Recent developments:
For the latest tax developments relating to Bahrain, see Deloitte tax@hand.

Investment basics:
Currency – Bahraini Dinar (BHD)
Foreign exchange control – No
Accounting principles/financial statements – IFRS. Financial statements must be filed annually.

Principal business entities – These are the limited liability company (WLL) and single person company (SPC). 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 WLL and SPC.

Corporate taxation:
Residence – Residence is not defined. A company engaged in oil, gas or petroleum activities in Bahrain is taxed, regardless of where the company is incorporated.
Basis – There is no corporate tax for most companies in Bahrain, but corporate income tax is levied on the profits of oil, gas and petroleum companies from carrying out exploration, production and refining activities in Bahrain.
Taxable income – Oil, gas and petroleum companies are assessed corporate income tax on their net profits from taxable activities in Bahrain, calculated as business income less business expenses.
Taxation of dividends – No
Capital gains – No
Losses – Losses may be carried forward indefinitely. The carryback of losses is not permitted.
Rate – A tax rate of 46% is levied on net profits (taxable income) of oil, gas and petroleum companies engaged in exploration, extraction, production and refining.
Surtax – No
Alternative minimum tax – No
Foreign tax credit – No
Participation exemption – No
Holding company regime – No
Incentives – No

Withholding tax:
There are no withholding taxes in Bahrain.

Other taxes on corporations:
Capital duty – No
Payroll tax – No
Real property tax – No
Social security – For Bahraini nationals, 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. The maximum monthly earnings subject to contributions are capped at BHD 4,000.

Upon the termination of their contract, expatriate workers are entitled to a payment equivalent to one half of one month's wages for each year of service for the first three years and to one month's wages for each subsequent year, pro-rated for part years.

Stamp duty – Stamp duty is levied on transfers and/or registration of real estate at a rate of 2% of the property value. The rate is discounted to 1.7% if the duty is paid within 60 days following the transaction date.
Transfer tax – No

Other – A 10% levy is imposed on the gross turnover of hotels and first grade restaurants. Typically, the charge is passed on by hotels and restaurants to customers via their bills.

A 10% municipality tax is levied on the rental of commercial property and residential property occupied by expatriates. Bahrain nationals are exempt from municipality tax for the first rented property.

Anti-avoidance rules:

There are no anti-avoidance rules or disclosure rules in Bahrain.

Compliance for corporations:

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

Consolidated returns – Consolidated returns are not permitted. Each company must file its own return.

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 equal monthly installments, with the first installment payable on the 15th day of the fourth month of the tax year.

Penalties – A penalty of 1% of the tax liability is due for each 30 days that the return or payment of tax is outstanding.

Rulings – No

Personal taxation:

There is no personal income tax in Bahrain.

Other taxes on individuals:

Capital duty – No

Stamp duty – Stamp duty is levied on property transfers at 2% 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 – Bahraini nationals are required to make a 7% contribution, which covers old age, disability, death and unemployment. For expatriate employees, the employee's contribution is 1%, which covers unemployment. The maximum monthly earnings subject to contributions are capped at BHD 4,000.

Other – Excise tax of 100% applies on tobacco products and energy drinks and 50% on soft drinks.

Compliance for individuals:

Tax year – Calendar year

Filing and payment – The employer remits social security contributions (both employer and employee portions) monthly.

Penalties – Penalties of between BHD 100 and BHD 500 apply for failure to provide income information and may be doubled for repeated failures.

Value added tax:

Taxable transactions – VAT applies on supplies of goods and services as from 1 January 2019 with 2019 being a transitional year (i.e. VAT will be implemented in a phased approach with three registration deadlines and effective dates, see “Registration,” below).

Rates – The standard rate is 5%. Certain supplies are zero-rated.

Registration – For the 2019 transitional year, the phased registration deadlines and effective dates are as follows:

- Businesses with annual taxable supplies (including zero-rated supplies) exceeding BHD 5 million were required to register with the National Bureau for Revenue (NBR) by 20 December 2018, with an effective date of 1 January 2019;
- Businesses with annual taxable supplies exceeding BHD 500,000 but not more than BHD 5 million must register no later than 20 June 2019, with an effective date of 1 July 2019; and
- Businesses with annual taxable supplies exceeding BHD 37,500 but not more than BHD 500,000 must register no later than 20 December 2019, with an effective date of 1 January 2020.

Businesses with annual taxable supplies exceeding BHD 18,750 may voluntarily register for VAT from 1 January 2019 or during the 2019 tax year.

Filing and payment – Tax returns must be submitted and payments made using the NBR’s online portal and are due by the last day of the month following the end of the tax period. For 2019, taxpayers with annual taxable supplies exceeding BHD 5 million use quarterly tax periods. For all other taxpayers, the first tax period is the six-month period ending 30 June 2019, followed by two quarterly tax periods. During 2020, taxpayers with annual taxable supplies exceeding BHD 3 million will use monthly tax periods, and all other taxable persons will use quarterly tax periods.

Source of tax law: Bahrain Income Tax Law (Amiri Decree 22/1979), Bahrain VAT Law (Decree-Law No. (48)
for the year 2018 regarding Value Added Tax, Bahrain Executive Regulations (Resolution No. (12) for the year 2018 on the issuance of the Executive Regulations of the Value Added Tax Law issued under Decree-Law No. (48) for the year 2018.

**Tax treaties:** Bahrain has concluded 40 tax treaties.

**Tax authorities:** Ministry of Finance and National Bureau for Revenue.

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