahamas is a member of the Commonwealth of Nations and a signatory to the Second Lomé Convention (See Annex II). It is also a contracting party to the GATT.

3.3. Integration Schemes

The Bahamas, though being an Observer of the CARICOM since its inception, has only signed the Caribbean Common Market Agreement in July of 1983.

4. AGENCIES AND INSTITUTIONS INVOLVED IN FOREIGN TRADE

Ministry of Development
P.O. Box 1611
Nassau.

Bahamas Development Corporation
P.O. Box N-4940
Nassau Bank House
Nassau.

Grand Bahama Port Authority Ltd.,
P.O. Box 58
Freeport,
Grand Bahama.

Ministry of Tourism Information Center
International Bazaar
Freeport
Grand Bahama.

Ministry of Finance
P.O. Box N-3017
Nassau.

Central Bank of the Bahamas
Nassau.

Department of Customs and Excise
Customs House
Nassau.

5. NATIONAL AND INTERNATIONAL FAIRS

None established.

6. CHAMBERS AND ASSOCIATIONS OF COMMERCE

Bahamas Chamber of Commerce
P.O. Box N-665
Nassau.

Sources:

1. International Trade Reporter: Export Shipping Manual, The Bureau of National Affairs Inc., Washington D.C. U.S.A.

2. Exporters' Encyclopaedia: (77th Edition - 1982) Dunn and Bradstreet International Ltd., New York U.S.A.

3. Data supplied to ECLA.