

Tax Learnings



7 May 2023

Recent case of penalties imposed by National Bureau for Revenue (NBR)

Non-resident businesses making taxable supplies in Bahrain without obtaining VAT registration

Background	<p>Certain non-resident businesses have been making taxable supplies to unregistered customers in Bahrain without obtaining VAT registration as a non-resident taxable person.</p> <p>Such non-resident businesses operating in Bahrain have been penalized by the NBR once they applied for VAT registration and submitted their VAT returns for prior tax periods.</p>
Penalty exposure	<p>Up to BHD 15,000/-</p>
Our comment	<p>Under the Bahrain VAT Law, a non-resident person is required to register for VAT in Bahrain, regardless of the value of its supplies, if such person is obligated to account for VAT in Bahrain on supplies made or received. As an exception, a non-resident supplier is not required to register for VAT in Bahrain if it is making supplies exclusively to customers who are registered for VAT because such customers will be liable to account for the VAT due on such supplies under the reverse charge mechanism.</p> <p>As a result, a non-resident supplier is required to register for VAT in Bahrain only if the place of supply is in Bahrain and the customer in Bahrain is not registered or obligated to register for VAT. This is usually the case for supplies with a special place of supply rule such as electronic services, real estate related services or supply of goods with installation or assembly.</p> <p>Therefore, non-resident suppliers making supplies to customers who are not registered for VAT in Bahrain should proactively consider their VAT obligations in Bahrain prior to making such supplies.</p>

Did you know?

VAT treatment for syndicated loans

A syndicated loan is a loan offered by a group of lenders ('syndicate') who provide funds to a single borrower. In this arrangement, there is typically a lead bank which carries out administration and management of the loan on behalf of the syndicate members in addition to providing its own share of funds to the lender. The lead bank may charge a separate fee to the syndicate members for the administration and management services.

In such cases, each syndicate member including the lead bank will recognize a supply of exempt financing services to the borrower for the portion of the interest to which they are individually entitled to as a lender. Additionally, the administration and management services will generally be supplied by the lead bank to the syndicate members for a fee or commission which will be subject to VAT.

The above is for general information only and is not intended to address the circumstances of any particular scenario. Please seek professional advice or contact us in relation to your particular circumstances.

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