

# VAT treatment for director services

## Directors services

### Services provided by a director should be taxable if:

- The director undertakes services on a regular, ongoing and independent basis (such as an individual who acts as an executive or non-executive director on a board or a number of different boards).
- The total value of taxable supplies made by the director, including supplies of director services, exceed the mandatory registration threshold on an annual basis.

Assuming a person provides services as a director regularly and independently (that is, they are not acting as an employee of the company), the person will be required to charge VAT on their services.



## Why are director's services subject to VAT?

VAT is charged on taxable supplies made by a taxable person. Therefore, it is necessary to identify whether a director is a taxable person making taxable supplies.

- **Taxable supply:** A 'taxable supply' is defined for VAT as any supply of goods or services for consideration by a person conducting business in the Kingdom of Bahrain, excluding exempt supplies.
- **Taxable person:** A 'taxable person' is defined for VAT as any person registered or obligated to register for tax purposes.

## Place of Supply for director's services

The following 'place of supply' rules determining which VAT is applicable to director services :

- The place of supply for services is the 'place of residence' of the director.
- The place of supply for services is the place of residence of the recipient of the services, in case the recipient is resident in GCC member state and registered therein.
- The place of supply will be Bahrain, in case the recipient of services resident in Bahrain and the director is non-resident in Bahrain.

# Special scenarios for directors fees and remuneration

## Director services to overseas company

A Bahrain resident director provides services to a company not resident in the GCC implementing states. The services may be zero rated if the company does not have a presence in the Kingdom of Bahrain.

## Common director

A director acts as a director for a number of related companies. The VAT will apply on the director's services fee paid by one of the companies; however no VAT will be due on the share of money recovered from each company.

## Director services overseas

A director who is resident in the Kingdom of Bahrain provides director's services which are physically performed outside the GCC implementing states. Such services will be zero-rated.

## Business supplied director

A director serving as a director of another government entity, company, or other type of business. In such case the place of supply will be where the recipient of the services is resident.

## Right to director

Where a company appoints a board member for the company in which they are investing. The fees charged on the appointment of the director shall be taxable, as it is a consideration for a taxable supply.



# How KPMG can help?

## VAT compliance

Our local Centre of Excellence for VAT compliance can help the directors meet the compliance requirements. This includes support with recordkeeping, preparation and filing of VAT returns. This could take the form of on-site assistance or other types of co-sourcing.



## VAT registration

Assist the directors to register for VAT. We can submit a VAT registration application to the competent tax authority and obtain the VAT registration certificate.



## Financial reporting and bookkeeping

Accurate accounting and bookkeeping are important for VAT compliance. We can help the directors setup and/or deliver specific elements of financial reporting and bookkeeping.



## Recordkeeping

Issue VAT invoices for sitting fees and annual board remuneration on behalf on the directors and help them maintain documentation for each tax period to comply with VAT recordkeeping requirements.



## VAT Refund

Our dedicated VAT refund professionals will employ their technical knowledge to support the directors with their VAT refund applications, domestically and internationally (as appropriate).





**For further information, please contact:**



**Philippe Norré**  
Partner  
Head of Indirect Tax  
KPMG in Bahrain  
**T** : +973 17201400  
**E** : pnorre@kpmg.com



**Ali AlMahroos**  
Senior Manager  
Indirect Tax  
KPMG in Bahrain  
**T** : +973 17201459  
**E** : aalmahroos@kpmg.com



**Adria Bugeac**  
Manager  
Indirect Tax  
KPMG in Bahrain  
**T** : +973 17201403  
**E** : abugeac@kpmg.com



**Maciej Turzanski**  
Manager  
Indirect Tax  
KPMG in Bahrain  
**T** : +973 17222388  
**E** : maciejturzanski@kpmg.com



**Insha Jairumi**  
Manager  
Indirect Tax  
KPMG in Bahrain  
**T** : +973 17222364  
**E** : inshajairumi@kpmg.com



**Linda Kovacs**  
Deputy Manager  
Indirect Tax  
KPMG in Bahrain  
**T** : +973 17201453  
**E** : lindakovacs@kpmg.com

**[kpmg.com/socialmedia](https://kpmg.com/socialmedia)**



©2018 KPMG Fakhro, a Bahrain partnership registered with the Ministry of Industry, Commerce and Tourism (MOICT), Kingdom of Bahrain and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are registered trademarks of KPMG International.