

Tax Alert

24 October 2024

Amendments to foreign ownership requirements

Decision Number 53 of 2024 (New Decision) has been issued amending certain provisions of Decision Number 40 of 2021 in relation to the commercial activities that foreign owned companies can carry out in Bahrain. The key amendments include the addition of Article 4^{bis} and amendment of Article 5 of Decision Number 40 of 2021.

Key Changes:

1. New Article 4^{bis} introduces the conditions required to be met by companies with up to 100% non-Bahraini partners to engage in the activity of an authorized distributor:
 - i) The existence of another individual establishment or a company with a Bahraini ownership of not less than (51%) engaged in the authorized distributor activity for the same trademark in the Kingdom of Bahrain.
 - ii) The company owning the global trademark distributing its products in the Kingdom should meet the conditions stipulated in Article 5 of the New Decision.
 - iii) The company holds distribution rights for products or services of a trademark with economic significance. In this case, the approval of the Cabinet of Bahrain (Council of Ministers) is required.
2. Article 5 updates the requirements for licensing of companies that are wholly owned by non-Bahraini partners to engage in commercial activities listed in appendix 4 of Decision Number 40 of 2021. For ease of reference, we outline below a comparison between the old and new requirements:

Old Requirement	New Requirement
Minimum capital requirement for the Bahrain company of not less than <u>two million Bahraini Dinars</u> or its equivalent in foreign currencies.	Minimum capital requirement for the Bahrain company of not less than <u>one hundred thousand Bahraini Dinars</u> or its equivalent in foreign currencies.
The total revenues of the parent company shall not be less than <u>20 million Bahraini Dinars</u> or its equivalent in a foreign currency.	The total revenues of the parent company shall not be less than <u>750 million Euros</u> or its equivalent in Bahraini Dinars.
The parent company must have a presence in <u>three markets</u> .	The parent company must have presence in <u>ten markets</u> .



Transition Provisions

The decision does not apply to companies already engaged in authorized distributor activity for any trademark before the implementation of this decision without having a Bahraini partner with an ownership percentage of at least (51%). However, for these companies, the decision will apply to distribution contracts signed after the implementation of this decision for any new trademark.

Implications

Foreign owned companies operating in Bahrain should review the amended provisions to ensure compliance with the new requirements. Additionally, companies engaged in authorized distributor activity should assess the impact of the transition provisions on their existing distribution contracts and future engagements.

Affected Parties

Foreign capital companies, authorized distributors, and entities considering establishing commercial activities in Bahrain should take note of these amendments and ensure compliance with the revised regulations.

Our team is available to assist you in navigating these regulatory changes and ensuring your compliance with the MoIC's requirements. If you have any questions or need further guidance, please do not hesitate to contact us. In the meantime, please find the [link](#) of the unofficial translation of Decision Number (53) of 2024 for your reference.

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