

Bahrain & GCC Tax News



Bahrain

National Bureau for Revenue (NBR) re-enables 5% field in VAT return and requests taxpayers to amend January and February 2023 returns

The NBR has recently sent an email to taxpayers regarding re-enabling of the field for standard rated sales at 5% and corresponding adjustments/apportionment in the VAT return form. Certain taxpayers may be required to self-amend their VAT returns for January and February 2023 tax periods.

Click [here](#) to read our latest Tax Alert on this development.

New directors appointed at NBR

On 4 April 2023 HRH the Crown Prince and Prime Minister of Bahrain issued Edict (30) of 2023 for appointing new directors at the NBR based on a proposal by the Minister of Finance and National Economy.

Click [here](#) to view the press release.

Corporate Income Tax (CIT) on large Multinational Enterprises (MNE)

With the global minimum tax (GMT) rules set to take effect from the beginning of 2024, the question for many Bahrain businesses is what Bahrain will do.

Countries that only have a limited CIT or a CIT below the GMT of 15% will need to make some key decisions:

- Implement the Income Inclusion Rule (IIR) and CIT on all businesses; or
- Implement the IIR and CIT on select businesses.

If Bahrain does nothing, profits generated by companies in Bahrain could be subject to tax in other jurisdictions. In essence, Bahrain will lose out on taxing rights. For example:

- The ultimate parent entity (UPE) located in Bahrain may still end up paying top-up tax in another jurisdiction on the profits generated locally;
- A UPE in a country that has implemented the IIR with subsidiaries in Bahrain would include and pay the top-up tax in respect to the low taxed Bahrain subsidiaries – Bahrain would then have conceded the tax revenue that may have been generated from profits of the Bahrain subsidiaries to another jurisdiction.

Therefore, given the recent [comment](#) made by the Minister for Sustainable Development at the 2023 World Economic Forum, Bahrain businesses could expect the introduction of a CIT, at least in the first instance, on MNEs with annual consolidated revenues exceeding BHD 342 million from financial years commencing 1 January 2024.

This means that a Bahrain headquartered MNE or a Bahrain subsidiary/branch of a foreign MNE could start paying CIT in Bahrain from FY 2024 onwards.

The second phase could include a broader CIT on other businesses as well. Whilst no formal announcement has been made yet, we recommend businesses conduct at least a preliminary analysis of the impact the introduction of a CIT will have on them.

You can also read our [FAQs](#) released in August 2021 on the BEPS Inclusive Framework Agreement for a refresher on the GMT.

Kingdom of Saudi Arabia (KSA)

Zakat, Tax and Customs Authority (ZATCA) establishes advisory committee

ZATCA has announced the creation of an advisory committee for consultation in the areas of zakat, tax and customs. The committee members are individuals from the private sector and have been appointed for a tenure of 3 years.

Click [here](#) to view the press release.

United Arab Emirates (UAE)

Federal Tax Authority (FTA) conducts workshop on reconsideration requests

On 30 March 2023, the FTA conducted a virtual workshop on submission of reconsideration requests.

Dubai Customs (DC) extends import duty increase on rebar and wire rod

DC has released Customs Notice No. (02/2023) to extend the increase in import duty on rebar and wire rod from 5% to 10% until 12 October 2025.

Click [here](#) to view Customs Notice No. (02/2023)

UAE and Costa Rica to launch negotiations for Comprehensive Economic Partnership (CEPA)

The UAE and Costa Rica have recently signed a joint statement to launch negotiations for a CEPA between the 2 nations at a meeting held in Dubai.

Free Trade Agreement between UAE and Israel enters into force

On 1 April 2023, the FTA between the UAE and Israel, signed on 31 May 2022, entered into force.

Kuwait

Kuwait and San Marino sign tax treaty and Investment Protection Agreement (IPA)

On 23 March 2023, Kuwait and San Marino have signed a tax treaty and an IPA between the 2 nations, following a successful negotiation held in San Marino on the same day.

For a detailed discussion on how the above updates may impact your business, [contact us](#).

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