

Bahrain National Bureau for Taxation issues VAT technical FAQs

December 2018

In brief

The National Bureau for Taxation (NBT) has updated the FAQs on their website. There are three key areas of interest which have clarified by the NBT and we have set below our brief summary addressing each point of interest. With seven days to go until the introduction of VAT, businesses immediately need to understand and adopt such clarifications in order to comply with VAT from 1 January 2019.

In detail

Conditions for zero rating export of services

The NBT has clarified the extent of Article 73 of the Executive Regulations which sets out the conditions for zero rating services provided to non-residents.

Only supplies of services with a place of supply in Bahrain under the general place of supply rule (i.e. the place where the supplier is resident) can be considered as potentially eligible for the zero rate as an export of services.

In order to apply the zero-rate for the export of services, a taxable person must ensure that the following conditions are met:

1. The customer receiving the service does not have a place of residence in Bahrain
2. The customer must not be present in Bahrain at the date the services are performed
3. The services do not relate to tangible goods or real estate located in Bahrain at the time the services are performed
4. The services are enjoyed outside the territory of Bahrain

Where the customer has either a place of residence in Bahrain or a presence in Bahrain at the time of the supply, the place of residence/presence most closely connected with the supply will have to be identified so as to determine whether the services are actually “consumed” in Bahrain. Such assessment must take into account the nature of the services supplied and the substance of the supply.

The services must not be actually received by and benefit a person, other than the customer, who is resident in Bahrain.

Foreign exchange rate

The Central Bank of Bahrain (CBB) will not begin publishing daily forex rates, the NBT will have permitted taxpayers to use foreign exchange rates published by any reputable and trusted source, examples of such sources can be found on the NBTs website.

Taxpayers should use the same for foreign exchange rates consistently when issuing Tax documents.

Rounding of Fils

Per the regulations taxpayers may round the amount to the nearest Fils in accordance with mathematical rounding. In practice, as the smallest denomination of Fils in Bahrain is five fils and, taxable persons may round to the nearest five Fils accordingly.

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