

TAXES IN BAHRAIN

Bahrain is a small island nation located in the Persian Gulf in the Middle East. It is known for its strategic location as a major trading hub, connecting the Middle East with the rest of the world. The country has a rich history, with archaeological evidence dating back to ancient civilizations. Bahrain is a constitutional monarchy with a diverse population, and it has made significant strides in economic development and modernization. The economy is fueled by industries like petroleum, financial services, and tourism. Bahrain is also recognized for its cultural heritage, vibrant souks (traditional markets), and warm hospitality. The nation has a reputation for being open and welcoming to tourists and investors alike.

Here we are discussing about the various taxes in Bahrain.

Excise Tax:

The Kingdom of Bahrain implemented an Excise Tax system on 30 December 2017. This tax is applied to specific goods that pose health and environmental hazards, with the aim of discouraging their consumption. The revenue generated from the Excise Tax contributes to funding treatments for health issues resulting from the use of these products.

The Excise Tax rates are as follows:

- 100% on Tobacco and its derivatives
- 50% on Carbonates and soft drinks
- 100% on Energy drinks

VAT:

Bahrain implemented a 5% Value Added Tax (VAT) starting on January 1, 2019. The National Bureau for Revenue (NBR) is responsible for administering and overseeing VAT in the country. When consumers purchase goods or services subject to VAT, they pay the tax. Companies collect the VAT from consumers and then submit it to the NBR, while also reclaiming the VAT paid to suppliers.



Certain goods and services, such as basic food products, general medical services, passenger transport services, the oil and gas sector, and international air tickets, are exempt from VAT.

VAT Registration:

Bahrain phased in VAT registration beginning in January 2019. Businesses must register with the National Bureau for Revenue (NBR) to obtain a tax number and tax registration certificate. The registration requirements depend on the annual supply category of the companies. Those with annual supplies between BD 37,500 (minimum mandatory limit) and BD 500,000 are obligated to register for VAT by 20 December 2019.

VAT Tourist Refund Scheme:

Tourists and visitors to Bahrain can request VAT refunds on purchases made within the country. The refund process can be completed at designated desks at Bahrain International Airport. To be eligible, the goods must be purchased during the tourist's stay, fall under the list of eligible goods, be acquired for personal use, and bought from authorized merchants. Tourists must leave Bahrain within two months from the date of supply of the goods.

Income Tax:

Bahrain does not levy personal income tax. However, employed individuals, both citizens and expatriates, are subject to contributions to the Social Insurance Organization (SIO). Citizens contribute 7% of their income to social security, while expatriates contribute 1%.

Corporate Tax:

With the exception of the oil and gas industry, corporate income is not taxed in Bahrain. The oil and gas industry is subject to a 46% tax. There have been discussions about introducing a corporate income tax that would apply to all businesses, but no confirmation has been made yet.

Double Taxation Treaties:

Bahrain has Double Tax Treaties (DTTs) in force with numerous countries, providing a framework to avoid double taxation on income earned in both countries.

Capital Gains Tax:

There is no capital gains tax in Bahrain.

Property Transfer Tax:

Bahrain does not impose transfer tax on property.



Inheritance Tax:

Bahrain does not have inheritance tax or wealth tax.

Municipality Tax:

Expatriates are required to pay a municipal tax equal to 10% of their monthly rent for the property or apartment they occupy.

Stamp Duty:

Stamp duty is levied at a rate of 2% of the property value on transfers and/or registration of real estate in Bahrain.

Customs Duty:

The general customs duty rate in Bahrain is 5% of the value in CIF (Cost, Insurance, and Freight). However, certain goods like alcoholic beverages are subject to higher rates (e.g., 125% for alcoholic beverages and 100% for cigarettes). Specific categories of goods, such as paper and aluminum products, have a 20% duty rate.

ETourism Fees:

Owners of hotels and restaurants are required to pay a levy of 5% of their entity's revenue on a quarterly basis.

Withholding Tax:

Bahrain does not impose withholding tax on income earned within the country.



www.trust-worth.com

