

Indirect Tax Update

Updates to the VAT Real Estate Guide

26 August, 2019

The National Bureau for Revenue ('NBR') has updated the VAT Real Estate Guide ('Guide'). We have summarized below the key updates to the Guide for your reference:

1) **Transactions not eligible for exemption on supply of real estate**

Following transactions will not be treated as an exempt supply of real estate for VAT purposes:

- *Provision of permission to use a specific area – vending machines, shelf space etc:* This includes permission to place a vending machine or fridge/freezer in a particular location and use of shelf space (e.g. in a shop or supermarket) to display goods in return for a payment.
- *Short-term retail and promotional stands rented for a period of less than one month:* Only provision of space for retail or promotional stands for a period of one month or more will be regarded as an exempt supply of real estate.
- *Mooring rights for boats and ships and rental of jetties:* Fees for mooring services associated with supply of international transportation of passengers or goods may be zero rated. Rental of a jetty which is a permanent, fixed and non-floating structure made from a material such as concrete will be exempt on the basis that it is a supply of real estate.

2) **Reclaimed land not a 'building'**

- It has been clarified that reclaimed land will not be treated as a building for application of zero-rating applicable for construction services in relation to new buildings. Further, goods used during the provision of land reclamation services will not qualify for zero-rating.

3) **Zero rating on supply of ready-mix concrete**

- Supply of ready-mix concrete will be treated as provision of construction works regardless of whether the supplier has any role in pouring the concrete into the foundations or the structure of the building, or whether the supplier simply deposits it on site, e.g. in a container or vessel, for use in the building.

4) **New building certificate from main contractor or property owner**

NBR has outlined the following procedure to be followed in relation to the new building certificate to be issued by main contractor or property owner :

- Where a supplier of construction services (and associated goods) does not have a certificate from the main contractor or the property owner, the supplier should charge VAT at the standard rate of 5% on all supplies.
- Where the main contractor makes a supply of construction services for a new building to the owner, the main contractor should obtain the certificate from the owner. If the owner does not provide a certificate, the main contractor can prepare a certificate itself.

- If a certificate has not been received until after a tax invoice has been issued with VAT at the standard rate, the supplier may cancel and reissue the tax invoice with VAT at zero rate, provided the recipient of the supply has not claimed input tax as per the original tax invoice. Where the recipient of the supply has claimed the input tax in his tax return, the supplier may not cancel and reissue the original tax invoice.

5) Apportionment of consideration

If only part of a contract qualifies for zero-rating, the supplier must apportion the consideration to determine the value of zero-rated supplies and standard rated supplies. The specific scenarios outlined in the Guide have been illustrated below:

Type of payment	Condition	Basis of apportionment*
Advance payments	Entire consideration is not eligible for zero rating	Based on expected split of the overall contract price between zero-rated supplies and standard rated supplies.
Instalment payments	Payment is calculated by reference to specific goods and services supplied	Based on the actual supplies made to which the instalment payment relates
	Payment is not calculated by reference to specific goods and services	Based on expected split of the overall contract price between zero-rated supplies and standard rated supplies
Payment for extension to an existing building	Certain components of the existing building may be replaced or upgraded and therefore not eligible for zero rate	NBR will accept apportioning the relevant costs based on the existing floor area and the floor area of the new extension. However, NBR reserves the right to apply another method of apportionment.

*A fair and reasonable apportionment should be used and the basis of the apportionment method should be documented by the supplier

You may reach out to your respective Project Manager in case of queries on any of the above.

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

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