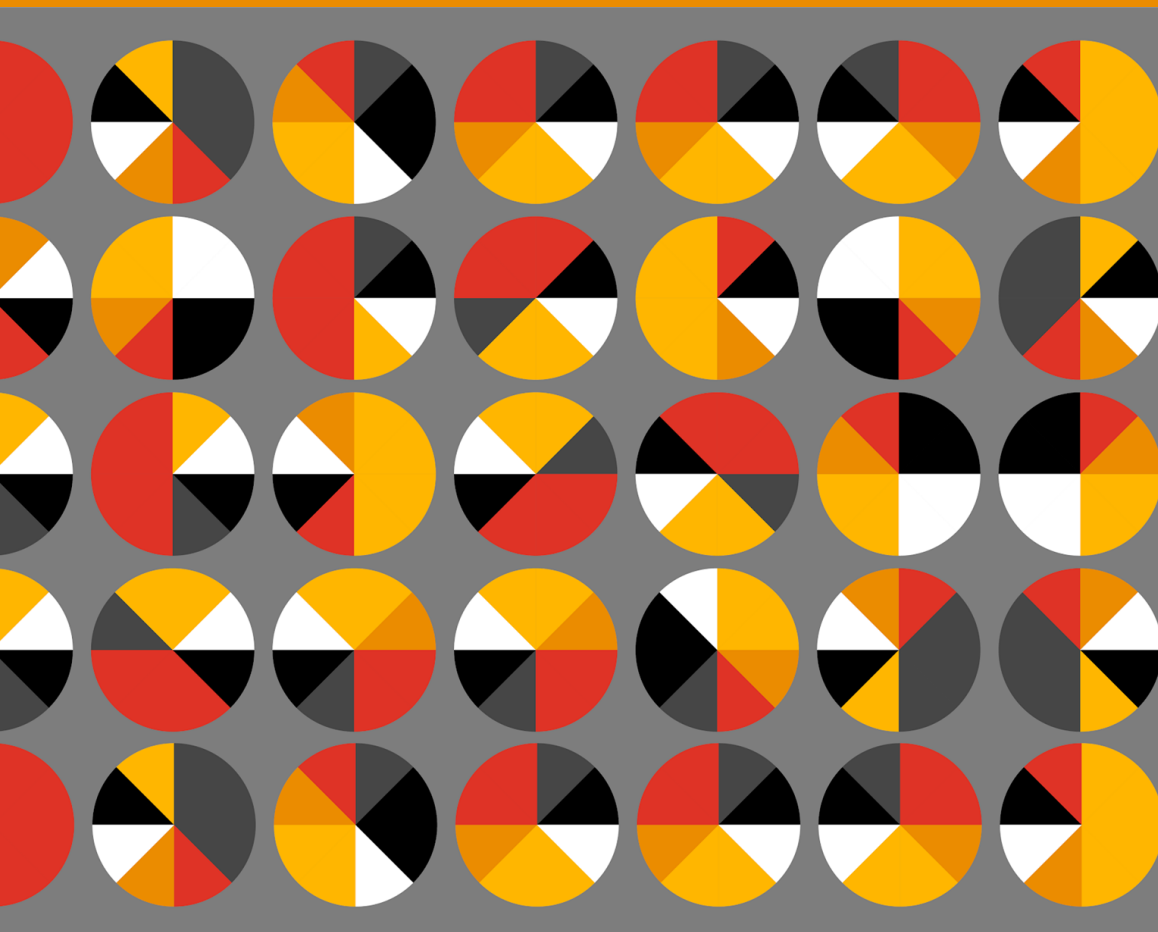


Bahrain Country by Country Reporting (CbCR) requirements

March 2021



In brief

The Kingdom of Bahrain (Bahrain) recently published the Resolution No. 28 for the year 2021 (dated February 4, 2021), introducing Country by Country Reporting (CbCR) requirements. As a member of the inclusive framework on Base Erosion and Profit Shifting (BEPS) project by the Organisation for Economic Cooperation and Development (OECD) and the G20, Bahrain has committed to implement the four minimum standards, including CbCR.

The CbCR requirements are applicable for reporting years beginning on or after 1 January 2021. The requirements, broadly aligned to the OECD model legislation, are summarised below:

- **CbCR threshold** - Bahraini Dinar (BHD) 342 million (approx. EUR 760 million / USD 900 million) of consolidated revenue of the Multinational Group (MNE Group) in the preceding year.
- **CbCR filing obligation** – Ultimate parent entities (UPE) of MNE Groups resident in Bahrain (i.e. only Bahrain Headquartered Groups)
- **Notification filing obligation** – UPE / all other constituent entities, which are residents in Bahrain (whether or not headquartered in Bahrain).
- **Due dates** – CbCR notification to be filed on or before the last day of the reporting year (i.e. 31 December 2021 for the year ended 31 December 2021) and CbCR to be filed within 12 months from the last day of the reporting year (i.e. 31 December 2022 for the year ended 31 December 2021)

Failure to comply with the CbCR requirements is likely to expose the concerned UPE/ other constituent entities to penalties as per the provisions of Article 20 of the existing Decree-Law No. 27 of 2015 regarding the Commercial Registry.

In detail

CbCR threshold

The Country by Country Reporting (“CbCR”) requirements apply to entities that are resident in Bahrain and are a part of a Multinational enterprises (“MNE”) Group with consolidated revenues equal to or exceeding Bahraini Dinar (“BHD”) 342 million (approx. EUR 760 million / USD 900 million) in the financial year preceding the reporting year (e.g. in order to determine the applicability for FY 2021, the entity will need to determine if the consolidated MNE Group revenue exceeded the threshold based on FY 2020 financials).

CbCR notification requirements

Each Bahrain resident constituent entity of the covered MNE Group (whether or not the MNE Group of such constituent entity is headquartered in Bahrain), shall notify the competent authority (i.e. Ministry of Industry, Commerce and Tourism in Bahrain) whether it is the Ultimate Parent Entity (“UPE”) of the MNE Group. In case the entity is not the UPE, the identity of the UPE needs to be notified.

CbCR filing requirements

The resolution places a requirement on the Bahrain resident Ultimate Parent Entities (“UPEs”) of MNE Groups exceeding the threshold, including financial institutions that are licensed by the central bank of Bahrain to file a CbC report.

It is important to note that considering Bahrain is a non-reciprocal jurisdiction, the resolution does not include a requirement for the other constituent entities resident in Bahrain (i.e. Bahraini constituent entities of MNE Groups headquartered outside Bahrain) to submit the CbCR under the secondary filing mechanism (only notification is required). Further, filing by the Surrogate Parent Entities (“SPEs”) is also not permitted i.e. Bahraini constituent entities cannot be designated as SPEs by the MNE Groups.



Important filing dates

CbCR notification

CbCR notifications must be submitted by the Bahrain resident UPEs/ other constituent entities of the MNE Group, no later than the last day of the reporting year of the MNE Group. Accordingly, for the reporting years starting on 1 January 2021, notifications are due by no later than 31 December 2021. The resolution highlighted that Bahrain may extend the aforementioned deadline for the first year i.e. FY 2021.

CbCR

The CbCR requirements are applicable to reporting years starting on or after 1 January 2021, and the CbCR is required to be submitted within 12 months from the end of the reporting year. Accordingly, for the reporting year starting on 1 January 2021, the CbCR must be submitted latest by 31 December 2022.

Filing format

The information to be reported for CbCR purposes as per the resolution is aligned with the format put forth by the OECD Tables 1, 2 and 3 respectively, as adjusted from time to time. Nevertheless, the Resolution does not provide guidance on the filing format i.e. xml schema, and notification i.e. web-based or manual, at this stage.

Administrative penalties

Failure to comply with the CbCR requirements is likely to expose the concerned UPE/ other constituent entities to penalties as per the provisions of Article 20 of the existing Decree-Law No. 27 of 2015 regarding the Commercial Registry. In accordance with Article 20, penalties up to a maximum of one hundred thousand BHD may be imposed and a suspension of commercial registration for up to six months.

Unofficial english translation

We have prepared an unofficial english translation of the Bahrain CbCR legislation (Resolution No. 28 for the year 2021).

You can access the translation on our website [here](#).

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice.



PwC observations

Bahrain headquartered MNE Groups with previous CbCR filing

MNE Groups with Bahrain resident UPE, which previously filed a CbCR through an SPE in a different jurisdiction, will need to undertake CbCR filing in Bahrain from years beginning 1 January 2021. In this regard, careful consideration needs to be given to ensure that all relevant jurisdictions are appropriately notified of the change in the MNE Group's filing jurisdiction for CbCR purposes. Further, the secondary filing obligations of Bahrain headquartered MNEs need to be re-evaluated, based on the CbCR exchange relationships of Bahrain. Based on the OECD website (accessed on March 8, 2021), Bahrain is yet to activate any exchange relationships. We understand that Bahrain recently ratified the multilateral CbCR exchange agreement and hence, exchange relationships may be in the process of being activated. MNE Groups should continuously monitor the relationships until the first CbCR filings are due at the end of FY 2022 and conduct a transitional period assessment to ensure full coverage from a CbCR compliance perspective.

For example, a particular MNE may have filed its FY 2020 CbC report in jurisdiction 'X' using an SPE and may have submitted CbCR notifications in several jurisdictions, accordingly. In such an instance, if the reporting obligation is transferred from the SPE in jurisdiction X to the UPE in Bahrain, the CbCR notifications previously submitted will need to be updated for FY 2021 to reflect this change.

Foreign headquartered MNE Groups, with constituent entities resident in Bahrain

Bahrain resident constituent entities with UPEs located outside Bahrain need to comply only with the notification requirement under the Bahrain CbCR resolution, indicating the identity of the MNE Group's UPE. The resolution does not impose secondary CbCR filing obligation on such constituent entities in any situation, considering that Bahrain is a non-reciprocal jurisdiction. Accordingly, such MNE Groups need not monitor the CbCR exchange relationship from the UPE jurisdiction to Bahrain.

Importance of transfer pricing

In addition to CbCR, Bahrain has an existing value added tax law, which recognises the 'arm's length principle' as per the OECD transfer pricing guidelines for valuation of transactions between the related parties.

These aspects provide an insight into Bahrain's view on the necessity for having properly substantiated, well documented, intercompany transfer pricing arrangements.

www.pwc.com/me

Let's Talk

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

Mark Schofield

Middle East Tax & Legal
Services Leader

mark.d.schofield@pwc.com

Ken Healy

Bahrain Tax Leader

ken.a.healy@pwc.com

Jochem Rossel

Middle East M&A / International
Tax Services Leader

jochem.rossel@pwc.com

Safae Guennoun

Middle East Transfer Pricing
Leader

safae.guennoun@pwc.com

Mohamed AlMahroos

Tax Director - Bahrain

mohamed.almahroos@pwc.com

Jaikishan Kothari

Transfer Pricing Manager -
Middle East

jaikishan.w.kothari@pwc.com

©2021 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details. This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.