# Newsletter

July 2019

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## Bahrain's personal data privacy law

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With Bahrain's Personal Data Privacy Law (PDPL) coming into force today (1 August 2019), key decision makers at organisations across Bahrain have been understandably keen to understand the law and to discover how to comply with it to avoid significant penalties.

The PDPL includes requirements not generally seen in other privacy laws across the world - including an extended scope, the need for approvals before processing certain data or transmitting it outside Bahrain and criminal penalties - that make adapting to the law particularly challenging.

Bahrain's Data Protection Authority (DPA), envisaged to have been established within six months of the law being published in the Official Gazette last July, should – once it is in place - provide guidance and operational procedures. In the absence of the DPA, professional services firms like Keypoint have comprehensively analysed the law, getting sufficient clarity to empower organisations to implement data protection safeguards and improve compliance.

Notwithstanding possible delays to effective implementation, the PDPL requires organisations and individuals who process personal data to deep dive into what, how, when and where data is processed and the controls currently in place – if any - to prevent disclosure or leakage of personal data. Keypoint's data security experts have been working with some of Bahrain's largest businesses, as well as start-ups and SMEs, to help key decision makers understand the impact of the PDPL.

To better understand how your current data processes comply – or conflict – with the requirements of the PDPL and what you can do – immediately – to help mitigate the threat of disruption to your business – or penalties – please contact Srikant Ranganathan.

## Corporate governance requirements within annual general meetings (AGMs)

As outlined in the Ministry of Industry, Commerce and Tourism's (MOICT's) revised corporate governance code (which came into effect in October 2018), action points on AGM agendas should include:

1. Approve corporate governance charters, policies and guideline manuals
2. Discuss corporate governance reports for the financial year ending 2018
3. Notify the board - and gain its approval – of any personal interest matters (see Article 189 of the Commercial Companies Law)

By now, all joint stock companies should have:

- Registered a corporate governance officer online
- Updated MOICT on how and when the corporate governance code is being implemented

The MOICT will communicate important notices and updates through the registered corporate governance officer's email ID. Companies that have not yet registered their corporate governance officer - or whose contact details have not been updated - should prioritise compliance.

Keypoint supports the implementation of corporate governance requirements including:

- Implementation steps and timelines
- Amendments to articles of association
- Corporate governance reporting
- Corporate governance policies and guidelines
- Amendments to board composition

Please contact Mohammed Ashraf or Chahira Ashcroft If you have any questions on MOICT's corporate governance code - including how we can support your requirements.

## FATCA – RO certifications due by 1 July 2019

The IRS released notice 2019-4 on 1 May 2019. For the FATCA certification period ending 31 December 2018, responsible officer (RO) certifications are due by 1 July 2019. Failure to submit certifications by the due date will lead to cancellation of an entity's FATCA status and, eventually, removal of the entity's GIIN from the FFI list. All FIs must ensure that point of contact (PoC) and RO contact information is up-to-date and correct.

## Ownership registers to become public in UK crown dependencies

Three of the United Kingdom's crown dependencies, Jersey, Guernsey and the Isle of Man, have announced they will introduce public registers of the true owners of offshore companies incorporated in their jurisdictions by 2023. Although the UK's network of crown dependencies and overseas territories have been exposed as havens for dark money in recent years, the crown dependencies had resisted public registers, saying they would introduce them only once such measures were considered a global norm.

The UK's overseas territories, including the Cayman Islands and the British Virgin Islands, have previously agreed to introduce public registers by 2020.


## IFRS 17 to significantly impact insurance businesses

International Financial Reporting Standards, usually abbreviated to IFRS, are standards issued by the IFRS Foundation and the International Accounting Standards Board (IASB) to standardise company accounts, making them understandable, comparable and relevant across international boundaries. New standards are introduced periodically, often in response to significant global issues, such as the global financial crisis. IFRS 17 – focused on the insurance industry - is effective for annual reporting periods beginning on or after 1 January 2021 with earlier application permitted - as long as IFRS 9 (accounting for financial instruments) and IFRS 15 (accounting for revenue from contracts with customers) are also applied.

IFRS 17 – replacing IFRS 4 on accounting for insurance contracts - will overhaul accounting standards for insurers, with greater detail, transparency and comparability giving stakeholders more insight into a company's financial health than ever before. Under the IFRS 17 model, insurance contract liabilities will be calculated as the present value of future insurance cash flows with a provision for risk. As a result, IFRS 17 is going to significantly impact both financial statements and key performance indicators – and implementing the underpinning IT architecture will be a serious undertaking.

Insurers should be taking action now to prepare for the new requirements, according to Pramod Malhotra, a senior director at Keypoint who has been working in the accounting field for over 30 years. "Insurance contracts tend to combine features of both a financial instrument and a service contract. At the same time, they tend to generate cash flows over a long period - with considerable variability. IFRS 17 combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract, presents insurance service results separately from insurance finance income or expenses, and requires entities to make an accounting policy choice - to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income."

Entities – in Bahrain and elsewhere - must apply IFRS 17 to:

- Insurance and reinsurance contracts that they issue
- Reinsurance contracts they hold
- Investment contracts with discretionary participation features (DPFs) that they issue (as long as they also issue insurance contracts)

Keypoint has significant IFRS expertise and credentials. For more information on how IFRS 17 – or any of the other international standards impact you – please contact Pramod Malhotra.

## Bahrain's staggered VAT implementation sees second tranche of businesses register

With Bahrain having opted for a three-stage implementation approach, 20 June 2019 was the deadline for businesses making taxable supplies of BD500,000 and above. An effective VAT implementation date for these businesses of 1 July 2019 should mean that a significant number of Bahraini businesses are now charging VAT (and recording VAT amounts and compiling VAT information). In the run up to the second implementation date, the NBR updated its online portal, streamlining the registration process for Bahraini businesses.

As the NBR comes to terms with its increased workload, there has been an increase in the number of clarifications requested of businesses.

If clients require assistance with responding to information requests, we suggest contacting a tax adviser.

Bahrain business owners are minded that VAT certificates must be prominently displayed – a large number of businesses in Saudi Arabia have been fined for not displaying their VAT certificates properly.

Keypoint's tax team develops and distributes TaxFlash, a weekly update on tax developments across the GCC. To subscribe to TaxFlash, please contact Fatema Ghaith. For more details on how Bahrain is dealing with VAT challenges, please contact Mubeen Khadir keypoint

## VAT differences: Saudi Arabia, Bahrain and the UAE

The VAT systems of the Saudi Arabia, the United Arab Emirates and Bahrain are all guided by the VAT framework agreed in the GCC treaty, which outlines the underlying VAT principles that the GCC member states have agreed to implement in their national taxation systems. Unsurprisingly, the use of a common framework has resulted in three VAT systems that are largely similar.

However, there are still differences, not limited to the fact that the UAE and Saudi Arabia implemented VAT on 1 January 2018 (businesses in Saudi with taxable turnovers below SAR1m were delayed by a year) and Bahrain has staggered its VAT implementation, with a second tranche of businesses (taxable turnover of BD500,000-BD5,000,000) having just registered.

Businesses with operations in more than one GCC country may wish to consult a tax consultant, particularly if they are involved in the real estate, oil & gas, education, healthcare or transportation sectors.

Mark Gamble, a senior manager in Keypoint's VAT team, says, "The key takeaway is understanding that you cannot decide on a single approach and expect the same VAT treatment across the GCC. Key decision makers in regional businesses need to understand the intricacies of each VAT system rather than assuming what works in Riyadh will automatically work in Abu Dhabi."

For more information on how VAT differs between GCC states, please contact Mark Gamble.

## Our internship programme