



# VAT PULSE ... MINISTRY WORKSHOP INSIGHTS

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The National Bureau of Taxation (NBT), Ministry of Finance (MoF) held its first interactive session on implementation of Value Added Tax (VAT) with audit and advisory firms on December 3, 2018. This session comes right after the press release which was issued in the past week by the Ministry regarding the developments in the run up to introduction of VAT on January 1, 2019. Key insights from the interactions during the session are summarized below.

#### A. VAT IMPLEMENTATION - REGISTRATION DEADLINE

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	

#### B. RETURN FILING - TIMELINE FOR THE YEAR 2019

##### TAXABLE PERSON WITH TURNOVER ABOVE 5 MILLION BHD

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

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

## C. 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

## D. GROUP REGISTRATION

The Executive Regulations (Regulations) to be released shortly is expected to contain details regarding the qualifying criteria for registering as 'VAT Group'. Clarity will also be given on whether the registration portal will accept VAT group registration application before December 20, 2018.

Each legal entity will have to evaluate their registration turnover and accordingly separately register (till further clarity on VAT grouping treatment emerges).

## E. SECTORAL CLARIFICATION

Sector	Clarification
REAL ESTATE	<ul style="list-style-type: none"> <li>Construction of new buildings (commercial and residential) will be zero rated. Zero rating treatment will not be available for ancillary construction services such as architect fees, interior designing, landscaping etc.</li> <li>Clarity will be provided on the treatment that will be accorded to goods and services such as material, sub-contractor services etc. which are used for construction of new building.</li> <li>Sale or lease of bare land and buildings will be exempted irrespective of whether it is used for commercial or residential purpose.</li> </ul>
OIL AND GAS	<ul style="list-style-type: none"> <li>Upstream and midstream segments of oil and gas sector will benefit from zero rating concession.</li> <li>Sale of fuel at petrol pumps will be zero rated.</li> </ul>
HOSPITALITY	<ul style="list-style-type: none"> <li>VAT will be charged on total value including the existing government levy or any other taxes levied in Bahrain.</li> <li>The list of basic food items covered under zero rating will be issued shortly, which will be identified by HS codes.</li> </ul>
FINANCIAL SERVICES & INSURANCE SERVICES	<ul style="list-style-type: none"> <li>Insurance services will be subject to VAT at standard rate, except life insurance services which will be exempt.</li> <li>Simplified invoicing for banking and other financial services will be specified in the Regulations.</li> <li>The principal component of financial lease will be subject to VAT, thus exempting the interest component. However, if the lease is entered prior to implementation date, no VAT will be payable, which will be clarified in detail in the Regulations.</li> <li>Dividends will be out of the scope of VAT.</li> </ul>
MISCELLANEOUS	<ul style="list-style-type: none"> <li>VAT is payable on import of goods irrespective of turnover. However, if the importer is registered he may opt not to pay VAT at customs clearance and disclose the same in the returns by way of accounting entry with the prior approval of the NBT.</li> <li>No specific requirement to issue invoice in Arabic.</li> <li>Simplified invoices can be issued for supplies up to 500 BHD</li> <li>Proportionate reversal of VAT deduction is not required for interest earned on deposits if not in ordinary course of business.</li> </ul>

## F. MINISTRY READINESS

- Regulations to be issued shortly in Arabic and English.
- Registration portal to be active by next week.
- Detailed FAQ document to be posted on the MoF website this week.
- Sector specific workshops to be conducted by the NBT.
- Dedicated relationship managers have been assigned by the NBT for large companies.
- Dedicated helpline and email set up by the NBT to address query(s).
- Guides for specified sectors such as importers and exporters, financial services etc will be released shortly.
- VAT readiness tool in the form of a survey has been formulated by the NBT, which may be used by tax payers to assess their VAT readiness based on defined parameters such as accounting, data record management etc.
- Based on the responses entered by the tax payer, the tool will populate a “VAT readiness score”. This will help tax payers to identify VAT compliance gaps and accordingly take corrective measures.

## G. BDO COMMENTS

Given that the MoF has clarified the timelines for VAT implementation, it is important that businesses above BHD 5 million take prompt action to ensure VAT readiness by January 1, 2019.

Businesses with turnover below 5 million BHD may opt to register voluntarily before the mandatory registration deadline. This will enable the businesses to recover input VAT charged by vendors. Independent evaluation should be done by businesses to understand the advantage of obtaining registration before the prescribed deadline.

We would be happy to support you to ensure smooth implementation of VAT. Please reach out to our VAT team for any assistance in relation to Bahrain VAT.

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