

Bahrain VAT | Administrative fines and penalties

August 2021

The National Bureau for Revenue (NBR) expects businesses to remain compliant with the provisions of VAT law - from the timely application for VAT registration to ensuring the correct VAT treatment is applied to all transactions and ensuring VAT returns are filed accurately and in a timely manner. Any non-compliance is likely to be met with the application of administrative fines and penalties.

The Bahrain VAT law and executive regulations impose different administrative fines and penalties depending upon the nature of non-compliance by businesses. The KPMG Bahrain tax team has summarised below the various offences and corresponding administrative fines and penalties.

A. Instances where administrative penalties and fines are imposed

Type of administrative offence	Applicable fine or penalty
Failure to apply for registration within 60 days from registration deadline.	The penalty can be up to BHD 10,000.
Late submission of a VAT return or late payment of the VAT liability within the prescribed period but not exceeding 60 days.	The penalty shall be calculated at a rate not less than 5% and not more than 25% of the value of the tax to be declared or paid.
Submission of false data on imports or on the supply of goods and services performed where their value is higher than the value declared in the VAT return.	The penalty shall be calculated at a rate not less than 2.5% and not exceeding 5% of the value of the unpaid tax for each month or part of the month for which no tax has been paid.
Preventing or obstructing employees of the NBR or those responsible for the implementation of the provisions of the VAT law from performing their duties or exercising their powers of supervision, inspection, examination, reviewing and requesting documents or accessing them.	An administrative fine* of up to BHD 5,000 shall be imposed.
Failure to notify the NBR of changes in registration application data or VAT return information within the specified period.	
Failure to display the price of goods / services inclusive of tax in accordance with the provisions of Article 3 of the VAT Law.	
Failure to provide information requested by the NBR.	
Failure to comply with the conditions and procedures of issuing a tax invoice.	
Breaching any other provision of the VAT Law or the Executive Regulations.	

*The administrative fine imposed by the NBR shall be collected with the amount of tax due (if any).

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B. Instances of tax evasion and corresponding penalties and punishment

Tax evasion offence	Penalty and punishment
Failure to apply for registration within 120 days from registration deadline.	<p>Natural person (employee, director in the case of a legal entity):</p> <ul style="list-style-type: none"> – Imprisonment for a period of not less than 3 years and not exceeding 5 years; and – A fine of not less than the amount of the tax due but not exceeding 3 times this amount. <p><i>The fine is doubled if the offence is repeated within 3 years from the date of the final conviction. The offender or multiple offenders are jointly liable for the payment of the tax due.</i></p> <p>Legal person:</p> <p>Without prejudice to the criminal responsibility of a natural person, a legal person is subject to double the maximum fine applicable to a natural person if a tax evasion crime is committed in his name, on his behalf or for his benefit.</p> <p>Confiscation:</p> <p>The Court may order the confiscation of means of transport, tools, materials and devices used for tax evasion crimes, except for ships and aircraft, unless they have been specifically prepared or used for evasion purposes and the owners were aware of it.</p> <p>Notes:</p> <p>It is not permissible to file a criminal case or take any action for tax evasion crimes except at the request of the Minister of Finance or his authorised delegate.</p>
Failure to submit a VAT return or to pay VAT within 60 days of expiry of the prescribed period.	
Recovering input VAT without any right and in violation of the rules for input VAT recovery prescribed under the provisions of the Law.	
Unlawfully and knowingly claiming a refund of VAT, in whole or in part.	
Provision of forged or artificial documents, records or invoices with the intention of avoiding payment of VAT payment, in full or in part.	
Non-issuances of tax invoices by a taxable person for supplies in violation of the provisions of the VAT Law.	
Issuance of tax invoices with VAT for non-taxable supplies.	
Failure to maintain the appropriate records, tax invoices and accounting books in a systematic manner relating to the import or supply of goods or services in violation of the provisions of article 69 of the Law.	

This 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
Tax and Corporate Services
T: +973 3222 6811
E: mubeenkhadir@kpmg.com



Mansoor AlWadaie
Manager
Tax and Corporate Services
T: +973 3998 8098
E: malwadaie@kpmg.com



Hasan Khalaf
Manager
Tax and Corporate Services
T: +973 3636 6462
E: hakhalaf@kpmg.com



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



Shashank Chandak
Manager
Tax and Corporate Services
T: +973 3553 1905
E: shashankchandak@kpmg.com



DaoHan Hung
Manager
Tax and Corporate Services
T: +973 3907 7964
E: hdaohan@kpmg.com

<https://home.kpmg/bh>

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