



# Bahrain VAT Decree Law No.48 of 2018 - Final Countdown to VAT in Bahrain

## **BDO**

17th floor, Diplomat Commercial Tower  
P.O Box 787, Manama  
KINGDOM OF BAHRAIN  
Tel : + 973 17530077  
Fax : + 973 17919091  
[www.bdo.bh](http://www.bdo.bh)



**Penalties** - these will apply to non-compliance and non-payment of VAT and are treated as tax evasion - severe Penal and financial penalties will apply - up to 5 years in prison and x3 Financial penalty of the tax due;

**Transitional Provisions** - contracts signed before 01.01.19 silent on VAT are deemed VAT INCLUSIVE;

**Imports** - the Reverse Charge mechanism will apply to goods and can be reported on the VAT return;

**Exports** - movements of goods from the Kingdom to other implementing states are considered as exports of goods until the establishment of the Electronic Services Systems in ALL GCC Member states;

**Zero-rated** will apply to Oil & Gas suppliers, Healthcare, Education, public passenger transport, certain basic foodstuffs such as vegetables, meats & dairy products and construction of new residential property;

**Exempt supplies** - applies to bare land, Financial Services which are margin supplies such as interest or FOREX spreads, All FS supplies made by way of a fixed fee are taxable at 5%, Life insurance was expected to be exempt but has not been confirmed;

**5% VAT will apply to everything else not specifically mentioned above.**

### Article 3 - Price display:

Displayed price of goods or services in local market should include the Tax due

### Article 4 - Persons obligated to pay the tax:

- Taxable person who makes the taxable supplies
- Taxable customer who receiving the goods or services in Bahrain from Non-resident supplier,
- Importer and
- Person who charges tax amount on an invoice

### Article 7 - Voucher:

Issue of voucher not considered as Supply unless the value of consideration received is exceeds the voucher nominal value and tax in due on the excess value

### Article 9 - Government Authorities:

Supplies made by Government authorities are subject to tax if it is rendering non- sovereign manner as an economic activity.

### Article 10 - Deemed Supply:

- Supply of Goods or Services without consideration will be treated as deemed Supply. However Supply without consideration will not be treated as deemed Supply of the input tax credit is not availed on the related goods or services.
- **Samples or gifts:** Samples or gifts are not treated as deemed Supply if they are for economic activity and within specified threshold limit.

### Article 12 - Date of Supply:

Date of Supply is earlier of date of Supply of goods or services or date of issue of tax invoice or date of receipt of payment (either partial or full)

### Article 27-20 Value of Supply:

General	- Total consideration + Excise tax ( excluding VAT)
RCM	- Purchase price
Imported goods	- Customs value + Excise tax + Customs duty
Related party	- Market value
Voucher	- Consideration in excess of nominal voucher value
Re-Import/temporary export	- Increased value (value addition occurred)
Profit margin scheme	- Difference of purchase price and sale price

Value of Supply is exclusive of discounts or subsidies granted Kingdom to the supplier

### Article 28 - Adjustment of value of Supply:

- Taxable person can make adjustment to value of Supply in case of
- Cancellation or rejections of the Supply (in part or full)
- Discount in the value of Supply,
- Non-Collection of consideration (in full or in part) - Bad debts
- Return of Goods or Services provided that the Supplier agrees on the return

## Article 29 - VAT Registration

- If the values of Supplies made within Bahrain exceed 37500 BD in a period of 12 months must register for VAT within 60 days of expiry of the registration period;
- Non-Resident must register for VAT regardless of the value of the supplies and appoint a Tax Representative approved by The National Tax Authority (NTA) who will be jointly liable for the payment of any Tax;
- **Article 67** - NTA shall issue the names of the Persons approved to be Tax Agents and shall specify the conditions required to be a Tax Agent,
- Group VAT registration is allowed - all group members are jointly liable for tax;
- Exception from registration is allowed upon application to the NTA if all Supplies are Zero-rated.
- **Article 77** - responsibility of every resident person to estimate the expected annual revenue for 2019, apply to the NTA for VAT registration if the expected turnover exceeds the mandatory threshold.

## Article 35 - Submission of VAT returns

- VAT returns must be submitted no later than the last day of the month following the end of the tax period;
- If return is not submitted within the specified time the NTA will estimate the tax due for the tax period and penalties will apply;
- Should amendments be required to the tax return then the taxable person must notify the NTA and then make the adjustments.

## Article 39 - Tax invoices

- Taxable person should issue a tax invoice by the 15th day from the end of the month in which the supply took place;
- Supplies in foreign currencies should be converted to Bahraini Dinars based on the daily rate prescribed by the Central Bank of Bahrain on the date of the supply;

## Article 42 - Input Tax deduction

- Input tax is deductible for any tax period for input VAT paid on goods and supplied to him or imported by him;
- Input tax is not deductible when :-
  - Tax is paid on goods or services not used for a taxable economic activity;
  - When it is paid on goods prohibited in the Kingdom;
  - When it is paid on import of exempted supplies in the Kingdom.
- The Regulations will specify other instances where input tax is no deductible;
- Input tax on pre-registration date is allowable and must be reclaimed on the first tax period return;
- Applies to goods not supplied before the date of registration (stock) and receipt of services within the period of 6 months prior to registration (Article 44);
- In cases where input tax is related to goods and services used to make taxable and non-taxable supplies must proportion the percentage of tax claimed.

## Article 52 - Suspension of Tax

- Import tax will be suspended if the imported goods are placed in customs duty suspension in accordance with the conditions and controls in the Unified Customs Law;

## Article 53 - Zero rating provisions

- Zero rated supplies include the following;
  - Exports and re-exports of goods outside the implementing States;
  - Transportation Services of passengers and goods and related services to or from the Kingdom which begins or ends or passes through Bahrain;
  - Supply of preventive and basic healthcare services, goods and related services;
  - Supply or import of medicines and medical equipment concerned with the medical authority;
  - Supply of services by a taxable person in the Kingdom to a customer not residing in the implementing States;
  - Supplies or import of investment grade Gold, Platinum and Silver with purity level of not less than %99 certified by the Authority for testing precious metals and gemstones;
  - The first supply after extraction of Gold, Platinum and Silver for trading purposes;
  - The supply and import of pearls and gemstones certified by the Authority for testing and determining their nature;
  - Construction of new Buildings;
  - Supply of educational services and related goods and services
    - includes Kindergarten, Pre-school education Secondary and Higher Education;
  - Local transportation sector;
  - Oil, Oil derivatives and Gas sector;
  - Supply and import of food items referred to in Article 31

## Article 55 & 54 - Exemptions

- Exempt supplies include the following;
  - Supplies of Financial Services are exempt except where consideration is payable by way of an explicit fee, commission or commercial discount;
  - Supplies of bare land and buildings - including the sale or lease of - The Regulations shall specify the terms and conditions for the application of Article 55.

## Article 59 - Judicial Control:

Tax Authority will have authority to inspect and provisionally close factories, warehouses, shops, establishments and other entities

## Article 60 - Administrative penalties:

Delay in submission of VAT return or payment - 5% to 25% of the Value of the Tax to be recognized or paid.

Failure to apply for registration - up to BHD10,000

Providing false data - 2.5% to 5% of the value of unpaid tax on each month

### **Administrative penalty of BHD 5,000 for the following act:**

- Preventing or obstructing the employees of the Authority with the implementation the provisions of VAT Law
- Not notifying Authority of any changes to the registration or VAT return
- Not displaying prices of Goods or Services including VAT
- Failing to provide the information or data
- Non compliance with conditions and procedures relating to issuing a Tax invoice
- Violation of any other provision of the Law or regulation

### **Article 63 - Tax evasion:**

- Failure to apply for Registration within 60days of end of the period
- Failure to submit the Tax Return or payment of Tax due
- Input tax deduction and adjustment of due tax Unlawful or violation of provisions of VAT Law
- Unlawful deliberate claim of Tax in part or in full
- Submission of forged or unreal documents, records or invoices to avoid payment of VAT
- Not issuing Tax invoices for Supplies or imports of Goods or Services conducted in violation of the provisions of VAT Law
- Issuance of Tax invoice for non-Taxable Supplies

### **Article 64 - Penalties:**

- Penalty for any case of Tax evasion is a prison sentence for a period between 3 years to 5 years with a fine up to 3 times of the Tax amount due and shall be liable to pay Tax due.
- Court may order Confiscation of the transport tools, material and devices used in Tax evasion
- Tax evasion are looked into with a sense of urgency and are viewed as crimes of dishonor and dishonesty

### **Article 70 - VAT filing**

- The NTA will issue the taxable person with a Tax Registration certificate that includes his Tax Identification Number;
- The taxable person shall apply for Tax registration, submit Tax returns and other Tax-related requests or appeals or objections and pay the net tax due and penalties associated through the approved electronic system of the NTA;
- Fees will be charged for the issue of Tax Certificates, licenses of Tax Representative and Agents, Tax appeals which will be determined by the Minister.

### **Article 76 - Contracts Exclusive of Tax entered into before the implementation of the law**

- Applies to supplies of goods and services entered into before 01.01.19 where the supply is made fully or partly AFTER the implementing date;
- Unless the contract includes a Tax clause such consideration shall be deemed VAT INCLUSIVE;
- Tax shall be calculated on the Supply regardless of whether it has been included when setting the consideration for the supply.

**VAT is coming - Only few weeks away....  
Are you ready for the VAT experience and journey ?  
It will be a bumpy ride if you are not  
VAT compliant with the law...**

## **BDO**

17th floor, Diplomat Commercial Tower  
P.O Box 787, Manama  
KINGDOM OF BAHRAIN  
Tel : + 973 17530077  
Fax : + 973 17919091  
[www.bdo.bh](http://www.bdo.bh)

## **STEPHEN KITCHING**

VAT Director  
Office : + 973 17101321  
Mobile : + 973 35397656  
[stephen.kitching@bdo.bh](mailto:stephen.kitching@bdo.bh)

## **MARLON APPLETON**

VAT Senior Manager  
Office : + 973 17530077  
Mobile : + 973 33192463  
[marlon.appleton@bdo.bh](mailto:marlon.appleton@bdo.bh)

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO to discuss these matters in the context of your particular circumstances. BDO, its partners, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication, and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO or any of its partners, employees or agents.