

Bahrain & GCC Tax News



17 May 2023

Bahrain

Bahrain e-invoicing update

The National Bureau for Revenue (NBR) has issued a public tender (259/2023/BTB (NBR/11/2023)) through the Bahrain Tender Board for “provision of technical support services”. The tender description states: “NBR requests a vendor’s support to provide 5 experienced and skilled candidates across multiple technology areas, including cybersecurity, IT infrastructure, IT PMO, product ownership and IT development.”

NBR announces electronic system for digital stamps orders

The NBR has recently announced that starting 14 May 2023, the digital stamps electronic system will start to receive digital stamps orders for certain goods subject to excise tax.

Corporate Income Tax (CIT) on large Multinational Enterprises (MNE)

With the Global Minimum Tax (GMT) rules set to take effect from the beginning of 2024, the question for many Bahrain businesses is what Bahrain will do.

Countries that only have a limited CIT or a CIT below the GMT of 15% will need to make some key decisions:

- Implement the Income Inclusion Rule (IIR) and CIT on all businesses; or
- Implement the IIR and CIT on select businesses.

If Bahrain does nothing, profits generated by companies in Bahrain could be subject to tax in other jurisdictions. In essence, Bahrain will lose out on taxing rights and revenue. For example:

- The Ultimate Parent Entity (UPE) located in Bahrain may still end up paying top-up tax in another jurisdiction on the profits generated locally;
- A UPE in a country that has implemented the IIR with subsidiaries in Bahrain would include and pay the top-up tax in respect to the low taxed Bahrain subsidiaries – Bahrain would then have conceded the tax revenue that may have been generated from profits of the Bahrain subsidiaries to another jurisdiction.

Therefore, given the recent [comment](#) made by the Minister for Sustainable Development at the 2023 World Economic Forum, Bahrain businesses could expect the introduction of CIT, at least in the first instance, on MNEs with annual consolidated revenues exceeding BHD 342 million from financial years commencing 1 January 2024.

This means that a Bahrain-headquartered MNE or a Bahrain subsidiary/branch of a foreign MNE could start paying CIT in Bahrain from FY 2025 onwards (for FY 2024 filing).

The second phase could include a broader CIT on other businesses as well. Whilst no formal announcement has been made yet, we recommend businesses conduct at least a preliminary analysis of the impact the introduction of a CIT will have on them.

You can also read our [FAQs](#) released in August 2021 on the BEPS Inclusive Framework Agreement for a refresher on the GMT.

Kingdom of Saudi Arabia (KSA)

Zakat Tax & Customs Authority (ZATCA) signs memorandum of cooperation with the General Authority for Food Security

ZATCA has recently announced that they have signed a memorandum of cooperation with the General Authority for Good Security. The memorandum is aimed at enhancing cooperation between the 2 organizations for implementing the initiatives for reducing food waste in KSA.

United Arab Emirates (UAE)

Ministry of Finance (MoF) releases explanatory guide on Corporate Income Tax (CIT)

The UAE MoF has recently released the explanatory guide on Federal Decree-Law No. 47 of 2022 on CIT.

Click [here](#) to view the guide on Federal Decree-Law No. 47 of 2022.

MoF issues transfer pricing documentation requirements under UAE CIT

The UAE MoF has recently released Ministerial Decision No. 97 of 2023 outlining the requirements for maintaining transfer pricing documentation for the purposes of Federal Decree-Law No. 47 of 2022 on CIT.

Click [here](#) to view Ministerial Decision No. 97 of 2023.

Federal Tax Authority (FTA) hosts tax support initiative workshop for taxpayers

The FTA has announced tax support initiative workshops for taxpayers to answer any tax related inquiries and questions on 16 and 17 May.

Brazilian Senate approves Investment Protection Agreement (IPA) with UAE

On 4 May 2023, the Brazilian Senate approved the IPA with the UAE. The agreement was initially signed between the 2 nations on 15 March 2019.

Oman

Oman Tax Authority (OTA) hosts tax awareness seminar

The OTA recently announced that they hosted a comprehensive seminar in the Ad Dakhiliyah Governorate, which targeted entrepreneurs and those interested to learn more about the tax laws in Oman.

Kuwait

Kuwait Tax Authority (KTA) to commence detailed inspections of annual tax declarations

The KTA has announced that they will commence sample-based inspections after reviewing the information provided within the annual tax declarations submitted by taxpayers.

Click [here](#) to read the Tax Alert issued by KPMG Kuwait.

Qatar

Qatar and Uzbekistan to sign IPA and tax treaty

As per a press release published by the Ministry of Investment, Industry and Trade of Uzbekistan, Qatar and Uzbekistan have agreed on measures to prepare for the signing of an IPA and tax treaty.

Egyptian Cabinet approves tax treaty with Qatar

The Egyptian Cabinet has approved the tax treaty with Qatar, which was signed on 27 February 2023.

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

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