



Decree 48:

Bahrain's VAT law

Unofficial English translation — keypoint

Unofficial English translation – Keypoint

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Chapter 1 – Preliminary provisions

Article 1 – Definitions

- 1- **The Kingdom:** The Kingdom of Bahrain including all its lands and its subsoil and territorial waters adjacent to it and the seabed, and all that is vested in sovereign rights in accordance with the provisions of international law.
- 2- **Minister:** Minister of Finance.
- 3- **The Authority:** The National Taxation Authority established by Decree No. 45 of the year 2018.
- 4- **The Council:** Gulf Cooperation Council.
- 5- **The Agreement:** Common VAT agreement of the states of the Gulf Cooperation Council and that has been ratified by Decree No.47 of the year 2018.
- 6- **Unified Customs Law:** Decree law No. 10 of the year 2002 to approve The Unified Customs Law of the States of the GCC.
- 7- **First Point of Entry:** First customs point of entry through which Goods enter the GCC Territory from abroad in accordance with the Unified Customs Law.
- 8- **Final Destination Point of Entry:** Customs point of entry through which Goods enter the Final Destination State within the GCC Territory.
- 9- **Tax:** Value Added Tax (VAT) imposed on the Import and Supply of Goods and Services at each stage of production and distribution, including deemed Supplies.
- 10- **Deemed Supply:** Anything that is deemed to be a Supply in accordance with the cases provided for in this law.
- 11- **Supply:** Any form of Supply of Goods and Services for a Consideration, in accordance with the provisions of this law.
- 12- **Implementing States:** The GCC states that are implementing the Tax in accordance with their local legislation.
- 13- **Person:** Any natural person or corporate entity, whether public or private, or any other form of partnership.
- 14- **Taxable Person:** A Person conducting an Economic Activity independently for the purpose of generating income, who is registered or obligated to register for VAT in accordance with the provisions of this Agreement.
- 15- **Taxable Trader:** A Taxable Person in any Member State whose main activity is the distribution of Oil, Gas, Water or Electricity.
- 16- **Economic Activity:** An activity that is conducted in an ongoing and regular manner including commercial, industrial, agricultural or professional activities or Services or any use of material or immaterial property and any other similar activity.
- 17- **Goods:** All types of material property (material assets), including water and all forms of energy including electricity, gas, lighting, heating, cooling and air conditioning.
- 18- **Import of Goods:** The entry of Goods into any Member State from outside the Implementing GCC states in accordance with the provisions of the Unified Customs Law.
- 19- **Export of Goods:** The Export of Goods from the Kingdom to outside the Implementing GCC states in accordance with the provisions of the Unified Customs Law.
- 20- **Services:** Everything that is not a good whether local or imported.

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- 21- Taxable Supplies:** Supplies on which Tax is charged whether at the standard rate or zero-rate, and for which associated Input Tax is deducted in accordance with the provisions of this law.
- 22- Input Tax:** Tax borne by a Taxable Person in relation to Goods or Services supplied to him or imported for the purpose of carrying on the Economic Activity.
- 23- Exempted Supplies:** Supplies on which no Tax is charged and for which associated Input Tax is not deducted pursuant to the provisions of this law.
- 24- Tax Identification Number:** The Tax Identification Number issued by the Tax Authority for Taxable Persons.
- 25- Tax Group:** Two or more Taxable Persons registered for Tax purposes and are treated as one Taxable Person in accordance with the provisions of this law.
- 26- Consideration:** Everything collected or to be collected by the Taxable Supplier from the Customer or a third party for the Supply of Goods or Services inclusive of the Tax.
- 27- Importer:** The Person whose name is shown on the customs records that as an Importer of the Goods in accordance with the provisions of the Unified Customs Agreement.
- 28- Supplier:** A Person who Supplies Goods or Services.
- 29- Customer:** A Person who receives Goods or Services.
- 30- Resident Person:** A Person will be resident in the Kingdom if he has a Place of Residence therein.
- 31- Non-Resident Person:** A Person is not resident in the Kingdom if he has no Place of Residence therein.
- 32- Place of Residence of a Person:** The location of Place of Business or any other type of Fixed Establishment is. In the case of a natural Person, if he does not have a Place of Business or Fixed Establishment, it will be his usual Place of Residence. If a Person has a Place of Residence in more than one State, the Place of Residence will be considered to be in the place most closely connected with the Supply.
- 33- Place of Business:** The place where a business is legally established, or where its actual management center is located where key business decisions are made if different from the place of establishment.
- 34- Fixed Establishment:** Any fixed location for a Business other than the Place of Business, in which the business is carried out and is distinguished by the permanent presence of human and technical resources in such a way as to enable the Person to Supply or receive Goods or Services.
- 35- Capital Assets:** Material and immaterial assets that form part of business assets allocated for long-term use as a business instrument or means of investment.
- 36- Reverse Charge Mechanism:** The mechanism by which the Taxable Person is obligated to pay the Tax due on behalf of the Supplier and is liable for all the obligations provided for in this law
- 37- Related Persons:** Two or more Persons where one of them has supervisory or directive control over the others in such a way that he has administrative power that enables him to influence the business of the other Persons from a financial, economic or regulatory aspect. This includes Persons who are subject to the Authority of a third Person that enables him to control their businesses from the financial, economic or regulatory aspect.
- 38- Deductible Tax:** Input Tax that may be deducted from Tax Due on Supplies for each Tax Period in accordance with this Law.
- 39- Net Tax:** Tax resulting from deducting the Deductible Tax in the Kingdom from the Tax due in the Kingdom within the same Tax Period. Net Tax may either be payable or refundable.

- 40- Mandatory Registration Threshold:** The minimum limit of the value of actual Supplies at which the Taxable Person becomes obligated to register for Tax purposes.
- 41- Voluntary Registration Threshold:** The minimum limit of the value of actual Supplies at which the Taxable Person may apply to register for Tax purposes.
- 42- Tax Return:** The data and information determined for Tax purposes that the Taxable Person must submit in accordance to the form prepared by the Tax Authority for this purpose.
- 43- Tax Period:** The period of time for which the Net Tax must be accounted and reported through the Tax Return.
- 44- Tax Invoice:** Each written or electronic document the Taxable Person is committed to issue and that contains the details of Supply made in accordance with the provisions of this law.
- 45- Debit/Credit notes:** Each written or electronic document the Taxable Person is committed to issue and that contains the details of the amendments on the Consideration of the Supply made in accordance with the provisions of this law.
- 46- Voucher:** Written or electronic instruments giving the holder the right to get Goods or Services equivalent to its value, or the right to a discount or reduction in price of those Goods or Services, not including postage stamps issued by the Kingdom's post.
- 47- Market Value:** The amount for which Goods and Services are traded on the open market between two independent parties under certain competitive conditions, and does not include any Tax.
- 48- Government Authorities:** Government ministries, government agencies, public bodies, and public institutions in the Kingdom.
- 49- Internal Supplies:** Supplies of Goods or Services by a Supplier who resides in a Member State to a Customer who resides in another Member State.
- 50- Sovereign Supplies:** Supplies by Government Authorities in their capacity as the only competent Authority whether it is for a Consideration or for no Consideration.
- 51- Tax Representative:** A Person licensed by the Tax Authority to represent the Non-Resident Taxable Person for all matters related to his commitment and its Tax rights.
- 52- Tax Agent:** A Person licensed by the Tax Authority to act on behalf of the Resident Taxable Person for all matters related to his commitment and its Tax rights.
- 53- Regulations:** The implementing Regulations of this law.

Chapter 2 – Scope of Tax and rate

Article 2 – Scope of Tax

Tax is imposed on all Taxable Supplies by a Taxable Person in the Kingdom. It is also imposed on Goods and Services received by the Taxable Customer in instances where Reverse Charge Mechanism applies. It is also applicable on Import of Goods in accordance with the provisions of this law.

Article 3 – Rate of Tax

The standard rate imposed is five percent (5%) of the value of the Supply or Import unless specified in this law as exempt or zero-rated.

The displayed price of the Goods and Services in the local market should include the Tax due in accordance to the terms and conditions set in the Regulations.

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Article 4 – Persons obliged to pay the Tax

The following are obligated to pay the Tax:

1. The Taxable Person who conducts the Supply of Goods and Services in the Kingdom
2. The Taxable Customer receiving Goods and Services in the Kingdom from a Non-Resident Supplier in accordance to the Reverse Charge Mechanism by declaring it in the Tax Return.
3. Every Person appointed or declared as the Importer in accordance with the Unified Customs Law will be liable to pay the Tax due on importation.
4. Every Person that declares a Tax amount on an invoice issued in the Kingdom.

The Regulations shall specify the rules and procedures governing the implementation of the above provisions.

Chapter 3 – Supply

Article 5 – Supply of Goods

- A. It is considered to be a Supply of Goods when there is transfer of ownership or the right to use them as the owner, and it includes the following cases:
 1. Surrender of the possession of Goods under a contract or agreement stating it can be transferred or possibly transferable on a date subsequent to the date of the contract or an agreement made no later than the date of payment of the full Consideration.
 2. Granting in kind rights for ownership that gives the right to use the real estate property.
 3. The transfer of ownership of Goods in return of Consideration in a coercive state, in implementation of a decision issued by the public authorities or any law in force in the Kingdom.
 4. A Taxable Person transferring Goods forming part of his assets from the Kingdom to another Implementing Member State, except in the following cases:
 - a) If it is proved that the transferred Goods have been used in the other Implementing State in a temporary manner within the conditions of temporary entry stipulated in the Uniform Customs Law.
 - b) The transfer of Goods is made as part of another Taxable Supply in another Implementing State.
- B. The Regulations will specify the rules and procedures for the application of the provisions of this Article, including the provisions governing the Supply transactions consisting of multiple components at a single price, whether these components are Goods or Services or both.

Article 6 – Supply of Services

Anything that is not Supply of Goods is regarded as Supply of Services, as determined by the Regulations.

Article 7 – Issuance of Voucher

The issuance and sale of Voucher is not considered to be a Supply unless the Consideration received for the sale or issue exceeds the nominal value recorded on it. The process of Supplying the Goods and Services in exchange for the Vouchers is subject to Tax in accordance with the terms and conditions prescribed by the Regulations.

Article 8 – Supply on behalf of a Taxable Person

If the Taxable Person Supplies or receives Goods or Services in his own name on behalf of another Person, he shall be treated for the purposes of the application of this law, as the Supplier or recipient of Goods or Services himself.

If a Taxable Person Supplies Goods or Services in the name of and on account of another Person, he will be treated for the purposes of the application of this law as he is Supplying or receiving those Goods and Services on behalf of someone else.

Article 9 – Supplies from Government Authorities

The Supplies made by Government Authorities are subject to Tax as long as they are operated in a non-sovereign manner as an Economic Activity in a competitive manner with the private sector.

These authorities, their taxable supplies, the nature of the tax returns they shall file, and their deregistration shall be determined by a decision of the Prime Minister.

Article 10 – Deemed Supply

- A. The Taxable Person is deemed to have performed a Supply in the following cases:
 1. The use or surrender of Goods forming part of his assets for purposes other than carrying out Economic Activity.
 2. Changing the use of Goods for the purpose of making non-Taxable Supplies.
 3. Ownership of Goods on the date of deregistration despite the cessation of Economic Activity.
 4. The disposal of Goods for no consideration, unless used as samples or gifts for the purposes of his Economic Activity within the threshold specified by the Regulations.
 5. Providing Services for no Consideration.
- B. The provisions of paragraph (a) of this Article apply where the Taxable Person deducts the Input Tax relating to the Goods and Services referred to.
- C. The Regulations shall specify the detailed provisions governing Deemed Supply.

Article 11 – Assignment of Economic Activity

A taxable person's assignment of his economic activity or part thereof in favor of a taxable assignee in the Kingdom shall not be deemed as a supply, for the purposes of the application of this Law, whether or not this assignment is made for a consideration.

The Regulations shall specify the terms and conditions of application of this Article.

Chapter 4 – Date that the Tax is due (Time of Supply)

Article 12 - General time of Supply

- A. The Tax is due on the date of Supply of Goods or Services or on the date of issue of the Tax Invoice or upon partial or full receipt of the Consideration (within the amount received), whichever comes first.
- B. The date of Supply of the Goods or Services shall be as follows:
 1. The date on which Goods were transferred, if such transfer was under the supervision of the Supplier
 2. The date on which the Customer took possession of the Goods, if the transfer was not supervised by the Supplier.

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3. Where Goods are supplied with assembly and installation, the date on which the assembly or installation of the Goods was completed.
4. The date on which the Services were completed

Article 13 – Time of Supply of Goods and Services in specific cases

- A. The Supply of Goods or Services under any contract that includes periodic payments or consecutive invoices is the earliest of any of the following dates, provided that it does not exceed 12 months from the date of the provision of such Goods and Services:
 1. The date of issuance of any Tax Invoice or any other similar document.
 2. The date payment is due as shown on the Tax Invoice
 3. The date of receipt of payment
- B. The date of Supply, in cases where payment is made through vending machines, shall be the date on which funds are collected from the machine.
- C. The date of Deemed Supply of Goods or Services is the date of their Supply, disposal, change of usage or the date of Deregistration, as specified in the Regulations.
- D. The date on which the customs duties are due or the date on which it was supposed to be due will depend on the provisions of the Unified Customs Law.
- E. The date of Supply of a Voucher is the date of issuance or Supply thereafter.

Chapter 5 – Place of Supply

Article 14 – Place of Supply of Goods

- A. The place of Supply in the Kingdom shall be in the following cases:
 1. If the Goods are placed at the Customer's disposal in the Kingdom for Supply of Goods that occurs without transportation or dispatch
 2. If the Goods are located in the Kingdom at the time when the transportation or dispatch commences for a Supply of Goods that occurs with transportation or dispatch by the Supplier or to the account of Customer
 3. If the installation or assembly of the Goods Supplied is carried out in the Kingdom
- B. In the case of internal Supply of Goods:
 1. The place of Supply of internal Goods shall be in the Kingdom, if it is the place where the transfer or delivery of Goods ends and the recipient is a Taxable Person, or if the Supplier is registered or obligated to register.
 2. The place of Supply of internal Goods shall be in the Kingdom, if it is the place where the transfer or delivery begins without assembly and installation, and if the Supplier is a Taxable Person in the Kingdom and the Customer is not a Taxable Person in an Implementing State where the transfer or delivery ends provided that the value of the Supply of Goods to the Implementing State by the Taxable Supplier does not exceed the mandatory threshold in any 12 consecutive months.

Article 15 – Place of Supply of electricity and water

As an exception to the provisions of Article (14) of this Agreement, the location of Supply of gas, oil and water is determined through the pipeline distribution system, and the Supply of electricity through the production, transmission and distribution networks according to the following:

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1. If the Supply is from Taxable Person established in the Kingdom to another Taxable Trader in another Implementing State, the place of Supply shall be the place of the establishment of the Taxable Trader.
2. If the Supply is from a Taxable Person to a Non-Taxable Trader, the place of Supply is the place of actual consumption.

Article 16 – Place of Supply of Services

The place of Supply of Services shall be in the Kingdom if the Taxable Supplier has a Place of Residence in the Kingdom. If the Customer is a Taxable Person registered for Tax purposes in another Implementing State, the place of Supply shall be the Place of Residence of the Customer.

Article 17 – Place of Supply of other Services

As an exception to the provisions of Article (16) of this Agreement, the location of the Supply of other Services is based on the following:

1. The place of Supply shall be the Place of Residence of the Taxable Customer where the Supplier does not have a Place of Residence in the Kingdom.
2. The place of Supply for leasing means of transport by a Taxable Supplier to non-Taxable Customer shall be the location where these means of transport were placed at the Customer's disposal.
3. The place of Supply for the following Services shall be the place of actual performance:
 - a) Restaurants, hotels and food and beverage catering Services
 - b) Cultural, artistic, sports, educational and entertainment Services
 - c) Services linked to transported Goods supplied from a Taxable Supplier residing in the Kingdom to a non-Taxable Customer residing in an Implementing State.
4. The place of Supply of real estate related Services shall be where the real estate is located, in accordance with the clarifications in the Regulations.
5. The place of Supply of Services for the transportation of Goods and passengers and related Services shall be the place where the transportation begins, in accordance with the clarifications in the Regulations

Article 18 – Place of Supply of wired and wireless telecommunications and electronic Services

The place of Supply of telecommunication Services, telecommunications and electronic Services shall be in the Kingdom if the Services are used and enjoyed in the Kingdom regardless of the location of contract and payment of Consideration.

The Regulations shall define the nature and types of telecommunication Services, telecommunications and electronic Services and the terms and conditions of the application of this Article.

Chapter 6 – Imports

Article 19 – Place of import

The place of Import is considered to be in the Kingdom in the following cases:

1. If the Kingdom is the First Point of Entry to Goods imported to the GCC states.

2. If the Kingdom is place of release of imported Goods from a customs duty suspension after the Goods have been placed in a customs duty suspension in accordance with the provisions of the Unified Customs Law after entering the GCC territory.

Chapter 7 – Value of imports and Exports

Article 20 – Value of Supply

- A. The value of the Supply is calculated on the basis of the Consideration excluding the Tax and it includes all the expenses that the Taxable Supplier applies on the Customer as well as the fees due as a result of the Supply and the taxes due on the Supply including excise but excluding Tax.
- B. If the full or partial Consideration is not monetary, the value of the Supply is calculated on the total monetary value in addition to the fair Market Value of the non-monetary Consideration including all the fees indicated in the previous paragraph excluding Tax.
- C. On the Tax accounted for by way of Reverse Charge Mechanism, the value of the Supply is the purchase price. Where the purchase price cannot be ascertained, the fair Market Value on the date of Supply is used.
- D. If the Consideration is related to matters other than the Supply of Goods and Services, the value of Supply shall be equal to the part of the Consideration that is related to such Supply.
- E. The Regulations shall specify the provisions and the basis governing the application of the provisions of this Article as well as the terms and conditions of determining the fair Market Value.

Article 21 – Value of imported Goods

The value of the imported Goods is the customs value determined in accordance with the Unified Customs Law, plus excise taxes, customs duties and any other duties except for Tax.

If the Import value cannot be determined in accordance with the preceding paragraph of this Article, it is determined in accordance with the rules set forth in the Uniform Customs Law.

Article 22 – Value of Supply between Related Persons

Notwithstanding the provisions of Articles (20) and (21) of this Law, the value of the Supply of Goods or Services between Related Persons is calculated on the basis of the Market Value if the value of Supply is less than the Market Value and the Customer is not entitled to full Input Tax deduction.

The Regulations shall specify the terms and conditions of the application of this Article.

Article 23 – Value of Deemed Supply

The value of Deemed Supply is calculated based on the purchase value or the actual cost of Goods or Services supplied.

If the purchase or the actual cost cannot be determined, the fair Market Value of the Goods or Services is used.

Article 24 – Value of Supply after discount

The value of the Supply is discounted by the following:

1. Discounts on prices and deductions given to the Customer.

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2. The value of the subsidies granted by the Kingdom to the Supplier.
 3. Payments made by the Taxable Supplier on behalf of and in account of the Customer, and in such cases the Taxable Supplier is not entitled to deduct the Tax paid on these expenses.
- The Regulations shall specify the terms and conditions for calculating the Tax after discount.

Article 25 – Value of Supply of Vouchers

The value of a Voucher is calculated on the basis of the value of the difference between the Consideration received by the Supplier of the Voucher and the nominal value recorded on it.

Article 26 – Value when re-importing Goods after transport and temporary Export

If goods are temporarily transported to an implementing state or exported for the purpose of completing their manufacture or repair, their final value, which is taxable upon re-importation into the Kingdom, shall be calculated on the basis of the value of their increase as provided in the Common Customs Law.

Article 27 – Value of Supply based on profit margin

A Taxable Person may, in any Tax Period and after an approval from the Authority, calculate the value of Supplies of some Taxable Goods by using the profit margin in lieu of the value of the Supply. The Regulations shall specify the Goods on which the profit margin mechanism applies and the terms and necessary controls for the application of this Article.

Article 28- Adjustment of value of Supply

A. Taxable Person may adjust the value of the Supply when any of the following conditions occur at a date after the date of Supply:

1. Cancellation or rejection of the Supply in whole or in part.
2. Discount in the value of Supply.
3. Non-collection of the Consideration in full or in part in accordance with the terms applicable for bad debts.
4. Return of Goods or Services provided that the Supplier agrees on the return.

The Taxable Person is obliged to adjust the value of the Supply when there is a change or a fundamental adjustment in the nature of the Supply which increase the value of Tax due.

The Regulations shall specify the terms and conditions of applying the provisions of this Article.

Chapter 8 - Registration

Article 29 – Mandatory registration

- A. The mandatory threshold for registration is as set in paragraph 2 of Article 50 of the Agreement.
- B. A Resident Taxable Person is obliged to register for Tax purposes in the following cases:
 1. If the value of the Supplies made in the Kingdom in the period of 12 months prior to the end of any month in the year exceeds the mandatory threshold.
 2. If it expected at any point in time that the Supplies made in the Kingdom in the next 12 months will exceed the mandatory threshold.
- C. A Non-Resident will be obligated to register for Tax purposes in the Kingdom regardless of the value of Supplies, as long as he is obligated to pay Tax in the Kingdom. He shall either register

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directly or by appointing a Tax Representative after the approval of the Authority. The Tax Representative shall represent him in all his rights and obligations in accordance with the provisions of Article 67 of this law.

- D. The Regulations shall specify the terms and procedures and applicable conditions for the application of the provisions of this Article.

Article 30 – Registration as a Tax Group

Two or more legal Taxable Persons may be registered as a Tax Group in the Kingdom on application and after fulfilling the conditions and procedures listed in the Regulations.

All group members are liable for the Tax obligation of the Tax Group arising when grouped.

All members of the tax group shall be jointly liable for the tax liabilities of that group arising during their joining period.

Article 31 – Registration of Related Persons by the Tax Authority

The Authority can register Related Persons automatically in accordance with the conditions, terms and procedures specified in the Regulations.

Article 32 – Exception from registration

The Authority may exclude any Person from the mandatory registration on application if all his Supplies are zero-rated.

The Taxable Person has to update the Authority after the approval of exception from registration of any changes or amendments to his activity that make him liable to register as soon as they occur in accordance to the timings and circumstances and procedures specified in the Regulations.

In all instances, the Authority can collect the Tax and administrative penalties due on the Taxable Person for the period which he has been exempted from registration unlawfully.

Article 33 – Optional registration (voluntary)

- A. The Voluntary Registration Threshold is as stated in paragraph 3 of Article (51) of the Agreement.
- B. A non-obliged Person may apply for registration for Tax purposes in accordance with Article 29 of this law in the following cases:
1. If it is proven that the value of the Supplies made in the previous 12 months exceeds the voluntary threshold.
 2. If it is expected at any point in time that the Supplies made in next 12 months will exceed the voluntary threshold.
- C. The Regulations shall determine the terms, conditions and necessary procedures for the application of the provisions of this Article.

Article 34 – Deregistration

- A. A Taxable Person is required to deregister where one of the following occur:
1. If the Taxable Person ceases to carry on an Economic Activity.
 2. If the Taxable Person stops making Taxable Supplies in any 12 consecutive months.
 3. If it is proven at the end of any month that the value of Taxable Supplies for the previous 12 months has fallen under the voluntary threshold and does not expect that the value of Supplies or expenses in the next 12 months to exceed the voluntary threshold.

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- B. A Taxable Person may request deregistration from the Authority if his annual Taxable Supplies of the past 12 months have decreased to less than the mandatory threshold but more than the voluntary threshold.
- C. The Regulations shall specify the procedures, terms and controls of deregistration and the rules governing the refusal of deregistration.

Chapter 9 – Tax Period and Tax Return

Article 35 – Tax Period

The Regulations shall determine Tax Period in which the Taxable Person must calculate and pay the Tax for, provided that this period is not less than one month. The beginning and end dates of this period may vary according to each taxable person as well as the cases in which the tax period may be increased or decreased by either the Authority or at the request of the taxable person.

Article 36 – Submission of Tax Returns

The Taxable Person must submit a Tax Return for each Tax Period to the Authority declaring all the Supplies and imports that he has made or received during the Tax Period through the Tax Return form prepared by the Authority for this purpose no later than the last day of the month following the end of the Tax Period.

The Taxable Person is committed to submit the Tax Return even if he has not performed any Supply or purchase or Import during the Tax Period.

If the Taxable Person does not submit his Tax Return within the date specified in the first paragraph of this Article, the Authority shall have the right in estimating the Tax for the Tax Period in which no Tax Return was submitted provided that the Authority indicates the basis used in the estimates without prejudice to the criminal liability of the Taxable Person and the administrative penalties specified in this law.

Subject to the provisions of Article (61) of the Agreement, the Regulations shall specify the details to be included in the tax return, its terms and conditions, and the procedures for its submission.

Article 37 – Amendment of Tax Return

Subject to the provisions of Article (28) of this Law, the Taxable Person is obliged to notify the Authority if any amendment of the Tax Return is necessary and he has to make the necessary amendments in the Tax Return to rectify it in accordance with the terms, controls and procedures specified in the Regulations.

Chapter 10 – Tax Invoice

Article 38 – Issuance of Tax Invoice

A Taxable Person should issue an original Tax Invoice in respect of making a Supply of Goods and Services including a Deemed Supply or in respect of any payment received in part or in full before the date of Supply.

Notwithstanding paragraph (1) from the Article (56) of the Agreement, the Regulations shall specify the details to be included in the Tax Invoice, the terms and procedures of issue including electronic invoices, the conditions where the Taxable Person does not have to issue a Tax Invoices, and the

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conditions where the Taxable Person can issue other documents alternative to a Tax Invoice and the terms and details of such documents and the conditions that the Customer or others can issue the Tax Invoice on behalf of the Supplier.

Article 39 – Date of issuance of Tax Invoice

The Taxable Person should issue a Tax Invoice latest by the 15th day from the end of the month in which the Supply took place.

Article 40 – Currency used in Tax Invoice

For Supplies in foreign currencies, the amount on the tax invoice should be converted to Bahraini Dinars.

The conversion is based on the daily rate prescribed by the Central Bank of Bahrain on the date of Supply.

Article 41 – Amendment of Tax Invoice (Debit and Credit notes)

- A. The Taxable Person should adjust the value of Supply if any of the conditions in Article (28) of this law occur after the issue of a Tax Invoice. The adjustment shall be included in documentation that adjusts the original Tax Invoice in accordance to the following:
 - 1. If the amount of Tax stipulated in the original invoice exceeds the actual value of the Supply, the Taxable Person that has made the Supply shall issue a Credit note
 - 2. If the amount of Tax stipulated in the original invoice is less than the actual value of the Supply, the Taxable Person that has made the Supply shall issue a Debit note
- B. In all instances, this document is treated the same treatment as an original Tax Invoice.

Chapter 11 – Deduction and netting of Tax

Article 42 – Input Tax deduction

- A. The deductible Input Tax for any Tax Period is the total Input Tax paid or due on Goods and Services supplied to him or imported by him to Supply the following:
 - 1. Taxable Supplies.
 - 2. Supplies that have occurred outside the Kingdom that would have been Taxable in the Kingdom.
- B. The Tax paid during imports in another Implementing State that is the First Point of Entry of Goods to the Council is deductible when the Kingdom is the Final Destination Point of Entry.
- C. Notwithstanding paragraph (A) of this Article, Input Tax is not deductible in the following cases:
 - 1. If it is paid for Goods or Services used for purposes other than Taxable economic activities.
 - 2. When it is paid for Goods prohibited in the Kingdom.
 - 3. When it is paid for Import of Exempted Supplies into the Kingdom.
- D. The Regulations shall specify the other instances where Input Tax is not deductible in addition to the terms, conditions and procedures to apply the provisions of this Article.

Article 43 – Conditions for Input Tax deduction

To deduct Input Tax for any Tax Period, the Taxable Person should receive and keep the Tax Invoices or customs documentation that prove that he is the receiver of the Goods supplied or imported on which the Input Tax is claimable.

Article 44 - Input Tax deduction on expenses paid prior to registration date

A Taxable Person is entitled to deduct Input Tax in respect of Goods and Services supplied to him or that have been imported prior to the registration date in the Tax Return of the first Tax Period provided the following conditions are met:

1. The Goods and Services are received in the course of making Taxable Supplies.
2. The goods are not supplied before the date of registration
3. Capital Assets are not fully depreciated before the date of registration.
4. Receipt of Services within the period of 6 months prior to the date of registration.
5. The Goods and Services are not subject to any restriction listed in the Agreement and in this law.

Article 45 – Proportional deduction of Input Tax

In cases where the Input Tax is related to Goods and Services used to make both Taxable Supplies and non-Taxable Supplies, the Input Tax may be deducted only within the percentage of the proportion of Taxable Supplies.

The Regulation shall specify the methods of calculating the recovery rate and the other terms and conditions to apply the provisions of this Article.

Article 46 – Adjustment of recoverable Input Tax

- A. The Taxable Person shall be liable to amend the Input Tax value previously deducted at importation or receipt of Supply of Goods or Services supplied to him if it has increased or decreased the value of his available deductible Input Tax in the following cases:
1. The cancellation or rejection of a Supply.
 2. Discount in the value of the Supply after the date of Supply.
 3. Nonpayment towards a Supply in part or in full in accordance to bad debts.
 4. The change in use of Capital Assets.
- B. The Taxable Person shall not deduct the Input Tax in the following cases:
1. Proven loss or damage or robbery of imported or supplied Goods in accordance with the terms and conditions prescribed in the Regulations.
 2. The use of imported or supplied Goods as samples or gifts of small value in accordance with item (4) of paragraph (a) of Article (10) of this law.

Article 47 – Input Tax incurred on Capital Assets

Input Tax is deducted on Capital Assets in accordance to the net book value on the date of registration. The Regulations shall the Input Tax deduction mechanism for Capital Assets and the duration for record keeping and Capital Asset registers.

Article 48 – Adjustment of due Tax

Considering Article 41 of this law, the Taxable Person shall adjust the due Tax in the following conditions:

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1. The availability of any conditions of Article (28) of this law which lead to the adjustment of the value of the Supply.
2. If the Tax has been imposed wrongly.

The Regulations shall specify the terms and conditions to net the Tax.

Article 49 – Estimation of Net Tax by Tax Authority

The Authority has the right, in all cases, to estimate the Tax due amount if the Taxable Person is proven to not calculate the Tax accurately, and the estimation shall be built on reasons including data and documents made available.

The Regulations shall specify the terms and conditions and procedures for the application of this Article.

Chapter 12 – Payment of Tax

Article 50 – Payment of Tax due on Supply

The Taxable Person should pay the amount to the Authority with the submission of his VAT return, in accordance with the rules and procedures prescribed by the Regulations.

Article 51 – Payment of Tax due on imports

- A. The Importer should pay the Tax due on importation to the customs Authority of the Ministry of Interior if the Kingdom is considered to be the first entry point for those Goods, in accordance with the provisions of this law and the conditions determined by the Tax Authority.
- B. As an exception to the provisions of paragraph (a) of this Article, the Authority can allow the Taxable Importer to defer payment of the Tax due on imported Goods for Economic Activity. In this case, the Taxable Importer should declare the deferred Tax to be paid in his VAT return. The deferred Tax is considered payable and deductible in accordance with the provisions of this law.
- C. The Regulation shall specify the provisions, rules and procedures for the application of the provisions of this Article.

Article 52 – Suspension of Tax

The Import Tax shall be suspended if the imported Goods are placed in custom duty suspension in accordance with the conditions and controls stipulated in the Unified Customs Law.

In this case, the Taxable Importer should provide a financial guarantee covering the value of the Tax calculated in accordance with the rules and Regulations prescribed by the Regulations.

Chapter 13 – Zero rating provisions

Article 53 – Goods and Services subject to Tax at the rate of zero

The zero-rate shall be applicable on the following:

1. Export of Goods outside the Implementing States
2. The Supply of Goods to a customs duty suspension regime in accordance with the Unified Customs Law, and the Supply of such Goods whilst under customs duty suspension.

3. Transportation Services of passengers and Goods to or from the Kingdom, which begins or ends or passes through the Kingdom's land and the Supply of included Services and Supply of related means of transport.
4. The Supply of preventive and basic healthcare Services and Goods and Services related.
5. The Supply or Import of medicines and medical equipment on liaison with the concerned medical authorities in the Kingdom.
6. All re-Exports of Goods that were temporarily imported into the Kingdom for repairs, renovation, modification or processing, and the Services added to it.
7. The Supply of Services from a Taxable Supplier residing in the Kingdom for the benefit of a Customer who is not residing in the Implementing States and is benefiting from the service outside the Implementing States subject to the provisions of Article (17) of this Law
8. The Supply or Import of investment grade gold, platinum and silver with purity level of not less than ninety-nine percent (99%) publicly traded on the global market, based on a certificate issued by the concerned Authority for testing precious metals and gemstones in the Kingdom
9. The first Supply after the extraction of gold, silver and platinum for trading purposes.
10. The Supply and Import of pearls and gemstones, after obtaining the certificate issued by the Authority for testing pearls and gemstones to determine their nature.
11. Construction of new buildings
12. The Supply of educational Services and related Goods and Services including kindergarten, pre-basic education, basic, secondary and higher education.
13. Local transportation sector
14. Oil, oil derivatives and Gas sector
15. Supply and Import of food items referred to in Article 31 of the Agreement.

The Regulations shall specify the terms, conditions and necessary measures for the application of the provisions of this Article.

Chapter 14 -Exemptions

Article 54 – Supply of financial Services

Supplies of Financial Services specified in the Regulations are exempt from Tax, except where the Consideration payable is by way of an explicit fee, commission or commercial discount.

The Regulations shall specify the terms and conditions for the application of this Article.

Article 55 – Supply of bare land and buildings

The Supply of bare land and building by way of sale or lease shall be exempt from Tax. The Regulations shall specify the terms and conditions for the application of this Article.

Article 56 – Imports exempt from VAT

The following transactions are exempted from Tax:

1. Import of Goods if the Supply of such Goods in the final destination is exempt from Tax or zero-rated.

2. Import of Goods that are exempted from custom duties in accordance to the terms and conditions specified in the Unified Customs Law, these are as follows:
 - A. Diplomatic exemptions
 - B. Military exemptions
 - C. Import of Personal effects and used household items brought in by citizens residing overseas or foreigners entering the Kingdom for the first time to reside.
 - D. Import of returned Goods
3. Personal items and gifts in travelers Personal luggage
4. Special needs equipment

The Regulations shall specify the terms and conditions and necessary measures to implement the provisions of this Article.

Chapter 15 – Refund of Tax and adjustment of surplus

Article 57 – Refund of Tax

- A. Subject to the provisions of Article (65) to Article (69) of the Treaty, the Authority will refund the Tax paid on any Supply or Import of any of the following:
 1. Excess Tax paid by a Taxable Person.
 2. Foreign governments and international organisations, diplomatic and military missions for the Goods and Services supplied inside the Kingdom.
 3. A Taxable Person in the Kingdom for the Tax paid in another Implementing State for the purposes of conducting his Economic Activity.
 4. Tourists

The Regulations shall determine the conditions, controls and procedures to apply the above paragraph.

- B. The Tax for which the conditions of recovery are met is refunded from the accounts of the reserved amounts of the Tax revenue and administrative Tax penalties for the purpose of covering the refund requests.

Article 58 – Carry forward of excess recoverable Tax

The Taxable Person can request from the Tax Authority to carry forward the excess Net Tax to subsequent Tax Periods.

The Tax Authority shall have the right to set off between Net Tax excess and any Tax or administrative penalties due from the Taxable Person under the terms of this law or any other Tax law in subsequent Tax Periods until the excess value is exhausted.

The Regulations shall determine the rules governing the implementation of the provisions of this Article.

Chapter 16 – Judicial Control

Article 59 – Power of judicial officers

Officers who are assigned by a decision of the Minister of Justice in agreement with the Minister shall have judicial control of the implementation of the provisions of this Law and its implementing decisions with respect to the crimes which fall within their jurisdictions and competences and related

to their functions. For this purpose, they may inspect and provisionally close factories, warehouses, shops, establishments and other entities that engage in activities related to the supply or import of taxable goods or services, record offenses and produce reports. If the property is residential, permission shall be obtained from the Office of Public Prosecution.

To execute judicial control, the assistance of members of the public authority may be requested, if necessary.

Chapter 17 – Administrative penalties

Article 60 – Cases of administrative fines

- A. Except for cases of Tax evasion provided in Article (63) of this Law, an administrative penalty is imposed on whoever commits any of the following acts:
 1. The delay in submission of the VAT return or payment of the Tax for the prescribed period not exceeding sixty (60) days. The penalty is calculated in this case at a rate not less than (5%) and not more than (25%) of the value of the Tax to be recognized or paid.
 2. Failure to apply for registration within sixty days from the date of expiry of the registration period stipulated in this law or from the date of reaching the mandatory registration limit, the penalty in this case is calculated not exceeding ten thousand Dinars (BHD10,000).
 3. Providing false data on the Import or Supply of Goods and Services if it leads to an increase in the value declared in the Tax Return. The penalty shall be calculated in this case at a rate not less than (2.5%) and not more than (5%) of the value of the unpaid Tax on each month or part of the month for which tax is not paid.
- B. Without prejudice to any more severe penalties provided for in any other law, an administrative penalty is imposed not exceeding five thousand dinars (BHD5,000) for any Person who commits any of the following acts:
 1. Preventing or obstructing the employees of the Authority or those responsible with implementing the provisions of this law and the decisions executed by law or to perform their duties or exercise their jurisdiction in supervision, inspection, control, review and request or access to documents.
 2. Not notifying the Authority of any changes to the registration application data or VAT return information within the specified dates.
 3. Not displaying the prices of Goods or Services including Tax in accordance with the provisions of Article (3) of this Law.
 4. Failing to provide the information or data required by the Authority.
 5. Non-compliance with the conditions and procedures related to issuing a Tax Invoice.
 6. Violation of any other provision of the law or regulation.
- C. The Tax due will be collected with signing the administrative fines stipulated in this Article.

Article 61 – Decision of imposing administrative penalties

The imposition of the administrative penalty shall be by decision of the Minister or his authorized representative, including the value of the Tax due. The decision may include the publication at the expense of the violator in a local newspaper or any other appropriate means of publication, according to the type and severity of the offense and its effects, and after the finalization of this decision.

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The decree issued to sign the administrative fine is considered as enforceable on executive bond in accordance with the provisions of the Civil and Commercial Procedures Law promulgated by Legislative Decree No. (12) of 1971.

Article 62 –Grievance and appeal on administrative penalties

A Person who has been issued against him a decision to impose an administrative penalty can appeal against it before the Committee for the Examination of Grievances and Tax Litigations stipulated in Article (66) of this Law within the same dates and in accordance with the same rules and procedures for the Consideration of Tax objections. The Committee will issue its recommendation regarding the grievance within thirty days from the date of submission. It then will be submitted to the Minister or his delegate, provided that the Minister or his delegate issues his decision to adopt the recommendation, amend it or cancel it within fifteen days from the date of receipt.

The appellant will be notified of the final decision on his grievance by the methods prescribed by law. The expiry of the period without any notification of results will be regarded as a rejection of the complaint.

The Person concerned can appeal against the decision to reject the appeal before the competent court within sixty days from the date of notification of refusal or from the date on which the complaint is considered rejected.

Chapter 18 – Tax evasion

Article 63 – Cases of Tax evasion

In accordance with the provisions of this law, the following is considered Tax evasion:

1. Failure to apply for registration within 60 days of the end of the period specified in item (2) of Paragraph (a) of Article (60) of this Law.
2. Failure to submit the Tax Return or payment of the Tax due on Supplies or imports of Taxable Goods or Services within 60 days of the end of the period prescribed in item (1) of Paragraph (a) of Article (60) of this Law.
3. Input Tax deduction and adjustment of due Tax unlawfully and in violation of the provisions of Input Tax deductions specified in the provisions of this law.
4. Unlawful deliberate claim of Tax in part or in full.
5. Submission of forged or unreal documents, records or invoices to avoid payment of Tax in part or in full.
6. Not issuing Taxable invoices for Supplies or imports of Goods or Taxable Services conducted in violation of the provisions of this law.
7. Issuance of Tax Invoices with Tax for non-Taxable Supplies.
8. Not maintaining organized records of documents, Tax Invoices and accounting books related to imports, Supply of Goods or Services in violation of Article (69) of this law.

Article 64 – Penalties

- A. The penalty of any case of the Tax evasion provided in Article (63) of this this law is a prison sentence for a period not less than 3 years and not more than 5 years with a fine not less than the

Tax due and not more than 3 times the amount of the Tax due, and the offender/(s) shall be liable to pay the Tax due.

- B. The penalty of paragraph (A) shall be doubled in the case of recommitting the crime within 3 years from the date of the final verdict of conviction.
- C. Without prejudice to the criminal liability of the natural Person, the legal Person is criminally penalized if the Tax evasions listed in this law were committed in his name or in his benefit with double the maximum fine of paragraph (A) of this Article.
- D. The court may order the confiscation of the means of transport, tools, materials and devices used in Tax evasion crimes, except for ships and aircrafts, unless the equipment has been prepared or intended for Tax evasion by their owners.
- E. Cases of Tax evasion are looked into with a sense of urgency and are viewed as crimes of dishonor and dishonesty.
- F. No legal cases or criminal action is allowed to be taken in Tax evasion offenses without the request of the Minister or his authorized representative.
- G. Without prejudice to any more severe penalties provided in any other law, the Minister or his authorized representative are permitted to reconcile on all or some of the penalties provided for in this Article upon a written request from the accused or his agent either before the litigation, during the trial or before the final judgement on the case if the accused pays an amount equivalent to the minimum of the decided penalty of the crime in addition to the Tax due. The reconciliation shall result in the expiry of the criminal proceedings.

Chapter 19 – General provisions

Article 65 – Aging (Passage of time)

After the passage of 5 years from the end of the Tax Period on which the Tax has been due, no claims of Tax due to the Tax Authority shall be heard in accordance with the provisions of this law.

In addition, no claims of Tax paid to the Tax authorities shall be heard after 5 years of payment.

The prescribed period may be interrupted for any of the reasons for the limitation of the time provided for in the Civil Law or by notification of Tax or by warning the Taxable Person of paying or presenting to the Committee for Examination of Grievances and Tax Litigations or filing a refund request.

Article 66 – Committee for examining grievances and Tax litigation

A committee shall be established by a decision from the Minister or his representative under the title of 'Committee for examining grievances and Tax litigation' that consists of a President with a level not less than a manager at the Tax Authority and minimum of five members that have experience in taxation, finance, accounting and legal matters.

In addition to its specialization listed under Article (62) of this law, the committee shall examine and look into various grievances and misunderstanding between Taxable Persons and the Authority on Tax matters.

A Taxable Person shall apply for objections within 30 days of the date of being informed about the decision or action that they are objecting to after paying the fees decided. The committee shall publish its recommendation within 30 days of submission to the committee and shall be submitted to the

Minister or his representative. The Minister or his representative shall ratify or amend or cancel the recommendation within 15 days of receiving it.

The submitter shall be notified of the final decision on his objection by the methods prescribed by law. The expiry of the period without the any notification of results will be regarded as a rejection of the objection.

The concerned Person has the right to apply for grievances against the decision of the Minister or his representative's by rejecting it in the court concerned within 60 days of notifying him of the rejection of his objection or from the date that his objection is deemed to be rejected. The application for grievances in the court does not obstruct him from paying the Tax.

The Regulations shall specify the system, procedures of the committee and meeting conformity controls.

Article 67 – Tax Representatives and Tax Agents and concerned Persons

The Authority has the right to license willing Persons to act as Tax Representatives or Tax Agents after the payment of the fees approved for the license. The Authority shall issue the names of the Persons approved to be Tax Agents or representatives.

The Tax Representative along with the Taxable Person shall be liable for the payment of any Tax until the date when the Authority announces that he is not representing the Taxable Person.

The Taxable Person is still personally liable to the Authority on his various Tax commitments despite appointing a Tax Agent.

The Regulations shall specify the conditions required to be a Tax Agent and Tax Representative to be licensed to start their tasks and other commitments towards the Authority.

The Person that has been appointed as an administrator, Personal representative, executor, judicial guard or liquidator has to notify the Authority within 30 days of the date of being appointed.

Article 68 – Confidentiality of information

The employees of the Authority and the implementers of the provisions of this law shall not disclose information that they have come across or obtained due to the nature of their positions during their service or after the end of it unless it required by the Judicial Authorities in the Kingdom.

Article 69 – Record keeping and Tax Invoices

The Taxable Person shall keep organized records, Tax Invoices and accounting books related to imports or Supply of Goods or Services and shall present these records, invoices or books to the Authority upon request.

The Regulations shall specify the records, books, durations and terms and conditions for maintenance if these records.

Article 70 – Insertion of Tax Identification Number

The Taxable Person or his legal representative shall indicate the Tax Identification Number on all Tax Returns, notifications, Tax Invoices, Debit and Credit notes, and any other document related to Tax or correspondence as required under this Law.

The Authority may issue the Taxable Person with a Tax registration certificate that includes his Tax Identification Number and details after the payment of the fees for the issue of such certificate.

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Article 71 – Electronic system to collect and pay Tax

The Taxable Person shall fulfil and apply for Tax registration, submit Tax Returns and other Tax-related requests or appeals or objections and pay Net Tax payable and penalties associated through the approved electronic system of the Authority.

Article 72 – International Tax treaties

The provision and procedures in this law shall not disregard any commitments by the Kingdom established through treaties between the Government of the Kingdom and foreign countries, international and regional organisations, or any treaty, bilateral or international protocol that the Kingdom is a part of.

Article 73 – Coordination with Government Authorities

The Authority is able to coordinate with Government Authorities in the Kingdom to implement the provisions of this law and its Regulations. All Government authorities shall provide the required data, information, documentation to the Authority for the implementation of Tax.

Article 74 – Fees on licenses and Tax certificates

Fees charged on issuance of Tax Certificate, licenses of Tax Representatives and Tax Agents and fees for Tax appeal procedures shall be determined by a decision by the Minister after the approval of the Cabinet of Ministers.

Chapter 20 – Transitional provisions

Article 75 – Date of Supply after the law implementation

- A. If an invoice is issued or payment for Goods and Services is made before the commencement date of the Law or before the date of registration and the Supply is made after this date, the Supplier of the Goods or Services shall be considered to make a Taxable Supply on the date the Goods or Services are supplied. In such cases the Taxable Person shall issue a Tax Invoice that includes the Tax charged on the Supply of Goods or Services, unless this Tax was included on the invoice issued before the commencement date of the law.
- B. For the purposes of this Article, the date of Supply is after the commencement date of the Law in the following two cases:
 - 1. If the date of delivery of the Goods is after the commencement date of the law.
 - 2. If the date when the performance of Services is completed occurs after the commencement date of the law.

Article 76 – Contracts exclusive of Tax entered before the implementation of the law

- A. The Tax shall be applicable on the Supply of Goods or Services made in respect of contracts that have been entered before the implementation of this law where the Supply is made fully or partly after the implementation of this law

Unless the contract includes a Tax clause, such Supplies shall be treated as follows:

- 1. The Consideration shall be deemed inclusive of Tax if applicable under the provisions of this law.

2. Tax shall be calculated on the Supply regardless of whether it has been included when setting the Consideration for the Supply.
 3. The Regulations shall specify the terms of the application of the provisions of this paragraph
- B. Notwithstanding paragraph (A) of this Article, Tax is applicable at zero rate on the Supplies made in respect of contract with the government that have been entered into before the implementation of this Law and that are supplied in full or partially after the implementation of this law until the renewal or expiry of the contract or 31 December 2023, whichever earlier.

Article 77 – Time limit for Tax registration

- A. It is the responsibility of every Resident Person or Person carrying out an Economic Activity in the Kingdom before the effective date of this Law to do the following:
1. Initially estimate the expected annual revenue for the year beginning 1 January 2019.
 2. Apply to the Authority for registration for Tax purposes if the expected Supplies for the year beginning 1 January 2019 are expected to exceed the mandatory threshold
- The timeframe of commencement of registration shall be determined by a decision of the Minister pursuant to the value of Supplies made by the Taxable Person.
- B. Without prejudice to the provisions of Article (63) of this Law, consequent to the elapse of the registration timeline indicated in paragraph (A) of this Article without the completion of the registration procedures, the Taxable Person that is proven to have imports or Exports for the year beginning 1 January 2019 that exceed the mandatory threshold shall be considered to be registered.

Article 78 – Intra GCC Supplies

To comply with Article (71) of the Agreement, Internal Supplies that include the movement of Goods from the Kingdom to another Implementing State shall be considered as Export of Goods until the establishment of the Electronic Services System in all GCC member states.

Article 79 – Treatment of non-Implementing States

For the implementation of the provisions of this law, member states are treated as non-Implementing States if they do not recognize the Kingdom as an Implementing State in its Tax legislation and if they are not fully compliant with the provisions of the Agreement. The Supply of Goods and Services from such states shall be considered to be outside the Council and the Residents of such country shall be treated as non-GCC residents.