



Introductory VAT workshop By Bahrain Ministry of Finance and National Bureau of Taxation

Introduction

The Ministry of Finance (MoF), Bahrain and its newly established tax authority, National Bureau of Taxation (NBT) today invited the audit and tax advisory firms for an interactive session on implementation of Value Added Tax (VAT) in Bahrain. We are pleased to share the important update for your reference and to help in the smooth implementation of VAT in your organization.

VAT Liability & Registration

- The government of Bahrain has decided to stagger the liability and need for obtaining the VAT registration for the businesses based on the annual turnover as below:

Turnover (BHD)	Obligated to register by	VAT effective date
> 5 MN	20th December 2018	1st January 2019
> 0.5 MN to 5 MN	20th June 2019	1st July 2019
> 37,500 to 0.50 MN	20th December 2019	1st January 2020

- The turnover for the purpose of the registration shall include taxable (5%/ zero rated) turnover and turnover on which VAT is payable/to be accounted for under reverse charge (import of goods/services).
- NBT is also more than willing to grant **Voluntary registration** to businesses having annual turnover more than BHD 18,750 from 1st January 2019 itself, if these businesses wish to apply.



- Non-Residents doing business in Bahrain need to get registered from the 1st supply post 1st Jan' 2019. They may be allowed to register own their own without the requirement of any Tax Representative.
- Tax Group registration: MoF is expected to clarify within a week whether option of Tax Group registration shall be made available from 1st Jan' 2019 itself.
- Import of goods will attract Import VAT (unless specifically exempted/ zero rated) irrespective the turnover of Importer.
- The VAT portal for applying for registration to be operational within a week's time. National Bureau of Tax will release the documentation requirements for applying for registration shortly.

VAT Periodic Returns

- There shall be different tax periods for filling VAT returns. The returns to be filed before the end of the month following the tax period.
- The following table explains the Tax periods and the due dates for filing of returns.
- Below mentioned table highlights the return filing obligation of the tax payers

Registrant's Turnover (in BHD)	2019				2020	
	First Tax Period	Due date of filling return	Subsequent Tax Period	Due date of filling return	Tax Period	Due date of filling return
>5 MN	Jan' 19-Mar' 19	By the end of the month following the tax period	Quarterly	By the end of the month following the tax period		
Other Registered Tax Payers	DOR*-Jun' 19		Quarterly	By the end of the month following the tax period		
> 3 MN					Monthly	by the end of the month following the tax period
< 3 MN					Quarterly	
*DOR=Date of Registration						

Industry Specific Clarifications

- The participants raised many queries on industry specific issues which were clarified by the MoF/ NBT
- We are highlighting certain important industry specific clarifications in the table on the following page



- Industry specific clarifications –

Sector	Particulars	Comments
Real Estate	Sale or rental	Sale of Rental of residential as well as commercial real estate is exempt.
	Construction Activity	Construction service of new residential as well as commercial buildings is zero rated.
Oil & Gas	Coverage for zero rating	Vide coverage of oil & gas sector (Up-stream and mid-stream segments) are zero rated
Hospitality	Valuation of supply	The value of supply for the purpose of VAT shall include the municipal taxes and other levies (wherever applicable)
Financial Services	Finance Lease/Hire Purchase/ Murbaha/ Ijarah transactions	Date of supply is delivery of goods to customer. Hence Continuing contracts will not be liable to VAT as delivery has been made prior to the date of implementation of VAT
Consumer Retail	Simplified invoicing	Simplified invoices can be issued for value up to BHD 500
General	Basic Food stuff and medical items	The list of zero-rated food stuff and medicine items to be released soon. The list to have the customs HSN codes for identification/classification
	Passive finance income (e.g. interest on deposits)	Passive finance income shall not be considered for the purpose of computation of proportionate deduction of input VAT credit. However same shall be considered in case if the finance income is a result of active operations.
	Import of goods	VAT would be paid by all the importer of goods (unless exempted / zero rated) whether they are registered under VAT or not.

Others

- Executive regulations shall be released soon
- Customs documentation procedures also undergoing change to be aligned with VAT
- MoF / NBT will organize series of VAT awareness sessions / events / networking sessions to increase awareness and education about VAT
- Dedicated call center has been set up and also a dedicated email has been created, using which the tax payers can communicate with tax authorities
- Frequently asked questions (FAQs) are also going to be put up on the portal soon.
- Dedicated Relationship Managers will be assigned to large tax payers
- VAT Readiness Tool will be provided to the tax payers to help them gauge how ready they are, on what areas they need to work on, etc.



Comments

- With the first such interaction decks are cleared for the implementation of VAT in Bahrain, though in a staggered manner.
- The large businesses (turnover more than BHD 5 MN) need to immediately assess their preparedness for the implementation and fast track the same.
- Medium and small businesses need to assess whether they need to get voluntary registered under VAT from 1st January 2019 considering their supply chain/ procurement sources. If they are not registered VAT paid on procurements (imports/ purchases subjected to VAT earlier in supply chain) would become the cost.

WTS Dhruva will be happy to answer any query/ clarification or provide support in relation to Bahrain and GCC VAT. Please reach out to Mr. Gaurav Khurana on gaurav.khurana@dhruvaadvisors.com



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