



Highlights from the Import and Export Guide

The National Bureau for Revenue ('NBR') has recently issued its guide Import and Export transactions that have been impacted by the Bahrain Value Added Tax (VAT) Law and the Executive Regulations that have been implemented from January 1, 2019. The purpose of the issuance of the guide is to determine the VAT treatments of cases involving transactions related to imports and exports within the Kingdom of Bahrain.

The key aspects of the guide are summarized below:

Import of Goods

- Import VAT shall be due on the customs value, including excise duty and customs duty, if any.
- In the event of an import through an agent, no VAT credit shall be allowed to the agent, as it does not pertain to the agent's economic activity. It is essential that the taxable person provides the VAT TRN to the clearing agent, who shall then pay the VAT on behalf of the taxable person.
- Such a payment on behalf of the taxable person by the agent shall be treated as the disbursement, and VAT shall be refunded to the agent by the taxable person. The taxable person can claim the VAT input credit for such VAT as is paid, based on the documents that have been obtained from the customs authorities.
- Adjustments of value on the account of post-facto discounts: discounts will not affect the value of imports. The importer should not make any adjustment to his tax return in order to reflect a discount.



- The taxable person must obtain prior authorization from the NBR for the deferral of import VAT to the submission of the return. The process for the deferral of import VAT shall be issued by NBR in due course.
- Once the deferment of import VAT has been obtained, the VAT account number will be flagged to the Customs authorities for the VAT deferment, and the goods in such cases can be cleared by the taxable person without any payment of VAT to the customs authorities.
- If the deferment is granted, then the Taxable person will be mandated by Law to disclose the VAT liability under the Reverse Charge Mechanism (RCM) basis on the VAT return and may be allowed to claim input VAT subject to the input tax credit rule.

Import of Services

- Services that are performed by a non-resident vendor and that are used and enjoyed by the taxable person within Bahrain are classified as import of services.
- It is mandatory for the taxable person to mention the VAT liability in Bahraini Dinars on the invoice that is issued by the non-resident vendor.
- A non-resident vendor providing a service in Bahrain to a non-taxable person, i.e. a person who is not registered for VAT, and where the place of supply is Bahrain (e.g. services relating to real estate), such services do not fall under VAT on RCM basis. In such cases, the non-resident person shall obtain VAT registration under Bahrain's VAT Law and charge applicable VAT to the non-taxable person.
- In the event of a non-resident vendor obtaining a VAT registration within Bahrain, and provides services to taxable and non-taxable persons, taxable invoices shall be issued as follows:
 - Non-taxable customers - issue a taxable invoice with the applicable VAT;
 - Taxable customers - issue an invoice without VAT, but with a note stating 'supply subject to the reverse charge mechanism'.

Export of Goods

- Goods that start from a place outside Bahrain and move to another place outside Bahrain shall be outside the scope of the Bahrain VAT Law.
- In order to qualify for the benefit of zero VAT, the exporter shall comply with the conditions that are prescribed under the Bahrain VAT Regulations.
- It is mandatory for the exporter to maintain the documents in order to prove that the exports are subject to zero VAT.
- Sale of goods at the departure counter at airport, port, or on a vessel leaving Bahrain, which are not meant for consumption within Bahrain, shall be treated as exports and shall be subject to zero VAT. The benefit of zero VAT shall not be available to the supply of services by restaurants, lounges etc.



- Sales that are made at the arrival counters at the airport shall be subject to VAT at the applicable rates.

Export of Services

- The conditions qualifying for exports of services are as follows:
 - When the customer receiving the service has no place of residence in Bahrain or in any implementing State.
 - The customer must not be present in Bahrain at the time when the services are performed;
 - The services do not relate to real estate or goods that are located in the territory of the Implementing States at the time when the services are performed;
 - The services are enjoyed outside the territory of the Implementing States.



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