

Bahrain

Effective since January 2019.

According to the Unified Agreement for Value Added Tax of the Cooperation Council for the Arab States of the Gulf, Decree-Law No. (48) for the year 2018 regarding Value Added Tax, electronic/digital services provided by non-resident providers fall under 10% VAT if the Customer is a non-registered person.

It means that a non-resident person who makes taxable supplies in Bahrain must register for VAT in Bahrain as soon as he starts making taxable supplies in Bahrain if no one else is liable to account for the VAT due on those supplies.

VAT Standard rate

The standard VAT rate in Bahrain 2024 is 10%.

VAT Reduced rate

0% – for some food items, medical equipment, goods and services for kids, precious metals, and gems.

Thresholds

Non-residents are obligated to register for VAT in Bahrain within 30 days from the first taxable supply to non-taxable persons in Bahrain, regardless of any thresholds.

Place of supply

If the customer is not registered for VAT in Bahrain, the place of use and enjoyment is the place where the customer actually uses and enjoys the service. The place where the contract with the customer is executed and the place where the customer pays for the service are not relevant.

E-services list

Electronic services are services provided over the internet or any electronic platform, which operate in an automated manner with limited human intervention and are impossible to complete without the use of information technology.

For example:

- Services that provide or support a website on the internet;
- Digital products, including computer programs;
- Supply of a website domain, web hosting, and remote maintenance of software and equipment;
- Collection of visual content;
- Electronic supply of music, films, television series, games, magazines, newspapers, or other programs;
- Provision of advertising on websites;
- Provision of online educational services;
- Supply of computer programs and updates.

Registration

Non-residents, who carry on economic activities but have no fixed place of business or fixed establishment, are required to register if they should pay VAT in Bahrain.

Businesses must be registered at the National Bureau for Revenue (NBR). The NBR is responsible for the registration of taxpayers and their tax liability, the validation of VAT return filing and the related assessment, and the payment of refunds.

Tax representative

A non-resident may register for VAT through a VAT representative. A VAT representative must be resident in Bahrain and duly approved by the NBR. The appointment as a VAT representative must be done by way of an official power of attorney.

Deregistration

If a non-resident is registered for VAT in Bahrain, he must deregister within 30 days of any of the following events occurring:

- No longer carries out economic activity in Bahrain;
- Has not made any VAT-able revenue for 12 consecutive months.

VAT returns filing

VAT-able persons with annual revenue of more than BHD 3 million have monthly VAT periods, corresponding to calendar months.

VAT-able persons with annual supplies not more than BHD 3 million have VAT periods corresponding to calendar quarters (i.e. ending 31 March, 30 June, 30 September, and 31 December).

A VAT return for each VAT period is due by the last day of the month following the end of the previous day of the VAT period.

VAT payment date

The associated VAT due should be paid by the last day of the month following the end of the previous day of the VAT period.

Penalties

Failure to apply to register (within 60 days from the date of expiry of the registration period) – BHD 10,000.

Late submission of a VAT return – 5%-25% of the value of the VAT declared or paid;

Late payment of VAT due – 5%-25% of the value of the VAT declared or paid.