



Bahrain

FAQs on the recently introduced Country-by-Country (CbC) Reporting (CbCR) requirements by the Kingdom of Bahrain

What is the background to CbCR?

Bahrain as a member of the Organisation for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) Inclusive Framework, has committed to align with the international tax framework, and implement the BEPS minimum standards.

One of the minimum standards is CbCR, covered in Action 13, which requires multinational enterprise (MNE) groups to file a CbC report, setting out financial information for each tax jurisdiction where the group has a presence. The objective of a CbC report is for tax authorities around the world to assess risks related to transfer pricing and base erosion profit shifting for MNE groups.

Bahrain has ratified the Multilateral Competent Authority Agreement (MCAA) on the automatic exchange of CbC reports - published in Official Gazette No. 3508 of 28 January 2021. Bahrain has also issued the resolution for the exchange of CbC reports – Ministerial Order (MO) No (28) of 2021 dated 3 February 2021 with respect to CbC Reporting – click [here](#) for an unofficial English translation of the MO.

Which entities do the rules apply to?

CbCR applies to all businesses that have a legal entity or branch in Bahrain and are members of a 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).

When do the rules apply from?

The new CbC reporting requirements apply to financial years beginning on or after 1 January 2021.

What does the Bahrain entity need to do?

An entity that is a member of an MNE group that had at least BHD342m consolidated group revenue in the preceding financial year is required to file a CbC notification and/or a CbC report. An entity subject to the CbCR rules is referred to as a Constituent Entity.

Who is required to file a CbC notification and what is the deadline?

Each CE of an MNE Group resident in Bahrain for tax purposes will be required to submit a notification no later than the last day of the reporting financial year of the MNE Group. The notification should identify whether it is the UPE of the MNE Group. Where the CE is not the UPE, the notification should include the identity and tax residence of the RE. In essence, the CbC notification obligation applies to all Bahrain resident entities that are part of a MNE Group whether or not headquartered in Bahrain.

For MNE Groups with a financial year end of 31 December 2021, the first Bahrain CbC notification deadline is 31 December 2021.

Who is required to file a CbC report and what is the deadline?

Each UPE (ie a RE) resident in Bahrain is required to file its CbC report complying with requirements in Article 5 of the MO no later than 12 months after the last day of the reporting financial year of the MNE group. In essence, the CbCR filing obligation only applies to Bahrain headquartered groups.

For MNE groups with a financial year end of 31 December 2021, the first Bahrain CbC report filing deadline is 31 December 2022.

Is a secondary filing required for a CE in Bahrain?

As Bahrain is a non-reciprocal jurisdiction, the MO does not include a requirement for a Bahrain resident CE of a MNE Group headquartered outside Bahrain (UPE outside Bahrain) to submit the CbCR under the secondary filing mechanism (only a notification is required for these entities).

What if I have previously filed CbCR in another jurisdiction?

MNE Groups with a Bahrain resident UPE that may have filed through a Surrogate Parent Entity (SPE) in another jurisdiction, will need to start filing in Bahrain and consider updating previously submitted notifications in other jurisdictions where the reporting obligation is transferred from an SPE in another jurisdiction to the UPE in Bahrain.

Are there penalties for non-compliance?

Failure to comply with the CbCR obligations set out in the MO may result in administrative fines not exceeding BHD100,000 and/or suspension of the commercial registration of the entity.

What should Bahrain entities do next?

All entities and MNE groups with Bahrain operations should assess if they are subject to CbC notification and reporting requirements in Bahrain. The form and method for submitting the CbC Report and notifications is expected to be provided soon.

For further information on your entity's CbCR obligations, please [contact us](#).

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.

Mubeen Khadir
Partner - Head of Tax & Corporate Services
T: +973 3222 6811
E: mubeenkhadir@kpmg.Com

Omar Hisham
Senior Manager
T: +973 3840 7759
E: sosaid@kpmg.com

Mansoor AlWadaie
Manager
T: +973 3998 8098
E: malwadaie@kpmg.com

Ekansh Agrawal
Deputy Manager
T: +973 3543 8097
E: ekagrawal@kpmg.com

Ahmed AlOraibi
Deputy Manager
T: +973 33007200
E: aaloraibi@kpmg.com

Yusuf AlWadaei
Senior Executive
T: +973 3604 4845
E: yalwadaei@kpmg.com

home.kpmg/bh

© 2021 KPMG Fakhro, a Bahrain partnership registered with the Ministry of Industry, Commerce and Tourism (MOICT), Kingdom of Bahrain and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

Throughout this release, "we", "KPMG", "us" and "our" refers to the global organization or to one or more of the member firms of KPMG International Limited ("KPMG International"), each of which is a separate legal entity.

KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.