



Indirect Tax Update

NBR updates VAT Technical FAQs regarding disposal of obsolete stock

29th June 2020

Dear Valued Clients,

Further to the issuance of the VAT Retail & Wholesale Guide, National Bureau of Revenue (NBR) has also updated the VAT Technical FAQ section regarding disposal of obsolete stock.

We have summarized below the key aspects covered in the updated VAT Technical FAQs:

1. Definition of obsolete stock

- Stock that is no longer used, can no longer be traded and is not usable or needed, usually because something newer and better has replaced it. For example, expired stock that could harm a human's health.

2. Approval from the NBR in order to dispose off obsolete stock

- The VAT payer must submit an application form and give advance notice to the NBR of their intention to dispose off such stock at least 30 days before the disposal. The VAT payer must not proceed with the destruction unless they receive the prior approval from the NBR.
- The obsolete stock declaration form prepared by the NBR has been attached to this update.

3. VAT treatment on disposal of obsolete stock

- VAT payers who have disposed off their obsolete stock will not be obliged to account for VAT on the stock, provided that they have applied and received approval of the stock disposal from the NBR.
- No adjustment is required when obsolete stock is disposed after NBR's approval. However, input VAT will need to be adjusted if the VAT payer disposes off the stock prior to/without NBR's approval.

4. Exceptions to notifying NBR

- We have outlined below the exceptions where taxpayer is not required to notify the NBR of his intention to dispose off obsolete stock:
 1. First BHD 5,000/- in value of obsolete stock on which input VAT has been fully or partially claimed in a calendar year
 2. Where the goods comprise perishable food items that are no longer fit for human consumption and which may create a risk to human health if not disposed off quickly. NBR does not expect this to apply to securely packaged food.
 3. Where the goods comprise hazardous materials which are required under Bahraini laws or guidance issued by any competent government authority or agency to be disposed off quickly to avoid damage to human health, property etc.

- The taxpayer will be expected to retain the following details in order to apply the exceptions highlighted above:
 1. Stock description
 2. The purchase price and the VAT claimed on the stock disposed.
 3. Supporting documents that the total value of the stock disposed off did not exceed the BHD 5,000/- threshold during one calendar year.
 4. Either 2 or 3 of the exceptions that were mentioned above supported by evidence. A few examples of supporting documents could be a confirmation by competent authorities or reports.
 5. The reason(s) why the stock was considered obsolete;
 6. Evidence that the stock has been written off in its financial statements.
 7. Method of disposal.

If you have any questions regarding the update in the VAT Technical FAQs, please do not hesitate to [contact us](#).

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