KPMG

Tax Alert: GCC VAT Update (Feb 2017)

Dear Valued Clients,

01 Feb 2017

Today, the Minister of Finance in the Kingdom of Bahrain announced the signing of the unified agreement for Value Added Tax (VAT) and Selective Tax in the Gulf Cooperation Council (GCC) countries. The Minister outlined that the agreement would come into effect after going through the legislative and constitutional processes by the concerned authorities.

The Minister outlined that the unified rate of VAT would be 5% on the supply of goods and services; however it would not apply to the following areas that are unilaterally agreed upon, by the GCC countries:

- Basic foods (approx. 90 products)
- Pharmaceutical products
- Medical supplies

The Minister stated that Bahrain will establish an independent tax authority to administer VAT, for implementation by mid-2018.

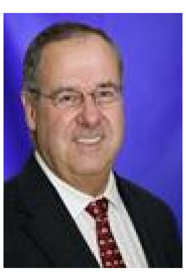
VAT will impact all businesses in Bahrain and the region, either directly or indirectly. However, it should have a neutral impact if managed effectively. Today, companies need to review their procurement processes, operating models, legal structure and systems to be well prepared for this significant development that is set to change the business landscape.

Source

This announcement follows that of the Kingdom of Saudi Arabia yesterday (31 January 2017) that the cabinet approved to implement a region-wide VAT and Selective Tax based on the unified VAT agreement. The tax will come into effect in 2018.

Source

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



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