

22 December 2021

Bahrain

Doubling of VAT rate to 10% from 1 January 2022

Following the approval from the Council of Representatives, on 12 December 2021, the Shura Council approved the bill for VAT rate increase to 10% effective from 1 January 2022. The bill is now pending ratification by HM the King of Bahrain.

Last week, the National Bureau for Revenue (NBR) sent an email to taxpayers about the impending VAT rate increase and the importance of being ready for the change. The NBR confirmed that they will be publishing educational guides, FAQs and other information on their website to further clarify relevant policies, in due course.

Whilst the Bahrain National Bureau for Revenue (NBR) is yet to release transitional rules, we have prepared the following as a guide based on the transitional rules issued by Saudi Arabia when they increased the VAT rate to 15% in July 2020 – please note the ‘Transitional VAT treatments and invoicing’ document is only a guide on the assumption that Bahrain also introduces similar transitional rules to Saudi Arabia:

- [Key issues for businesses to consider as a result of the VAT rate change](#)
- [Transitional VAT treatments and invoicing](#)

We expect transitional rules to be released soon by the NBR. If Bahrain does not introduce specific transitional rules for the VAT rate change the standard transitional rules (set out in the Bahrain VAT law and executive regulations) when VAT was introduced in Bahrain in 2019 will apply. It is important to note that based on what Saudi Arabia did last year, any transitional rules are likely to be optional – in essence, any transitional rules that may be introduced are likely to be a concession provided to businesses so it may not be compulsory for businesses to apply them.

With around 7 working days left to the proposed VAT rate increase to 10% effective 1 January 2022, business can already take steps to ensure they are prepared well before the effective date. KPMG Bahrain conducted a webinar in October on what businesses should be doing - click [here](#) to access the recording of the webinar as well as the presentation.

Organization for Economic Co-operation and Development (OECD) releases Pillar Two model rules

On 20 December 2021, the OECD released the Pillar Two model rules (also referred to as the Global Anti-Base Erosion Model Rules or “GloBE” Rules) for domestic implementation of the 15% global minimum tax.

With the 2023 implementation date remaining unchanged, it gives in scope entities and groups only 12 months to prepare for the international (and any domestic) tax law changes.

Click [here](#) to access the GloBE Rules published by the OECD.

Click [here](#) to access the KPMG Alert on the Pillar Two model rules.

Bahrain Country by Country (CbC) notification and reporting update

As per the Ministerial Order (MO) No (28) of 2021 dated 3 February 2021, CbC notification and reporting applies to all businesses that have a legal entity or branch in Bahrain and are members of a Multinational Enterprise (MNE) group with annual consolidated revenue of at least BHD342m (USD906m). The MO defines relevant terms such as Multinational Enterprise (MNE) Group, Excluded MNE Group, Constituent Entity (CE), Ultimate Parent Entity (UPE), and Reporting Entity (RE). The new CbC reporting requirements apply to financial years beginning on or after 1 January 2021. For MNE groups with a financial year end of 31 December 2021, the first Bahrain CbC notification deadline is 31 December 2021.

The Bahrain National Bureau for Revenue (NBR) are yet to release any information on the specific requirements for CbC notifications but it is likely to be online through their [International Tax Information Exchange System \(ITIES\) portal](#). Whilst the NBR page on CbC reporting still states 'coming soon', when you log into the NBR ITIES portal a new [CbC reporting guide](#) is available.

Our team is in the process of confirming:

- If notifications will still be required for Bahrain CEs of MNE groups headquartered outside Bahrain.
- The deadline for notifications for Bahrain headquartered MNE groups (for MNE groups with a financial year end of 31 December 2021, the first Bahrain CbC report filing deadline is 31 December 2022).

You can find out more by reading our [FAQs](#) and reviewing this [flowchart](#) on Bahrain CbC filing requirements.

World Customs Organization (WCO) approves Bahrain's proposal for customs data interchange

In the 85th session of the WCO General Policies Committee, the committee approved a proposal submitted by the President of Bahrain Customs Affairs to conduct a feasibility study to form an international platform to exchange customs data and information.

Click [here](#) to read more.

Shura Council approves Multilateral Instrument (MLI)

On 12 December 2021, the Bahrain Shura Council approved Decree No. 24 of 2021 to ratify the [OECD Multilateral Convention \(MLI\) \(2017\)](#). Bahrain has chosen to include 44 Double Tax Treaties under the Covered Agreements.

GCC foreign ministers and UK agree to strengthen relationship

On 20 December 2021, UK's Foreign Secretary met foreign ministers of the GCC at Chevening, England. In the meeting, the participants agreed to work towards a free trade deal and to strengthen the UK-GCC relationship across all fields including emerging areas such as clean technology, digital infrastructure and cyber.

Click [here](#) to read more.

Kingdom of Saudi Arabia (KSA)

Zakat, Tax and Customs Committee (ZATCC) issues 34,000 decisions

The ZATCC issued more than 34,000 decisions as of 14 December 2021 for cases concerning Zakat, income tax, VAT and customs.

Zakat, Tax and Customs Authority (ZATCA) proposes amendments to Real Estate Transaction Tax (RETT) rules

On 15 December 2021, ZATCA proposed amendments to the RETT Regulations, the amendments are being proposed to article 1 which provides definitions, article 3 which deals with exemptions and article 4 which deals with due date for payment of RETT. The amendments have currently been published by ZATCA for public consultation.

United Arab Emirates (UAE)

Federal Tax Authority (FTA) conducts fourth virtual workshop for tax agents

On 8 December 2021, the FTA conducted the fourth virtual workshop for tax agents which included, a brief on the redetermination of tax penalties, VAT refund on UAE national new residences, and amendments on tax procedures.

The FTA publishes a number of infographics on its social media platforms

The FTA has recently published multiple infographics on its social media accounts which includes the tax accounting system accreditation service terms and conditions and steps after getting approval from the FTA.

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

For a detailed discussion on how the above updates may impact your business, [contact us](#).

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