

Bahrain: NBR issues Public Clarification on the place of supply rules for telecommunication services

31 December 2020



In brief

The NBR has issued a public clarification amending the place of supply rules for telecommunication services

The National Bureau for Revenue (NBR) in Bahrain has amended the “use and enjoyment” rules under which the place of supply for certain telecommunications services is determined for VAT purposes. The public clarification sets out that, with effect from 1 February 2021, the place of use and enjoyment will be the place of residence of the customer, regardless of whether the customer is a business or a consumer.

In detail

The NBR has issued a public clarification on the place of supply rules for telecommunication services. As set out in the guidance from the NBR, with effect from 1 February 2021, the place of use and enjoyment of telecommunications services will be determined as follows:

1. For telecommunications services that require the customer to be physically present in a specific location to use them (such as a wi-fi hotspot or an internet café), the place of use and enjoyment is that specific location. There is no change to the place of supply for such services and suppliers of such services should continue to charge Bahrain VAT where such services are provided from a location in Bahrain.
2. For all other telecommunications services, the place of use and enjoyment is **the place of residence of the customer**. The supplier of the service should determine the place of residence of the customer by reference to the following:
 - a. The internet protocol address used by the customer to receive the service;
 - b. The country code of the SIM card used by the customer to receive the service;
 - c. The customer’s address as stated on the tax invoice or other documents used for billing;
 - d. Details of the customer’s bank account; and
 - e. Other information of a commercial nature.

Where any of the above is in or refers to Bahrain, the place of residence will be Bahrain unless the customer can provide satisfactory evidence to the supplier to confirm that his actual place of residence is in another country. However, the place of supply cannot shift from Bahrain where the country code of the SIM card is Bahrain even where the customer can provide evidence of actual residence in another country.

Where the place of residence of the customer is Bahrain, the place of supply of the services will be Bahrain. Where the services are provided by a taxable person under Bahrain VAT Law, VAT will apply.

Where a customer’s place of residence is in another country, that other country will be treated as the place of residence for the purposes of determining the place of supply of the telecommunications services..

Effective date

The amended place of supply rules for telecommunication services will take effect from 1 February 2021.

Therefore, suppliers should apply the new rules where a tax due date for a supply of telecommunication services is triggered on or after 1 February 2021.

Implications for telecommunication providers

This update from the NBR will have a significant impact on the VAT treatment of supplies by both local and foreign telecommunication providers (telcos). In summary:

Telcos resident in Bahrain

- Roaming charges levied by Bahraini telcos on non-resident telcos under roaming agreements will be outside the scope of Bahraini VAT.
- VAT at 5% will apply on supplies of telecommunications services (such as calls and data) supplied to Bahraini resident customers when they are travelling (roaming) outside Bahrain.
- The receipt of charges from a non-resident telco under a roaming agreement will continue to be subject to VAT at 5% in Bahrain under the reverse charge mechanism.

Non-resident telcos

- Telecommunications services provided by non-resident telcos to their non-Bahraini resident customers visiting Bahrain will be outside the scope of Bahraini VAT.
- Non-resident telcos will not be required to register for VAT or to account for VAT in Bahrain in respect of these services.

Link to the NBR website

A link to the public clarification can be found below:

https://www.nbr.gov.bh/vat_guideline

The takeaway

The latest guidance from the NBR on the place of supply rules will undoubtedly impact all suppliers of telecommunication services. Those impacted by the recent public clarification should consider any changes that may apply on the VAT treatment of their supplies from 1 February 2021.

The public clarification from the NBR has been published on its website. A link to the public clarification can be found below:

https://www.nbr.gov.bh/vat_guideline



Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

Ken Healy

Tax Partner, Bahrain

T: +973 3840 0897

ken.a.healy@pwc.com

Mohamed Al Mahroos

Tax Director, Bahrain

T: +973 66 743 746

mohamed.al.mahroos@pwc.com

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