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Bahrain Domestic Minimum Top-up Tax (DMTT) Transfer Pricing (TP) Guide

July 2026

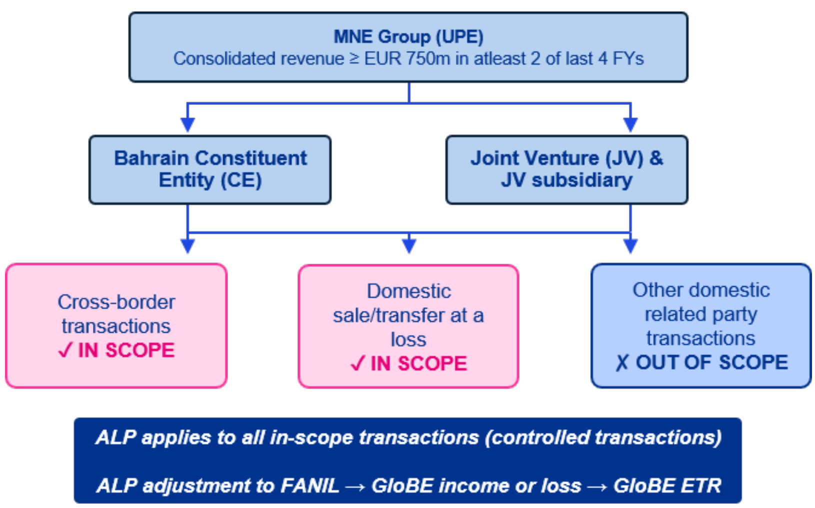
On 7 June 2026, the Bahrain National Bureau for Revenue (NBR) released the Bahrain DMTT TP guide (Guide). The Guide is the first TP publication released by the NBR. The Guide provides much needed guidance on the transactions which are subject to TP adjustments, the application of the Arm's Length Principle (ALP) and TP documentation requirements for in-scope Multinational Enterprise (MNE) Groups with Bahrain presence.

In this publication, we provide an overview of the key contents of the Guide.

Scope of TP requirements

- The Guide expands on the provisions of the Bahrain DMTT legislation which requires the ALP to be applied for transactions and arrangements between constituent entities (CE) of the same MNE group, or joint ventures (JV) or JV subsidiaries of the same ultimate parent entity (UPE).
- The Guide further clarifies which transactions would fall under the ALP requirement under Bahrain DMTT.
- Any adjustments to reflect the ALP must be made in the GloBE income computation.

The below flow chart illustrates identification of transactions which are subject to the ALP requirement.



The Bahrain DMTT regulations provide that ALP related adjustments would be applicable for transactions between Bahrain CEs and the offshore CEs of the same MNE group. As JVs and JV subsidiaries are considered as a separate group for GloBE calculations, they are not considered as CEs of the (same) MNE group for such purposes.

As per the Guide, it appears that CEs, JVs and JV subsidiaries under a common UPE will be subject to the ALP adjustments for transactions between them. In other words, transactions between a Bahrain CE and an offshore JV/JV subsidiary (and vice versa) under the same UPE will have to be undertaken as per the ALP.

- Bahrain CEs/JVs/JV subsidiaries of in-scope MNE groups will have to substantiate the application of ALP for the controlled transactions undertaken by them by adequately documenting the functional and comparability analyses.
- For the documentation requirements, the Bahrain DMTT legislation mandates Bahrain CEs/JVs/JV subsidiaries undertaking controlled transactions to maintain a local file and a master file.

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Comparability factors

The Guide clarifies that for the comparability analysis for applying the ALP, the following must be considered:

- contractual terms between the parties
- functions performed, assets used, and risks assumed by each party
- characteristics of the property transferred or services provided
- relevant commercial and economic circumstances
- business strategies pursued by the parties

TP methods

The Guide provides detailed guidance on the suitability and how to apply the following TP methods:

Traditional Transaction Methods

- Comparable Uncontrolled Price (CUP) Method
- Resale Price Method (RPM)
- Cost Plus Method (CPM)

Transactional Profit Methods

- Transactional Net Margin Method (TNMM)
- Profit Split Method (PSM)

The Guide also clarifies the following in relation to selection of the appropriate TP method:

- If both a Traditional Transaction Method and a Transactional Profit Method can be applied with equal reliability, a Traditional Transaction Method is preferred.
- Where there is no or limited internal or external comparable data, a Transactional Profit Method may be more suitable.
- If CUP Method and another TP method can be applied with equal reliability, CUP method is preferred.

TP documentation

The following TP documentation must be maintained to evidence to substantiate the application of the ALP:

- Master File: Comprehensive overview of the MNE group’s TP policies.
- Local File: Detailed information specific to each controlled transaction and arrangement.

The Guide outlines the specific information that must be included in the Master File and Local File.

Next steps for MNE groups

- Identify controlled transactions undertaken between CEs, JVs and JV subsidiaries.
- Perform functional and comparability analysis for the transactions identified.
- Prepare and maintain TP documentation requirements such as Master File and Local File.

To know more about how we can assist, contact us:

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