

Tax Learnings



3 April 2023

Recent case of penalties imposed by the National Bureau for Revenue (NBR)

Unregistered businesses charging VAT on supplies

Background	Certain newly set up businesses have been penalized by the NBR for charging VAT on supply of goods or services prior to obtaining VAT registration.
Penalty exposure	Up to BHD 5,000/-
Our comment	<p>There have been many cases where newly set up businesses (mainly in the retail sector) did not evaluate their VAT registration obligation and as a result did not apply for VAT registration. However, their newly implemented accounting systems were configured, by default, to apply VAT on sales transactions even without a valid VAT registration. During field audits by NBR officials these establishments were found to be charging VAT on sales without a valid VAT registration. This resulted in penalties being imposed by the NBR.</p> <p>It is critical for newly setup businesses to evaluate whether they are required to apply for VAT registration in the initial stages of planning their setting up. Further, due care must be taken that no VAT is charged on sales by any business/individual without a valid VAT registration in place.</p>

Did you know?

VAT treatment for stock made available to customer

Suppliers often make goods available to their customers where the customer may use/consume such goods without prior approval of the supplier. An example is when an electronics company places a stock of spare parts with a third-party contractor and the contractor uses these parts as and when required. On a regular basis, the contractor provides to the supplier a list of spare parts used by the contractor to track usage/consumption.

In such a case, the supplier will be deemed to have made a supply of the goods to the customer at the time that they are made available to the customer for use rather than when the customer uses/consumes such goods or notifies the supplier of their use/consumption. Where the customer does not use any goods and these are returned to the supplier, the supplier may issue a credit note for the returned goods.

The above is for general information only and is not intended to address the circumstances of any particular scenario. Please seek professional advice or contact us in relation to your particular circumstances.

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