

Bahrain & GCC Tax News



14 September 2023

Bahrain

Introduction of Carbon Border Adjustment Mechanism (CBAM) regulation for specified goods

The European Union (EU) has introduced the CBAM regulation which applies to specified imports of goods (identified by their CN code) into the EU within the following 6 emissions-intensive sectors: electricity, iron and steel, cement, aluminum and fertilizers and hydrogen. The CBAM comes into effect on 1 October 2023 with a transitional period that runs until 31 December 2025, during which the obligations of the EU importer shall be limited to reporting obligations. The first quarterly report is due by 31 January 2024.

Bahrain businesses that are exporting CBAM covered goods to the EU should assess the impact that the CBAM regulations will have on their operations.

For a discussion about how CBAM impacts your business, please [contact us](#).

Ministry of Industry and Commerce (MOIC) issues circular on Economic Substance (ES) filing window

The MOIC has released circular dated 13 August 2023 clarifying that the ES filing window for entities carrying out any of the listed relevant entities for fiscal year 2022 will be open from 13 August 2023 to 13 September 2023. MOIC has also highlighted in the circular that entities that fail to submit the ES return (if applicable) within the filing window will be subject to penalties.

The MOIC has also shared an ES supporting documents guide along with the circular which also contains clarifications on frequently asked questions regarding the ES form.

For a copy of the MOIC circular and the ES supporting documents guide, please [contact us](#).

Bahrain Corporate Income Tax (CIT) – How to calculate ‘taxable income’?

On 23 May 2023, the Bahrain Minister of Finance and National Economy confirmed the introduction of CIT in Bahrain during the weekly parliamentary session. Bahrain is expected to implement a standard CIT regime similar to other jurisdictions. With the UAE implementing CIT from 1 June 2023, we have entered a new era for tax in the region with Bahrain currently being the only GCC country without a broad-based CIT. Given the Bahrain CIT is likely to apply to all commercial activities with limited exclusions, this will be a paradigm shift for Bahrain businesses.

In our latest publication, we have discussed what CIT is, what Bahrain CIT regime may look like and how ‘taxable income’ is calculated based on general principles and CIT laws of some of the other GCC countries.

Click [here](#) to read our latest Tax Insights on Bahrain CIT and calculation of ‘taxable income’.

France publishes French synthesized text of Bahrain-France tax treaty

The French government has issued a French synthesis of the Bahrain-France Income, Capital, and Inheritance Tax Treaty (1993), as revised by the 2009 protocol, highlighting the multilateral instrument's (MLI) revisions to the Treaty.

Kingdom Saudi Arabia (KSA)

Zakat, Tax and Customs Authority (ZATCA) publishes a guideline of KSA's fines & penalties exemption initiative

On 11 September 2023, ZATCA published a comprehensive guideline on KSA's fines & penalties exemption initiative and how businesses can benefit from such initiative.

Click [here](#) to access the guideline (in Arabic).

United Arab Emirates (UAE)

Federal Tax Authority (FTA) releases UAE CIT General Guide

This guide issued by the FTA Guide provides an in-depth explanation of various aspects of UAE CIT and is intended to make the UAE CIT Law more accessible to all taxpayers.

Click [here](#) to access the guideline.

UAE's Cabinet approves the Comprehensive Economic Partnership Agreement (CEPA) with Cambodia

On 4 September 2023, the UAE Cabinet approved the CEPA with Cambodia which was signed in Phnom Penh on 8 June 2023.

UAE's Cabinet approves tax treaty with Ivory Coast.

On 4 September 2023, the UAE Cabinet approved the tax treaty with Ivory Coast which was signed on 25 November 2021.

UAE's Cabinet approves Investment Protection Agreement (IPA) with Mozambique.

On 4 September 2023, the UAE Cabinet approved the IPA with Mozambique which was signed on 7 February 2022.

Kuwait

Kuwaiti Cabinet requests expediting Multilateral Instrument (MLI) adoption

The Kuwaiti Cabinet has recently assigned several government authorities to advance the adoption of the OECD Multilateral Convention (MLI) (2017) in the National Assembly and its committees, following a request from the Kuwaiti Ministry of Finance. The Kuwaiti cabinet approved the MLI on 9 July 2018.

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

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