

Bahrain: NBR releases updated VAT Real Estate Guide

September 2020



In brief

VAT Real Estate Guide

The National Bureau for Revenue (NBR) in Bahrain has released an updated version of the VAT Real Estate Guide that was first issued by the NBR in February 2019 and updated in August 2019. In the second updated version of the Guide, the NBR has provided clarification that the zero-rate will apply to certain services needed to obtain a building permit and a building certificate is not required for the zero-rate to apply on expenses needed to obtain a building permit.

In detail

In accordance with the Bahrain VAT Law and its Executive Regulations, the construction of new buildings and any goods supplied by a person making a supply of construction services, in the course of providing construction services for a new building, will be subject to VAT at the zero-rate.

An update to the VAT Real Estate Guide clarifies that the zero-rate will apply on certain services needed to obtain a building permit. It also confirms that a building certificate is not required for the zero-rate to apply on expenses needed to obtain a building permit.

Certain services needed to obtain a building permit

The updated Guide confirms that the zero-rate will apply to services provided by a taxable person to the extent that they are required in order to obtain a building permit from the Ministry of Works, Municipalities Affairs and Urban Planning. The Guide confirms that this will include:

- The provision of an original survey certificate and a layout plan certificate;
- Engineering drawings of the plan;
- Engineering drawings of the fronts and section; and
- Construction drawings of the foundations.

Furthermore, any further information or additional requirements requested by the Ministry of Works, Municipalities and Urban Planning will be zero-rated. This VAT treatment will apply even where the application for the building permit is rejected or building permit is issued, but the building is not built.

The Guide does however confirm that supplies of any other drawings or information (not required by the Municipality) will be subject to VAT at 5%.

Certificate from main contractor or property owner

As set out in the Guide, in order to apply the zero-rate on construction services and associated goods in relation to a new building, a supplier must obtain a certificate (or a certified copy of the original certificate) that the building meets the criteria to be a new building for the purposes of Article 76 of the VAT Regulations. The certificate must contain all of the information as set out in the Guide.

The updated Guide confirms that a building certificate is not required for the zero-rate to apply on services provided by a taxable person to the extent that they are required in order to obtain a building permit from the Ministry of Works, Municipalities Affairs and Urban Planning (as set out above). Therefore, where supplies relating to obtaining a building permit are made by a taxable person, the zero-rate may be applied without a certificate.

However, in all other cases, in the absence of a certificate, a supplier must charge VAT at the standard rate of 5% even where the supplies relate to the construction of a new building.

Link to the NBR website

A link to the updated VAT Real Estate Guide can be found below:

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

The takeaway

Businesses who make supplies services relating to obtaining a building permit from the Ministry of Works, Municipalities Affairs and Urban Planning will need to consider the impact of the updated VAT Real Estate Guide from the NBR and ensure that VAT has been correctly accounted for on supplies.



Let's talk

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

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