



## GCC VAT delay - key challenges facing businesses in Bahrain



Dear Valued clients,

This e-newsletter gives you an overview of GCC VAT developments being reported regionally for 30 January 2017.

A number of challenges lie before the Gulf Cooperation Council (GCC) countries in meeting the deadline for introducing Value-Added Tax (VAT). I believe that the current lack of certainty pertaining to the ratification and release of the GCC VAT Framework Agreement, as well as the lack of domestic legislation puts the implementation of VAT at a risk of delay against the original intended date of January 2018.

As outlined by various member states, GCC countries will introduce VAT at an expected rate of 5% as part of wider development reforms. GCC countries have had regular discussions over the last several months to formulate and finalize the main principles under which VAT should be implemented; GCC countries are expected to ratify the VAT Framework Agreement soon this year. Once the agreement is ratified, each country can issue its own domestic legislation to implement VAT, including Bahrain. However, the current absence of VAT legislation gives the corporate sector less time to prepare.

Member states cannot finalize their national VAT laws until they finalize and adopt the GCC VAT Framework Agreement. If the Kingdom of Bahrain plans to implement VAT starting from January 2018, following the steps of the other GCC member states, the corporate sector needs the national law at least eight months prior to the implementation to prepare for the new tax.

The first step you must make is to plan and analyze your products and services for the impact of VAT. VAT is happening and if businesses are to maintain profitability, they must invest in understanding the impact of VAT on their business from an operational point of view. Before implementation, businesses can build and test systems and processes to ensure compliance with legislation and embed these within existing processes. There are also immediate measures which businesses can take today to avoid the impact of VAT, for example making any planned significant investments in business infrastructure and assets before implementation begins.

For further information on the introduction of VAT in Bahrain and other GCC countries, please contact us.



**Craig Richardson**

Partner,  
Head of Tax and  
Corporate Services  
KPMG in Bahrain  
[craigr@kpmg.com](mailto:craigr@kpmg.com)



**Ali AlMahroos**

Manager,  
Tax and Corporate Services  
KPMG in Bahrain  
[aalmahroos@kpmg.com](mailto:aalmahroos@kpmg.com)