



# Bahrain VAT rate change Transitional rules

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# Speakers



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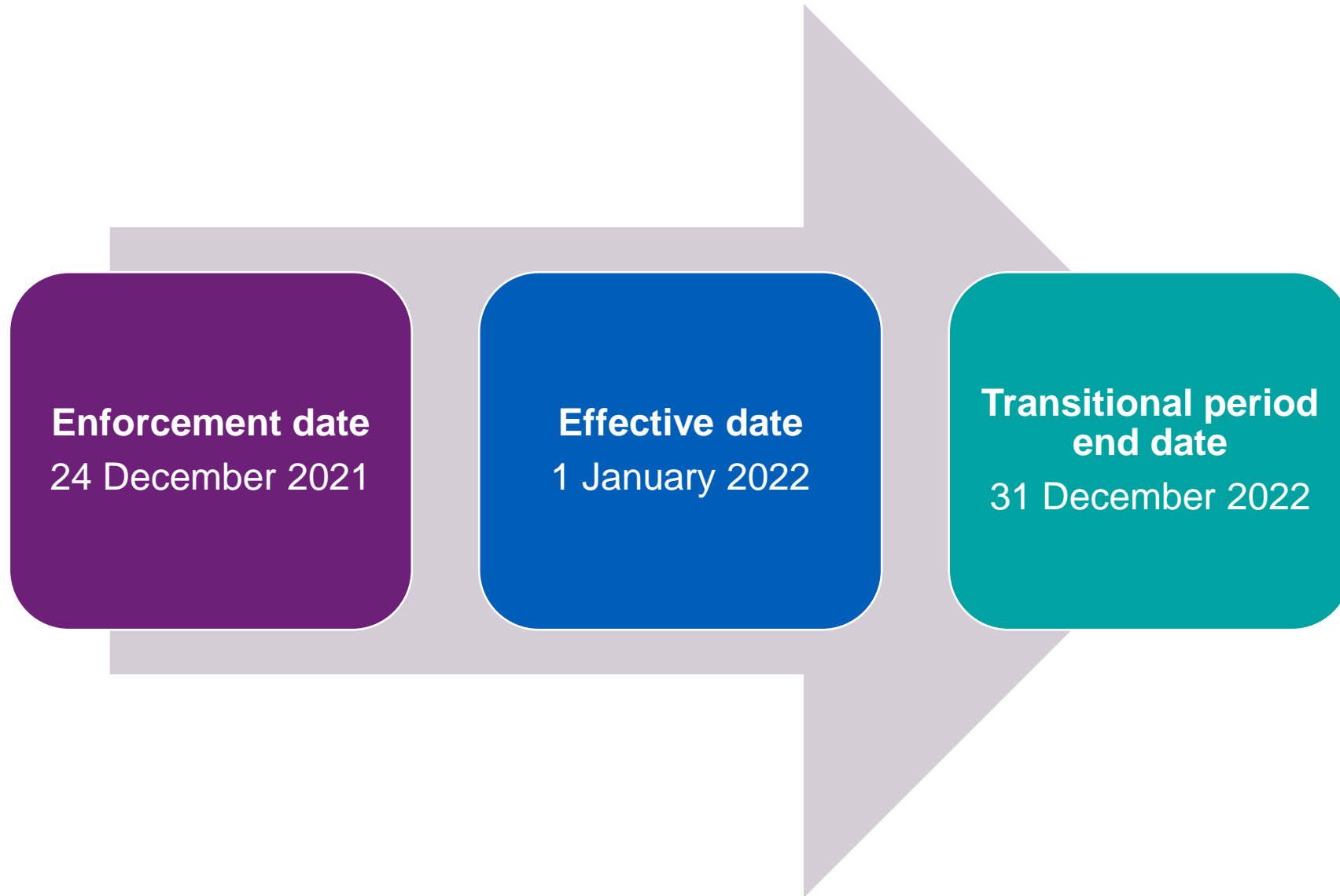
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# Agenda

- How to apply the transitional rules for:
  - One-off supplies
  - Continuous supplies
- VAT return reporting considerations
- Industry specific considerations
- Q&A

# Important dates



# Transitional rules

# Transitional rules

Contract category	Contract signing date	Supply delivery date	VAT rate	Comments
One off supplies	On or before 23 December 2021	Before 1 January 2022	5%	-
		1 January to 31 December 2022	5%	If the terms of the contract are changed before supplies are delivered, 10% VAT may apply.
	On or after 24 December 2021	Before 1 January 2022	5%	-
		On or after 1 January 2022	10%	Where an invoice for advance payment is issued between 24 December 2021 and 31 December 2021, 10% VAT may apply.
Continuous supplies	On or before 23 December 2021	Before 1 January 2022	5%	-
		1 January to 31 December 2022	5%	If the terms of the contract are changed between 24 December 2021 and 31 December 2022, 10% VAT will apply on the portion of services provided after such date.
	On or after 24 December 2021	Before 1 January 2022	5%	Apportionment may be required where supplies are delivered both before and after 1 January 2022.



# Supplies on or before 31 December 2021

Regardless of when the **contract** was signed, **invoice** issued or **payment** received, any supply made on or before 31 December 2021 will be subject to VAT at 5%.

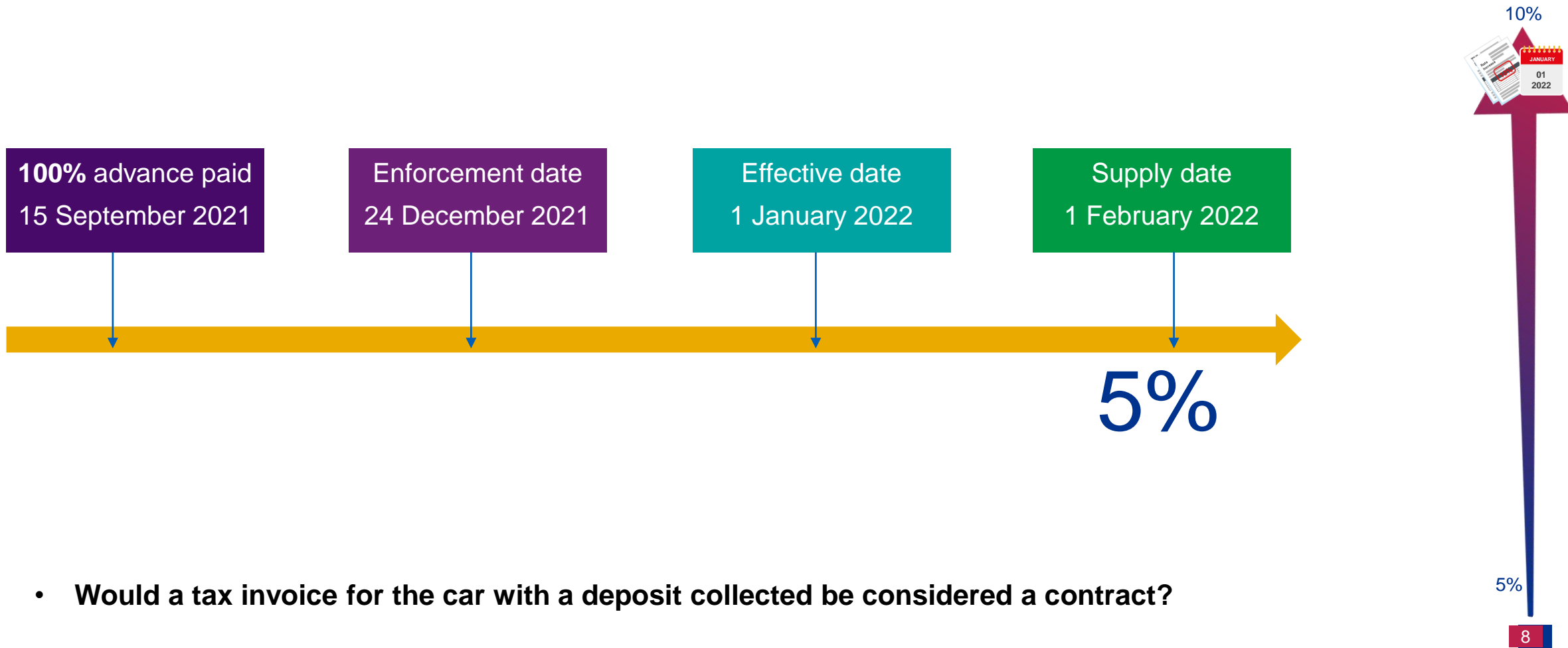


- Tax invoice issued on 10 January 2022 must be at 5% VAT and be reported in December 2021 VAT return



# Rule 1: One-off supplies – Example 1

Contract signed on or before 23 December 2021 and supply made after 1 January 2022 – **sale of car**.





# Rule 1: One-off supplies – Example 2

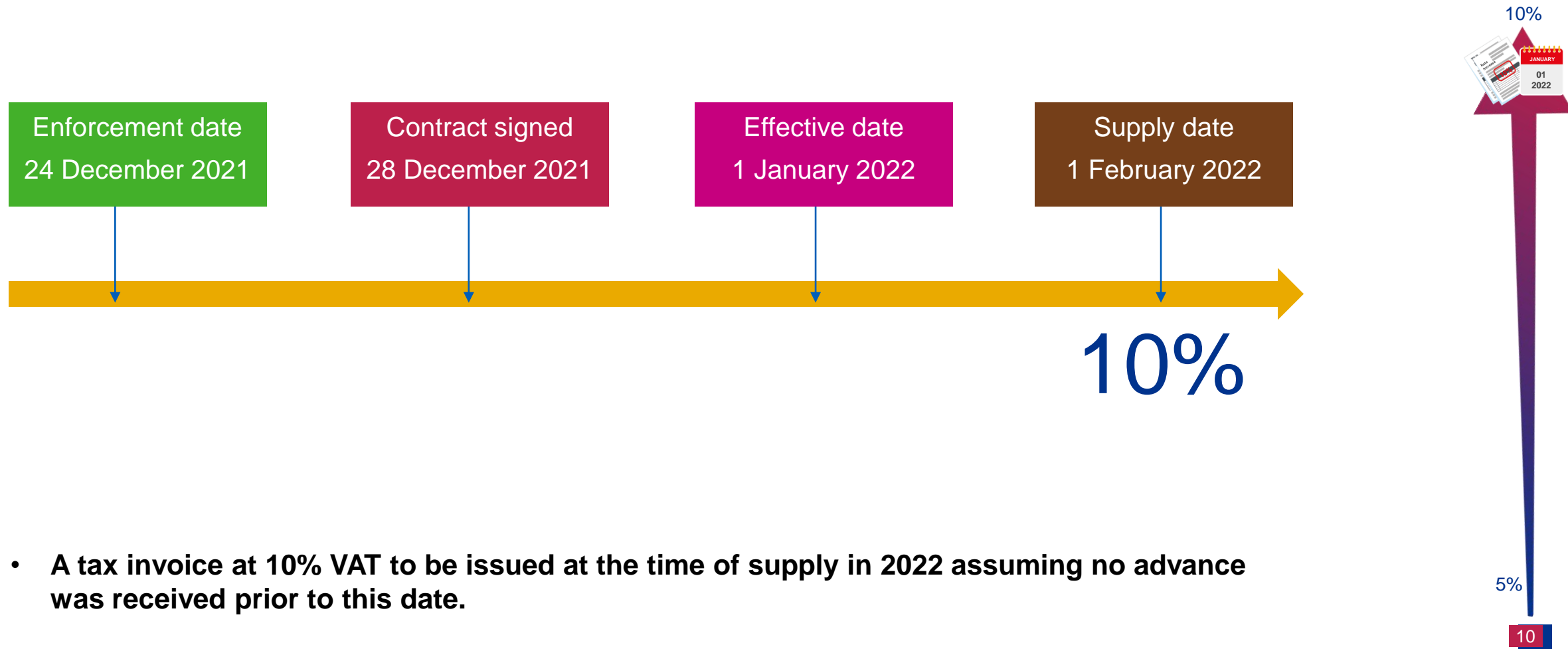
**Contract signed on or before 23 December 2021 and supply made after 1 January 2022.**

**Contract amended before supply date.**



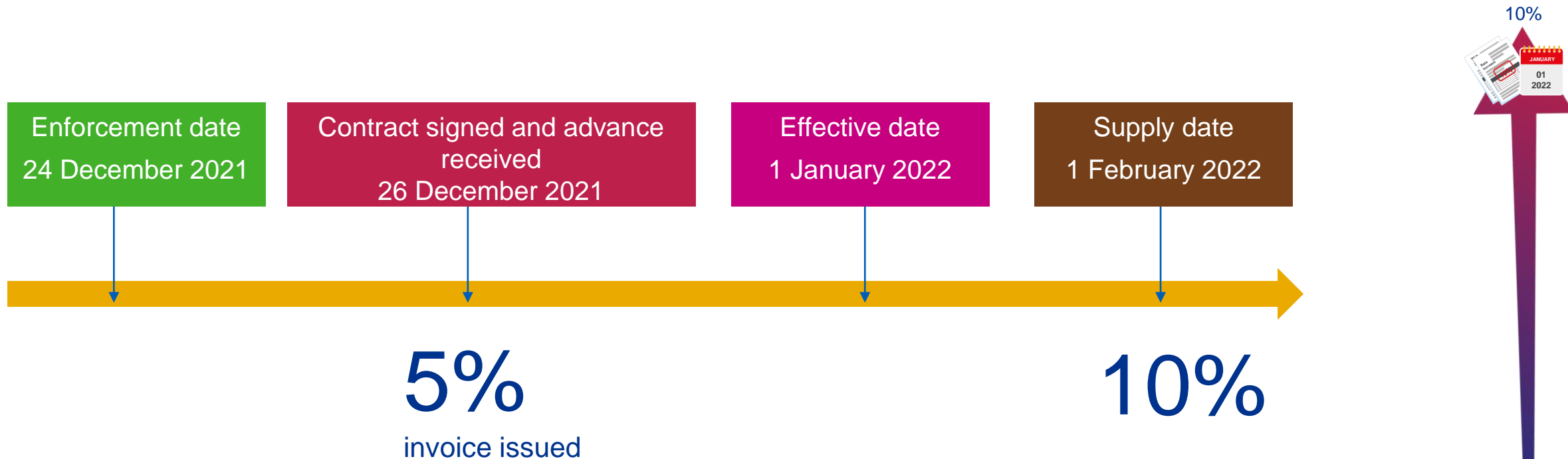
# Rule 2: One-off supplies - Example 1

**Contract signed on or after 24 December 2021 and supply made on or after 1 January 2022**



# Rule 2: One-off supplies – Example 2

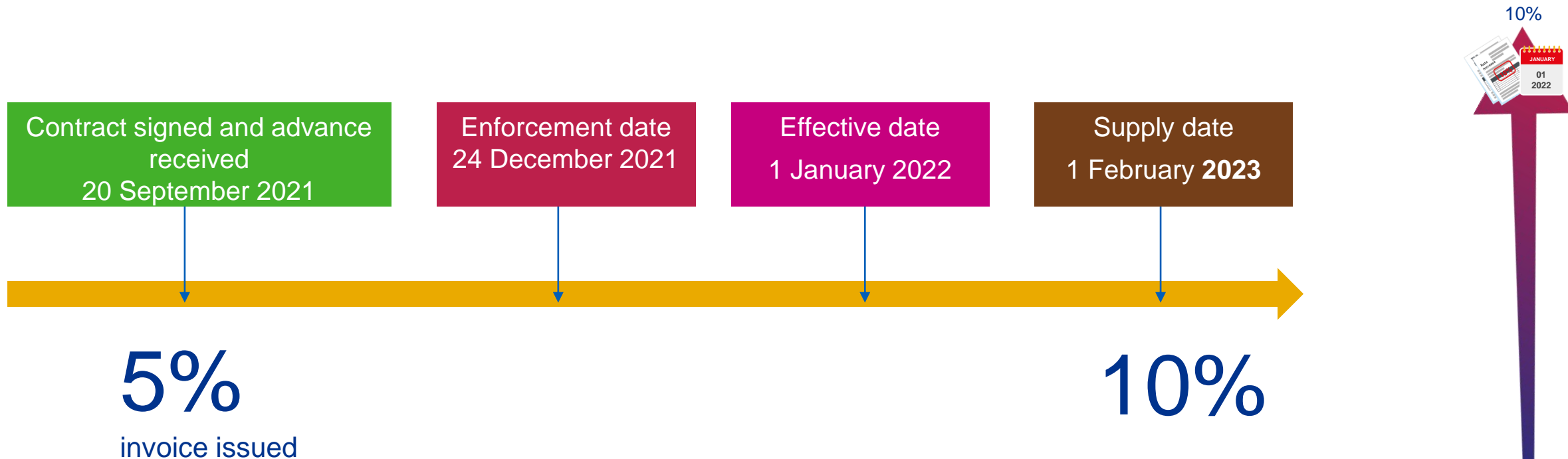
**Contract signed on or after 24 December 2021 and supply made on or after 1 January 2022**



- **A 10% tax invoice should be issued. If a 5% tax invoice has already been issued, supplier will need to cancel it and potentially amend the December 2021 VAT return.**

# Rule 2: One-off supplies - Example 3

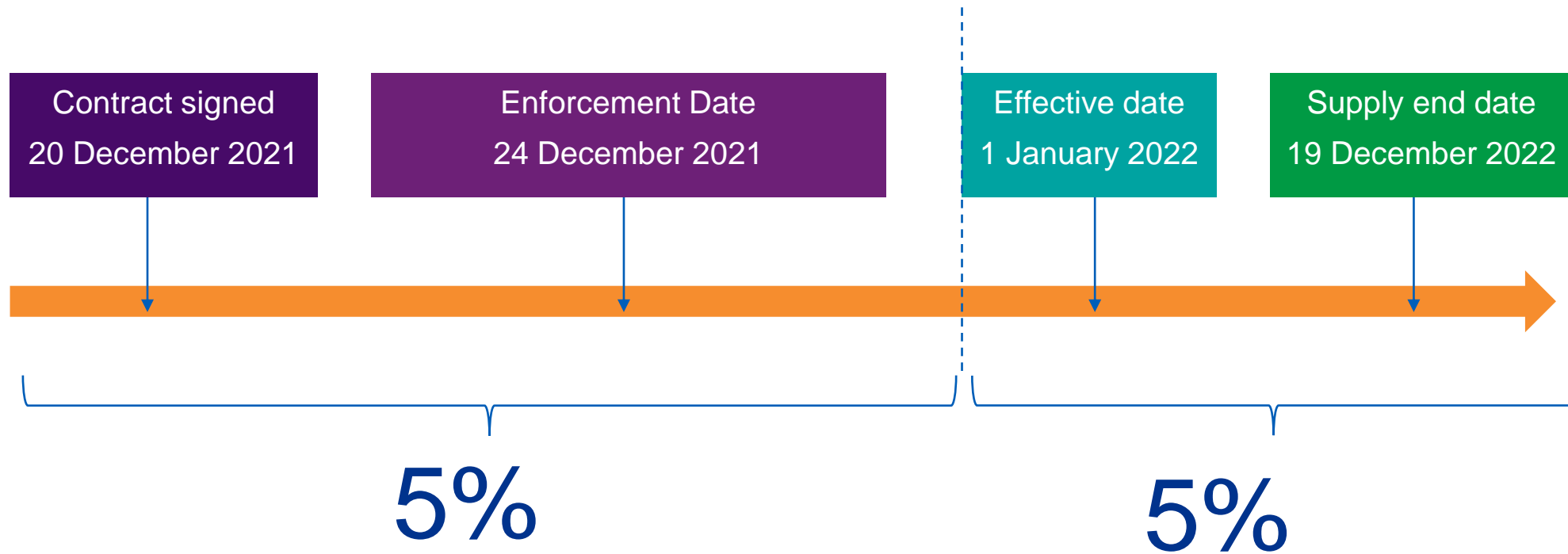
Contract signed on or before 24 December 2021 and supply made on or after 1 January 2023



- Should a credit note be issued or an additional tax invoice for differential be issued?
- Would September 2021 VAT return need to be amended?

# Rule 3: Continuous supplies - Example 1

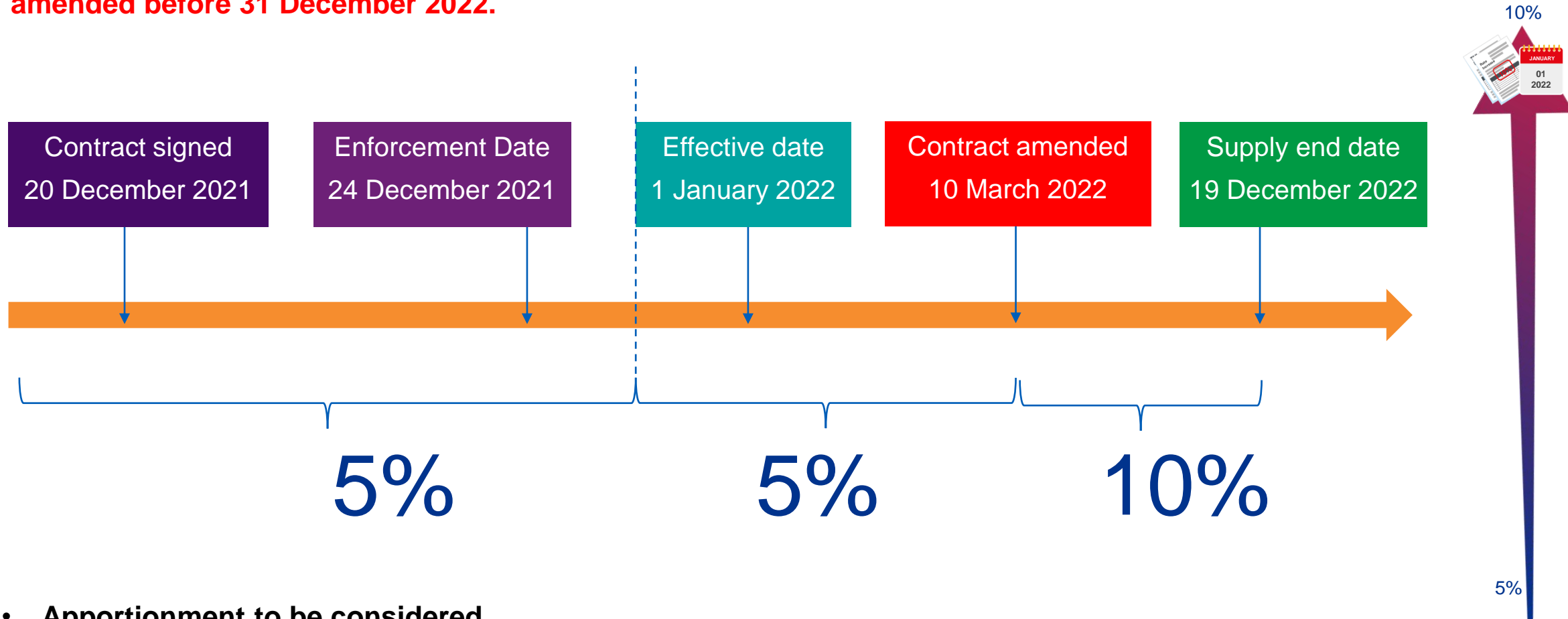
Contract signed on or before 23 December 2021 and supply spans 1 January 2022 – **insurance policies**



- No need to issue an additional tax invoice if the full value of supply invoiced prior to 1 January 2022.

# Rule 3: Continuous supplies - Example 2

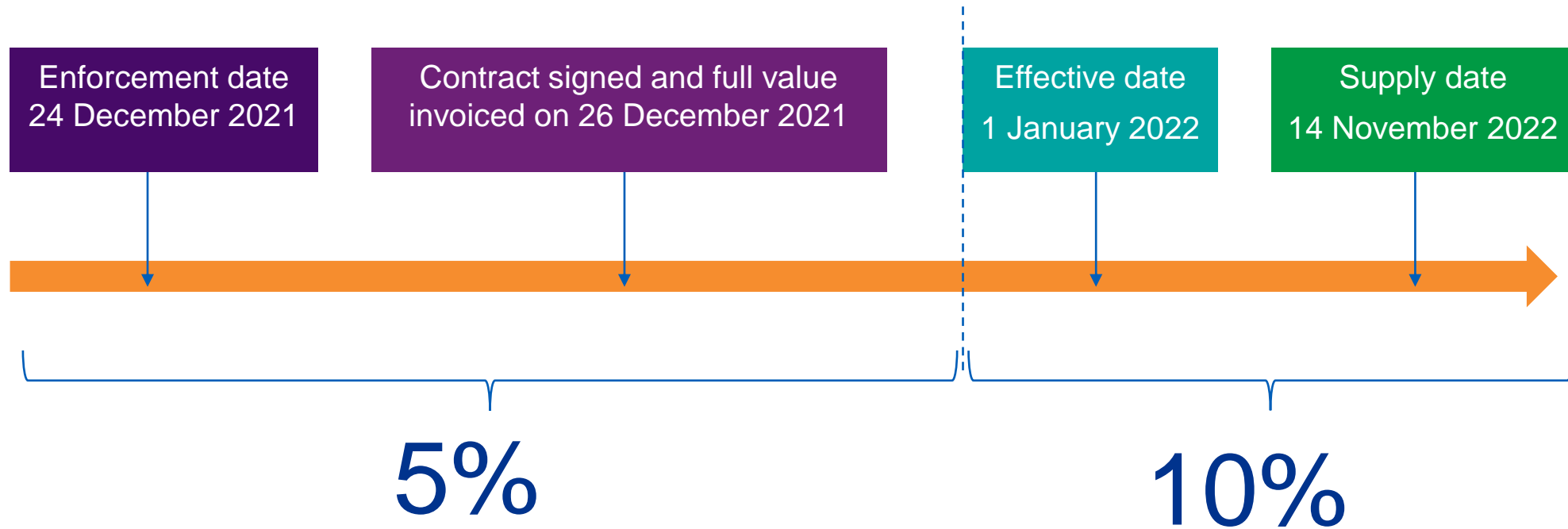
Contract signed on or before 23 December 2021 and supply spans 1 January 2022. **Contract amended before 31 December 2022.**



- Apportionment to be considered
- Would a price escalation be considered a change in contract?

# Rule 4: Continuous supplies

**Contract signed on or after 24 December 2021 and supply spans 1 January 2022**

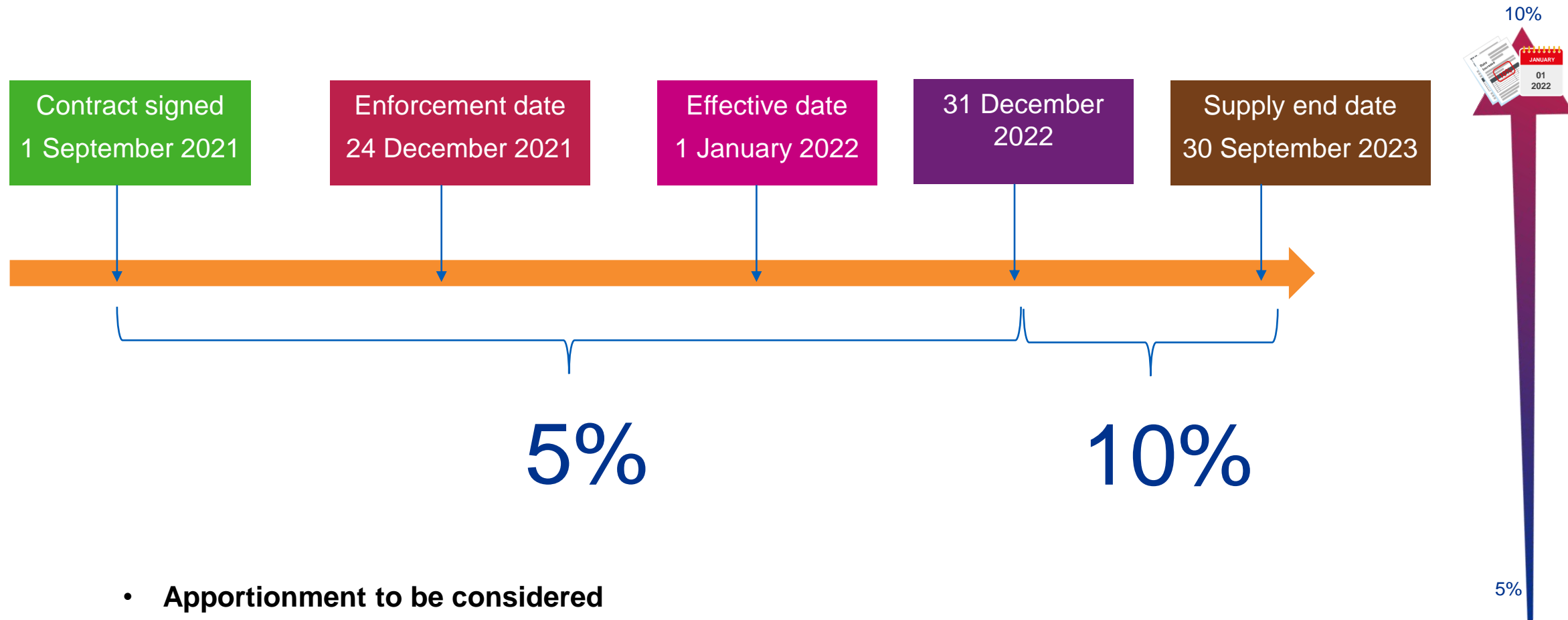


- Apportionment to be considered
- Additional tax invoice to be issued on 1 January 2022 for the additional VAT
- A single invoice with 5% and 10% may be issued
- If invoice has not been issued the supplier has up to 15 January 2022 to issue it



# Continuous supplies after transitional period

Contract signed on or before 23 December 2021 and supply spans 1 January 2023



- Apportionment to be considered
- Additional tax invoice to be issued on 1 January 2023 for the additional VAT



# What is a 'contract'?

Is purchase order (PO) a contract?

Will an advance received on or before 23 December 2021 be eligible for transitional relief?

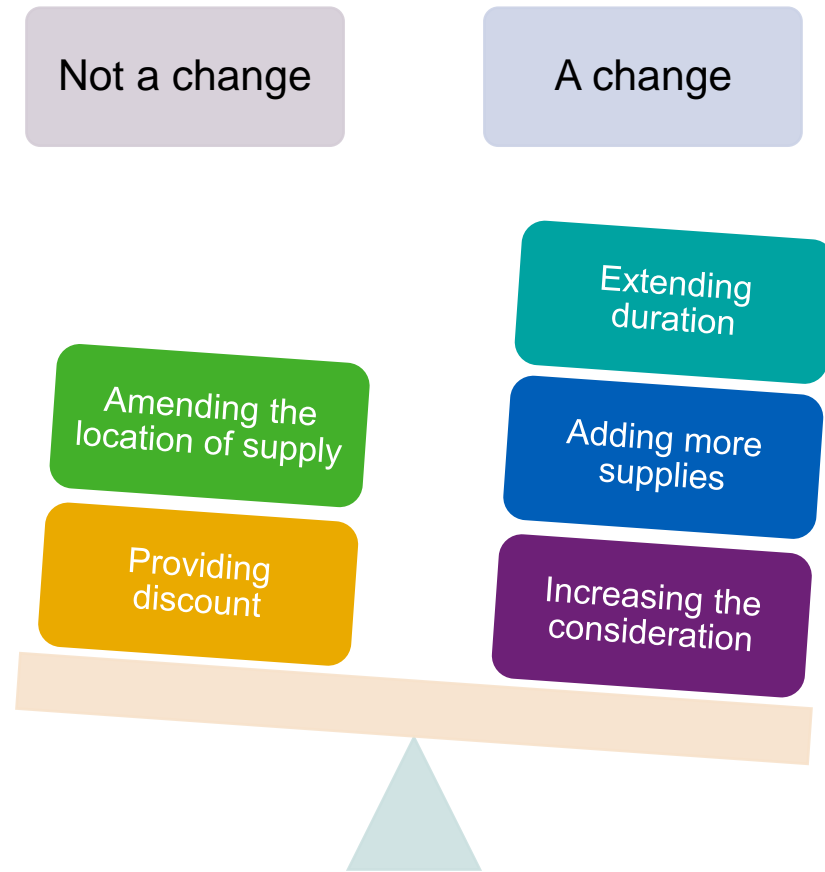
Will an agreement over an email be considered a contract?

Will open-ended contracts/ POs be eligible for transitional relief?

Will a PO under a master agreement be eligible for transitional relief if master agreement signed on or before 23 December 2021?



# What is a 'change' in contract?



*Whether intention of parties relevant?*



# Transitional invoicing for continuous supplies

Supply coverage period: 25 December 2021 to 24 December 2022  
 VAT rate change effective date: 1 January 2022

## Original tax invoice extract – issued on 25 December 2021

Description	Amount in BHD
Value of supply	52,000.00
VAT @ 5%	2,600.00
Total amount payable	<b>54,600.00</b>

## Additional tax invoice extract – to be issued on 1 January 2022)

Description	Amount in BHD	VAT amount in BHD
Value of supply	<b>52,000.00</b>	
- Supply subject to VAT at 5% up to 31 December 2021 (52,000 x 1/52)	1,000.00	50.00
- Supply subject to VAT at 10% from 1 January 2022 (52,000 x 51/52)	51,000.00	5,100.00
Total VAT payable		<b>5,150.00</b>
- VAT already paid		(2,600.00)
Outstanding VAT to be paid		<b>2,550.00</b>
Total amount inclusive of VAT	<b>57,150.00</b>	

*\*The illustration is on the basis that the contract was signed on or after 24 December 2021*



# VAT return reporting considerations

# VAT return format

Below is the KSA VAT return. Will the NBR follow a similar approach?

<u>VAT on Sales</u>		Description	Amount (SAR)	Adjustment (SAR)	VAT Amount (SAR)
1		Sales subject to VAT at the standard rate of (15%)			-
1.1		Sales subject to VAT at (5%)			-
2		Private Healthcare / Private Education / First House sales to Citizens			
3		Zero rated domestic sales			
4		Exports			
5		Exempt sales			
6		<b>Total Sales</b>	-	-	-

<u>VAT on Purchases</u>		Description	Amount (SAR)	Adjustment (SAR)	VAT Amount (SAR)
7		Purchases subject to VAT at the standard rate of (15%)			-
7.1		Purchases subject to VAT at (5%)			-
8		Imports subject to VAT at the standard rate of (15%) paid at Customs			-
8.1		Imports subject to VAT at (5%) paid at Customs			-
9		Imports subject to VAT account for through the reverse charge mechanism (15%)			-
9.1		Imports subject to VAT account for through the reverse charge mechanism (5%)			-
10		Zero rated purchases			
11		Exempt purchases			
12		<b>Total purchases</b>	-	-	-

<b>Total VAT due from current period</b>					-
Corrections from previous period (between SAR =>5,000)					-
VAT carried forward from previous period(s)					-
<b>Net VAT due</b>					-



# Impact areas

# Sector specific impacts

## Insurance

- Endorsements
- Refunds and cancellations after endorsements
- Dual rate invoicing between 24 and 31 December 2021?

## Banks

- Perpetual contracts – credit cards
- Transaction based services
- Explore alternate PE ratios

## Construction and real estate

- Whether certificate of completion issued in Jan 2022 be subject to apportionment?
- Increase in expense base for developers
- Subsequent variations, retentions

## Retail & hospitality

- Issuance of 10% invoice before 1 January 2022
- Display pricing
- New year's eve cut-off

## All sectors – Imports

- Impact of RCM on long term service contracts with foreign vendors
- Cut-off date for customs clearance
- Domestic RCM and import deferral schemes to be explored



Thank you