

29 September 2021

Bahrain

Bahrain to increase VAT rate from 5% to 10% from 1 January 2022

The Bahrain Council of Ministers (Cabinet) has approved an increase in the standard rate of VAT from 5% to 10% with effect from 1 January 2022. The announcement comes in response to the impact COVID-19 has had on the Bahrain economy and is aimed at stabilising the Fiscal Balance for Bahrain.

Businesses may have taken VAT cost less seriously as errors at 5% or the inability to claim input VAT may have not had a material impact on their finances. However, with the rate set to double, VAT should become a material consideration for most businesses - with VAT at 10%, errors and the inability to claim input VAT is likely to have a significant impact on businesses.

The KPMG Bahrain tax team have prepared a number of Tax Insights to assist Bahrain businesses as they prepare for the increase in the VAT rate:

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

Violation notices issued and fines imposed for non-compliance with the Economic Substance (ES) rules

Businesses who did not file their ES returns by the deadline have received violation notices with some being fined as well for non-compliance with Bahrain ES rules. Some businesses that did file ES returns have received clarification requests for further information.

National Bureau for Revenue (NBR) has published an updated list of excise goods

On 23 September 2021, the NBR published an updated list of excise goods on their website.

Click [here](#) to access the updated list of excise goods.

Kingdom of Saudi Arabia (KSA)

Zakat, Tax and Customs Authority (ZATCA) issues VAT guideline on employees benefits

On 2 September 2021, ZATCA issued a new guideline in Arabic for applying VAT on employees benefits.

Click [here](#) to access the guide (in Arabic).

ZATCA introduces educational section for e-invoicing on its website

On 28 September 2021, ZATCA announced that it has added an educational section for e-invoicing (FATOORAH) on its website for interactive learning about e-invoicing through videos, images and questions.

Click [here](#) to read more (in Arabic).

General Secretariat of Tax Committees (GSTC) merges with the General Secretariat of Customs Committees (GSCC)

On 12 September 2021, it was announced that the GSTC has been merged with the GSCC. The merged General Secretariat of Zakat, Tax and Customs Committees will hear appeals against decisions made by ZATCA in zakat, tax and customs matters.

Click [here](#) to read more (in Arabic).

ZATCA begins the fourth edition of the Capacity Building program

On 27 September 2021, ZATCA announced the commencement of the fourth edition of the Capacity Building program which is aimed at training the youth of KSA in the areas of zakat, tax and customs.

Click [here](#) to read more (in Arabic).

United Arab Emirates (UAE)

Ministry of Finance (MoF) issues new Ministerial Resolution on Common Reporting Standard (CRS)

On 16 September 2021, UAE issued a Ministerial Resolution no. 77 of 2021 in the Official Gazette on CRS.

Recent tax treaty developments

Below is the summary of the most recent tax treaties developments for UAE:

- North Macedonia and UAE signed an investment protection agreement on 22 February 2021
- Cameroon - UAE income tax treaty of 2017 entered into force on 16 April 2021
- Egypt - UAE income tax treaty entered into force on 19 April 2021
- Investment protection agreement between the UAE and Zambia, signed on 7 February 2020, entered into force on 25 June 2021

KPMG webinar on Bahrain VAT rate change

Join us to learn more about how the proposed VAT rate change to 10% could impact your business and how to ensure your organization and team's readiness.

Date: Sunday, 10 October 2021

Time: 10:00 AM to 11:00 AM (AST)

Platform: Cisco Webex

The free session will cover:

- How the transitional rules will operate
- Key Risk Areas (KRAs) for all businesses
- Industry specific considerations
- Practical steps you could incorporate now to ensure readiness prior to the proposed effective date of 1 January 2022.

Please register by [clicking here](#). For more information and assistance, please contact Khalid Seyadi on kseyadi@kpmg.com

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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