

International Tax Bahrain Highlights 2017



Investment basics:

Currency – Bahraini Dinar (BHD)

Foreign exchange control – No

Accounting principles/financial statements – IFRS.
Financial statements must be filed annually.

Principal business entities – The most common vehicles are With Limited Liability (W.L.L.) and Single Person Company (S.P.C). Other legal forms include a branch of a foreign company, partnership, “simple commandite” company and holding company. The minimum capital requirements in the Commercial Companies Law have been reduced for shareholders of a W.L.L. and S.P.C.

Corporate taxation:

Residence – Residence is not defined. A company engaged in oil, gas or petroleum activities is taxed, regardless of where the company is incorporated.

Basis – There is no corporate tax for most companies in Bahrain, but income tax is levied on the profits of oil companies. Corporate income tax is levied only on oil, gas and petroleum companies engaged in exploration, production and refining.

Taxable income – There are no taxes on income in Bahrain, with the exception of oil and gas companies as described above. Net profits (taxable income) of oil and gas companies consist of business income less business expenses.

Taxation of dividends – No

Capital gains – No

Losses – Trading losses may be carried forward indefinitely. The carryback of losses is not permitted (oil companies only).

Rate – A tax rate of 46% is levied on net profits (taxable income) of companies engaged in the extraction, production or refining of hydrocarbons.

Surtax – No

Alternative minimum tax – No

Foreign tax credit – No

Participation exemption – No

Holding company regime – No

Incentives – No

Withholding tax:

Dividends – No

Interest – No

Royalties – No

Technical service fees – No

Branch remittance tax – No

Other taxes on corporations:

Capital duty – No

Payroll tax – No

Real property tax – No

Social security – For Bahraini employees, the employer's social insurance contribution is 12%, which covers old age, disability, death and unemployment. For expatriate employees, the employer's social insurance contribution is 3%, which covers employment injuries.

Stamp duty – Stamp duty is levied on property transfers on the basis of the value of the property.

Transfer tax – No

Other – A levy of 10% is imposed on the gross turnover of hotels and first grade restaurants. Typically, this 10%

levy is charged by hotels and restaurants to customers on their bills.

A 10% municipality tax is levied on the rental of commercial property and residential property occupied by expatriates.

Anti-avoidance rules:

Transfer pricing – No

Thin capitalization – No

Controlled foreign companies – No

Disclosure requirements – No

Compliance for corporations:

Tax year – Calendar year or the year specified in the company's articles of association.

Consolidated returns – No

Filing requirements – Oil companies are required to file an estimated income tax declaration on or before the 15th day of the third month of the tax year. Tax must be paid in 12 monthly installments.

Penalties – A 1% monthly penalty is imposed for failure to file and pay tax.

Rulings – No

Personal taxation:

Basis – No

Residence – No

Filing status – No

Taxable income – No

Capital gains – No

Deductions and allowances – No

Rates – No

Other taxes on individuals:

Capital duty – No

Stamp duty – Stamp duty is levied on property transfers on the basis of the value of the property.

Capital acquisitions tax – No

Real property tax – No

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – For Bahraini employees, the employee's contribution is 7%, which covers old age, disability, death and unemployment. For expatriate employees, the employee's contribution is 1%, which covers unemployment.

Compliance for individuals:

Tax year – Calendar year

Filing and payment – Monthly returns by the employer must be filed for social insurance purposes.

Penalties – Some penalties apply for failure to file the return.

Value added tax:

Taxable transactions – Bahrain currently does not have a VAT, goods and services tax or sales tax. However, Bahrain (together with other Gulf Cooperation Council countries) is considering the introduction of a VAT to be applied as from 1 January 2018.

Rates – N/A

Registration – N/A

Filing and payment – N/A

Source of tax law: Bahrain Income Tax Law (Amiri Decree 22/1979)

Tax treaties: Bahrain has concluded more than 35 tax treaties.

Tax authorities: Ministry of Finance

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