Tax Insights

Bahrain Value Added Tax (VAT)

Updated VAT Financial Services Guide

Background

On 3 August 2026, the National Bureau for Revenue ("NBR") issued an updated version of the VAT Financial Services Guide ("VAT FS Guide"), providing further clarity on the VAT liability of general insurance and reinsurance contracts.

For VAT purposes, "general insurance" refers to all non-life insurance and reinsurance, covering lines such as motor, property, marine, aviation, energy, engineering, travel, medical, accident and liability, and transportation, among others. Notably, health insurance is treated as falling within the scope of "general insurance" for VAT purposes.

This publication highlights the key updates introduced in the latest edition of the NBR's VAT FS Guide (Section 10.4).

VAT considerations of general insurance and reinsurance contracts (non-life)

Areas	Comments
Default treatment	Premiums for general insurance/reinsurance supplied in Bahrain are subject to VAT at the standard rate of 10% (unless the conditions to be treated as zero-rated export of services are met).
When zero-rating applies	- Exported insurance/reinsurance services meeting the general export of services conditions; and - Insurance/reinsurance of cargo or passengers as part of international transport, subject to meeting the prescribed conditions.
Reinsurance contracts	VAT liability to be determined solely by the parties to the reinsurance contract; the location of the underlying risk and the persons ultimately insured are irrelevant for VAT purposes.
Ancillary fees	Additional fees charged to policyholders as part of the insurance/reinsurance contracts (whether charged separately or netted against their premiums) are subject to VAT at the standard rate of 10%, unless they meet the conditions to be regarded as zero-rated export of services.
Invoicing	VAT invoices must be issued for all standard rated and zero-rated insurance/reinsurance supplies.

Recommendations

Stakeholders	Recommended actions
Bahrain-resident insurers / reinsurers	Map products against VAT treatments; review reinsurance contracts against the “parties to the contract” test; confirm zero-rating support for international transport covers and export transactions; ensure billing systems code ancillary fees correctly; issue compliant VAT invoices for all taxable supplies.
VAT-registered policyholders	Confirm compliant VAT invoices are received to support input VAT recovery; check zero-rating is correctly applied on international transport-related covers.
Brokers / intermediaries	Assess brokerage fees separately from the underlying premium’s VAT treatment; check export conditions when acting between resident and non-resident parties.

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Next steps

- Review existing contracts – particularly reinsurance and transport-related covers – against Section 10.4 of the VAT FS Guide.
- Update VAT logic within billing systems and refresh invoicing controls accordingly.
- Train underwriting and finance teams and retain evidence to support zero-rating positions.

How we can help

Our tax team can support you with a detailed review of your insurance and reinsurance contracts against applicable Bahrain VAT rules, help recalibrate your VAT determination and invoicing processes, and advise on the VAT treatment of specific reinsurance or cross-border arrangements. Please reach out to your usual tax contact to discuss the implications for your business.

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

Mubeen Khadir
Partner, Head of Tax and Corporate Services
T: +973 3222 6811
E: mubeenkhadir@kpmg.com