

Bahrain & GCC Tax News



19 April 2023

Bahrain

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

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 and revenue. 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 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 2025 onwards (for FY 2024 filing).

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.

Bahrain's Foreign Direct Investment (FDI) surges 5.8% to BHD13.3 billion

As per local news reports, the provisional results of the 2022 FDI statistics showed a 5.8 per cent increase in FDI volume to BHD13.3 billion, the Information and eGovernment Authority have announced.

Kingdom of Saudi Arabia (KSA)

The Zakat, Tax and Customs Authority (ZATCA) launch a public survey on Implementing VAT regulation amendment

The Zakat, Tax and Customs Authority (ZATCA) has published a public consultation document proposing an amendment to article 75 of the VAT Implementing Regulation.

Click [here](#) for more information (In Arabic).

ZATCA encourages taxpayers to download their new "Zakaty" application

ZATCA has recently issued a video encouraging individuals to download their new Zakaty application for taxpayers to pay their Zakat voluntarily through the smart phone application.

KSA launch first wave of four new Special Economic Zones (SEZs) with tax and customs regimes

KSA has launched their first wave of four new SEZs with tax and customs regimes. The SEZs encourage foreign direct investments, and incentives for companies operating in SEZs will include competitive corporate tax rates, exemption from customs duties on imports, production inputs, machinery and raw materials, and 100% foreign ownership of companies.

Click [here](#) to view the Draft Regulations on tax and customs aspects of SEZs (In Arabic).

United Arab Emirates (UAE)

Federal Tax Authority (FTA) to conduct several webinars on EmaraTax

The FTA has recently announced that they will be running live webinars every day from 18 to 28 April 2023, in both Arabic and English, for a guided walk-through of how taxpayers can reset their passwords on EmaraTax.

Click [here](#) to register for the webinars.

UAE and Vietnam sign joint declaration on launch of negotiations for a Comprehensive Economic Partnership Agreement (CEPA)

According to a press release of 6 April 2023, published by the UAE's Ministry of Economy, the UAE and Vietnam have signed a joint declaration of intent to launch negotiations for a CEPA between them, during a meeting between officials of the 2 countries held in the UAE.

Ministry of Finance (MoF) announce Minister of State for Financial Affairs meets with World Bank Vice President

The MoF recently announced HE Mohamed bin Hadi Al Hussaini, Minister of State for Financial Affairs, met with Ferid Belhaj, World Bank Vice President for Middle East and North Africa, and discussed opportunities to advance cooperation for climate finance.

MoF announce Minister of State for Financial Affairs meets with Deputy Secretary of the US Treasury

The MoF recently announced HE Mohamed bin Hadi Al Hussaini, Minister of State for Financial Affairs, met with Wally Adeyemo, Deputy Secretary of the US Treasury, and discussed ways of bolstering joint strategic relations and strengthening areas of cooperation and coordination between the UAE and the US to serve the common interests of both countries.

Dubai Customs (DC) announce submission refund claim portal

DC have announced a new service provided to customers to submit a claim to refund of deposit or release of guarantee paid in lieu of Customs duty.

Click [here](#) to submit your refund claim.

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

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