



## VAT PULSE ... SNAPSHOT OF COMPLIANCES

Stay tuned for VAT Pulse - a BDO Bahrain Knowledge page  
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The Ministry of Finance (MoF) has released the much awaited Executive Regulations (Regulations) of the Value Added Tax Law which provide a procedural framework for application of the law and cover the following aspects:

- Scope of tax;
- Imports and exports of goods and services;
- Tax due date and date of supply;
- Place of supply;
- Value of supply;
- Exemptions;
- Refund of tax, etc.

With less than one week to go, businesses must act now to ensure a smooth transition to the VAT regime. In this edition of VAT Pulse, we have focused on the key compliance requirements for businesses to be aware of and to ensure VAT readiness.

## A. VAT REGISTRATION

As announced by the National Bureau for Taxation (NBT), VAT will be implemented in a staggered manner as per the following timelines:

Turnover	Registration Deadline	Effective date of registration
Above 5,000,000 BHD	December 20, 2018	January 1, 2019
500,000 BHD to 5,000,000 BHD	June 20, 2019	July 1, 2019
37,500 BHD to 500,000 BHD	December 20, 2019	January 1, 2020
18,750 BHD to 37,500 BHD	Voluntary registration irrespective of the timeline specified for above categories	

The NBT has already issued registration certificates to businesses with turnover crossing 5 million BHD. The remaining taxpayers opting to register prior to the prescribed timeline will have to create a profile on the NBT website and submit an application for registration.

We have summarised below registration related aspects provided under the Regulations and various clarifications provided by the NBT:

- NBT is empowered to suo moto register businesses which have crossed the mandatory threshold and have failed to apply for registration within the prescribed timeline.
- Similar safeguards have been put in place for instances where the authorities are of the view that related parties have artificially segregated their business to avoid VAT registration.
- Businesses with zero rated supplies may apply for exemption from registration subject to prescribed conditions.
- Detailed provisions on formation, registration and deregistration of tax group have been prescribed. However, the facility of registering as a tax group will not be available as on January 1, 2019, and further details on this will be provided in due course. Currently, all legal entities must obtain separate registration, wherever required.

## B. ISSUANCE OF VAT COMPLIANT DOCUMENTS

- The Regulations have prescribed list of mandatory information to be stated in tax invoice, debit note and credit note.
- It also provides the facility to amend/ correct such documents.
- It is not mandatory to include the VAT number of the customer on the invoice, which is a relief to businesses.
- Documents can be issued either in Arabic or English.
- Businesses will be allowed to issue simplified invoices in instances where the customer is not registered under VAT or if the consideration does not exceed 500 BHD.
- A summarised tax invoice may be issued in cases where several supplies are made to a single customer during a month.
- A taxable customer may issue a tax invoice on behalf of the supplier subject to prescribed conditions. (Self-Invoice)
- Banks in Bahrain have been provided relaxation from the invoicing requirement, and the bank statement issued will be accepted as a tax invoice for the purpose of this law, provided it contains the prescribed information.

## C. VAT RETURNS AND PAYMENT OF TAX

### TAXABLE PERSON WITH TURNOVER ABOVE 5 MILLION BHD (2019)

Tax Period	Due date of Filing	Frequency
January to March	Last day of April 2019	Quarterly
April to June	Last day of July 2019	
July to September	Last day of October 2019	
October to December	Last day of January 2020	

### TAXABLE PERSON WITH TURNOVER BETWEEN 18,750 BHD TO 5 MILLION BHD (2019)

Turnover (in BHD)	Effective date of Registration	Tax Period	Due date of Filing
Above 500,000 to 5,000,000	Effective registration before prescribed deadline of July 1, 2019	• January to June 2019 (if registration is effective during this period)	• Last day of July, 2019
		• Subsequent return - quarterly	• Last day of the month following the quarter
	Effective registration from July 1, 2019	• July to September 2019	• Last day of October 2019
		• Subsequent return - quarterly	• Last day of the month following the quarter
Above 18,750 to 500,000	Effective registration before prescribed deadline of January 1, 2020	• January to June 2019 (if registration is effective during this period)	• Last day of July 2019
		• Subsequent return - quarterly	• Last day of the month following the quarter

## RETURN FILING - TIMELINE FROM THE YEAR 2020 ONWARDS

Turnover	Schedule of filing	Filing deadline
Above 3,000,000 BHD	Monthly	Last day of the next month
3,000,000 BHD and below*	Quarterly	Last day of the month following the quarter.

\* Taxpayers may apply to the NBT for monthly VAT filing period

- The Regulations have prescribed requisite information required to be reported in a tax return. However, the return format is yet to be released.
- In case of error/ omission in a tax return, it can be amended by submitting an amended tax return in the prescribed form and manner.
- The tax will be payable by the last day of the month following the tax period.
- While calculating tax on a supply, a fraction of a fil may be rounded off to the nearest fils.

### D. VAT RECOVERY

- Business may recover VAT paid on local purchases by retaining the original Tax invoices issued by the supplier, subject to fulfilment of necessary conditions.
- VAT can only be recovered within five years from the end of the calendar year to which the supply relates. However, the same is not applicable in case of pre-registration and transition credits.

### E. MAINTENANCE OF RECORDS

- Records, accounting books and other documentation are to be retained and kept either in Arabic or English.
- Period for retention of such records:

Sr No	Category of records	Period of retention *
1	Records and accounting books	5 years from the end of the tax period to which it relates
2	Records related to capital assets	5 years from the end of the tax period in which the adjustment period of these assets ends!
3	Records related to real estate	15 years from the end of the tax period to which they relate.

\* The NBT may, before expiry of the above mentioned periods require retention of records for a further period not exceeding five years.

- Records may be maintained in electronic form with prior approval of the NBT subject to prescribed conditions. The mechanism for seeking such approval is yet to be announced.

## F. BDO Comments

The NBT has reiterated in its various communications with businesses that any lapse in compliances, namely - obtaining registration, payment of tax, issuance of invoices, filing returns, maintenance of records, etc. could be treated as administrative offences.

Such offences will be subject to tax evasion penalties if performed deliberately to avoid payment. The penalty for committing such offences shall be in the nature of imprisonment between three to five years, in addition to fines which extend upto three times the value of tax due. Penalties double where a second tax evasion offence is committed within three years.

Businesses must now fast track their efforts to ensure adherence with the following key compliance requirements:

### 1. VAT registration

- Analysis of turnover in the previous year and anticipated turnover to determine the mandatory timeline for registration
- Carry out a financial impact study to decide whether to obtain registration prior to the mandatory timeline.
- Decision on registration as Tax group if there is more than one entity within the Group.

### 2. Issuance of VAT compliant documents and filing returns

- Systems should be geared up to capture the required fields for issuance of VAT compliant documents;
- Test runs to identify gaps and resolve issues (if any).

BDO has the right blend of experience, technical expertise and commercial understanding to deliver highly effective assistance in the areas highlighted above. We would be happy to support you to ensure smooth implementation of VAT. Please write to us at [vatservices@bdo.bh](mailto:vatservices@bdo.bh) or reach out to our VAT team members for any assistance in relation to Bahrain VAT.

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