

# Indirect Tax Update

## Important update on Bahraini VAT

03 December 2018

Dear valued clients and contacts,

This morning, the Bahrain Ministry of Finance with the National Bureau for Taxation ("NBT") has provided more clarifications on the upcoming introduction of VAT in the Kingdom.

The Tax team at KPMG will be discussing the action points with the clients and will be pleased to review with you any questions you may have. Here are the main highlights to consider :

### 1. VAT registration

- VAT registration by 20 December 2018 (effective as from 1 January 2019) is mandatory for these businesses and suppliers of goods and services that have an annual taxable revenue exceeding BD 5 Million. This revenue calculation takes into account all supplies of goods and services subject to a 5% and 0% tax rate (including deemed supplies and internal supplies), all imports and all services received from abroad where the Bahraini taxpayer is obliged to self-charge VAT. The calculation does NOT include supplies exempt from VAT or supplies that are not deemed to take place in Bahrain (for example local supplies of goods in other countries).
- VAT registration by 20 June 2019 (effective from 1 July 2019) is mandatory for these businesses and suppliers of goods and services that have an annual taxable revenue exceeding BD 500,000 (and would not have chosen to register earlier). The revenue calculation follows the same principle as above. All other businesses with an annual taxable revenue of BD 37,500 or more will eventually have to register (if not already) by 20 December 2019 (effective as from 1 January 2020).
- At all time, any business with a taxable revenue of over BD 18,750 will be allowed to register for VAT. Foreign tax payers (non-resident in Bahrain) that will have taxable supplies in Bahrain for which they are liable to charge and remit the VAT, must register from the first transaction (no threshold applies).
- Tax Identification Numbers will be attributed FROM TODAY and in the next days and, if not contacted already by the NBT, businesses will need to register through a portal to be opened anytime.

### 2. VAT returns

- In 2019, all Taxpayers will be filing VAT returns on a quarterly basis (or part thereof in first instance if registration occurs during the course of 2019).
- As from 2020, Taxpayers with an annual taxable turnover of BD 3 Million or more will be required to file monthly VAT returns. All other Taxpayers will file quarterly VAT returns.
- Payment of any VAT due will follow the same frequency (by the last day of the month following the period).

Please contact us to review the expected "content" of the VAT returns.

### 3. Tax Invoices

- A potential 14 mentions will need to be included in the Tax Invoice
- A simplified invoice (receipt) can be issued instead of a full tax invoice for non-registered clients/customers or for transactions with a consideration not exceeding BD 500 (and irrespective of the capacity of the customer).

- Bank statements (subject to VAT related mentions) will be valid as tax invoices.

#### **4. Interactions with NBT**

- The NBT will release a readiness assessment tool looking at 8 core assessment areas.
- All large taxpayers will have a dedicated account manager
- Between 10 December and 13 December 2018, seminars and roundtables for large taxpayers are being planned.
- A long list of FAQs will be published this week.
- The NBT plans to have around 100 auditors for checks and audits

#### **5. Other important updates in no particular order**

- The VAT treatment of prepaid vouchers is still to be confirmed (important for the telecoms sector)
- Deferment of import VAT payment will be possible upon application.
- The 0% VAT rate on basic food is confirmed and will be based on a list of HS codes
- Unincorporated Joint Ventures can be registered for VAT but this will be a discretionary decision based on evidence
- VAT will apply on the government levy that is added to hotel and restaurant bills
- Petrol at the pump and retail gas will be subject to a 0% tax rate. Electricity will be subject to a 5% tax rate.
- The Customs documentation is in the process of being updated to reflect the VAT requirements
- VAT grouping may not be possible as from 1 January 2019
- The VAT registration certificate will have to be properly displayed
- Tax agents can be appointed to represent the taxpayer and handle VAT compliance. A Tax representative must mandatorily be appointed for non-resident tax registrants.
- VAT refunds for non-residents and tourists will not be launched as from 1 January 2019
- A system for VAT bad debts will be implemented
- VAT records and accounts can be kept in Arabic or English
- The 0% tax rate applies to construction services of new buildings, exports, international transport services of goods and passengers, local transport services (subject to certain conditions), primary and preventative healthcare services (not including cosmetic procedures unless part of a medical treatment), Medicines, supply of pearls, precious stones and investment gold, silver and platinum, education services and related services and supplies, oil and gas and derivatives
- All insurance premiums are subject to VAT except for life insurance
- Sale and lease of any real estate (exceptions apply such as serviced accommodation) will be exempt from VAT
- Accounting records and books can be kept electronically subject to conditions

KPMG's Tax team with more than 60 years of combined VAT experience will be pleased to discuss with you on any points and questions.

For more information, please [contact us](#).



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