

# Tax Alert



09 July 2025

## National Bureau for Revenue (NBR) issues guidance on Domestic Minimum Top-Up Tax (DMTT) advance payment process

On 2 July 2025, the Bahrain NBR issued the [DMTT Advance Payment Manual](#) which provides an overview of the DMTT advance payment process along with functionalities and related forms which are now available on the NBR's portal. The NBR has also published the updated version of the [DMTT Administrative Guide](#) which contains additional details regarding advance payment computation, along with examples.

To reiterate, under Bahrain DMTT, the designated filing Constituent Entity (CE) is required to make advance tax payments for each three-month period or part of a three-month period (advance payment periods) during the fiscal year within 60 days after the end of each advance payment period. As a transitional measure, an exception has been provided for the transition year where the first DMTT advance payment is deferred and payable before the deadline for the second advance tax payment of the same fiscal year.

We have summarized below the key clarifications provided by the NBR in the recent guidance.

### 1. Advance payment computation methods

- The filing CE is required to make an election of one of two methods for calculating the advance tax payments – the prior year method or the current year method.
- The computation under the prior year method is based on a prorated estimation of the previous fiscal year's DMTT liability using the formula below:

Advance payment amount	=	$\frac{\text{Estimate of tax liability for the prior fiscal year}}{\text{Number of days in the prior fiscal year}} \times$	Number of days in the advance payment period
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The prior year method can only be selected if the previous year's tax liability has been filed with the exception of the transition year where the prior year method can be selected even though no DMTT filings would have been made for the prior year.

- The computation under the current year method is based on an estimation of the DMTT liability for the period starting from the beginning of the fiscal year until the end of the relevant advance payment period reduced by any advance payment made already for the said fiscal year. The following formula has been prescribed for the current year method:

Advance payment amount	=	$\text{Estimate of tax liability for period starting from first day of the fiscal year to last day of advance tax payment period}$	-	Sum of all advance payments made during fiscal year
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- The election for the method should be made at the time of the first advance tax payment for the fiscal year. Once made, the election cannot be revoked or changed for the fiscal year.

## 2. Exclusions and safe harbors

- Where a filing CE has elected for any of the exclusions or safe harbors as part of the DMTT registration process, there would not be any requirement to make advance tax payments, unless there is a change in the eligibility for any such exclusions or safe harbors.
- Based on the above, the following scenarios may arise where a filing CE has elected for any of exclusions or safe harbors in its DMTT registration application.

Scenario 1	Bahrain CEs continue to remain eligible for the elected exclusions or safe harbors.	No requirement to make advance payment during the fiscal year.
Scenario 2	Due to change in circumstances, Bahrain CEs are no longer eligible for the elected exclusions or safe harbors.	Filing CE will have to update the registration details and proceed with advance payments.

- Where a filing CE has not elected for any exclusions or safe harbors in its DMTT registration application but upon filing the annual tax return is eligible for an exclusion or safe harbor for a fiscal year, a refund can be requested for any advance payments made for the same fiscal year.

## 3. Use of reasonable assumptions and estimates

- The guidance clarifies that the filing CE should follow standard computation rules as outlined in the DMTT legislation to determine the advance tax payments.
- In cases where any data or information is unavailable or unreliable, the filing CE should make reasonable assumptions and estimations. The guidance provides various examples of scenarios where in absence of reliable data, reasonable assumptions or estimates have been made.

## 4. Payment process

- Declaration for the advance payments should be made by filing CEs on the NBR portal after logging in using its credentials. Below is an overview of the key steps:

Step 1	After logging in, click on 'DMTT' tab on the left side of the screen and select 'DMTT returns'.
Step 2	Click on the button under the 'Actions' column next to 'DMTT Advance payments' row and then click on 'New Payment'.
Step 3	Read the detailed list of instructions and select 'I Agree'.
Step 4	Under the 'Estimation methodology' field, select either the 'Prior Year Method', or the 'Current Year Method'.
Step 5	Enter the estimated tax amount in the field 'Quarterly Tax Liability (BHD)'.
Step 6	Confirm that all the information provided is true and certify the designated contact person is authorized to complete the form.
Step 7	Click on 'Submit'. Post successful submission, a reference number is generated for the purpose of payment.
Step 8	Settle the payment due through Bahrain.bh or by using Fawateer payment services using the reference number.

- The declared tax liability can be settled in full or partial payments but must be fully settled within the prescribed deadline to avoid penalties.
- If the total advance payments made during a fiscal year is less than the tax due for the fiscal year, the balance must be paid within the prescribed deadline. Where the total advance payments made during a fiscal year exceed the tax due for the fiscal year, the filing CE may be eligible for a tax refund.

## 5. Documentation requirement

- A filing CE must maintain adequate documentation to support how each advance tax payment was computed along with all financial records, assumptions and estimates used in the calculations.
- This documentation must be readily accessible and presented to the NBR upon request.

## 6. Recommended next steps

For Bahrain CEs of in-scope MNE groups with a 31 December year end, the deadline for the first filing and advance payment is 29 August 2025. Given that the recent guidance provides much anticipated clarity on various aspects of the advance payment process, we have outlined below the immediate next steps for impacted MNE groups:

- Revisit the exclusion and safe harbor analysis: Based on the information available as of date, reassess the eligibility for any exclusions or safe harbors and update the registration information, if required.
- Select advance payment computation method: Review the computation methodology under each method and assess the reliability of information available. Once the method is chosen, prepare detailed computations.
- Assess working capital requirements: Given the anticipated outflow of cash in cases where advance payment is due, assess the current cash flow position and plan accordingly to ensure minimal impact on day-to-day operations.
- Prepare basis for estimates and assumptions: Where any assumptions or estimates are used as the basis for the advance payment computations, proper documentation must be maintained to substantiate the reasonableness of such estimates and assumptions.
- Consider the impact on financial statements: Assess the impact on financial statements including provisions and disclosures which may impact the projected results for the current fiscal year.

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

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