

Bahrain: NBR updates VAT Obsolete Stock Procedures

3 October 2021



In brief

The National Bureau for Revenue (NBR) in Bahrain has simplified their obsolete stock procedures for VAT purposes. As a result, taxpayers will no longer be required to submit an advance notice to the NBR prior to disposing of obsolete stock in order to preserve their input tax deduction.

In detail

The recent update to the VAT procedures relating to obsolete stock includes the removal of the pre-disposal notification requirement, and clarifies the VAT implications and record keeping requirements for taxpayers when disposing of obsolete stock for no consideration.

Under existing guidance, where a taxpayer disposes of obsolete stock for no consideration, he will not be regarded as having made a supply of goods for VAT purposes and will not be obliged to account for output tax on the stock. He will also not be required to adjust any input tax claimed on such stock.

Previously, taxpayers were required to give at least 30 days advance notice to the NBR of their intention to dispose of obsolete stock in order for this treatment to apply. With effect from 3 October 2021, taxpayers will no longer be required to submit an advance notice to the NBR prior to the disposal of obsolete stock.

In order for this treatment to apply, taxpayers must maintain all relevant records evidencing the disposal of obsolete stock. These include, but are not limited to, the following:

- A description of the stock disposed of (e.g. item code, SKU, description);
- The purchase price of the stock disposed of and the VAT claimed on acquisition of the stock;
- The reason(s) why the stock was considered obsolete;
- The method of disposal (scrapping, destruction etc);
- Where the goods comprise hazardous materials which were required under Bahraini laws or guidance issued by any competent government authority or agency to be disposed of quickly to avoid damage to human health, property etc, evidence that the goods were disposed of in accordance with the relevant laws or guidance; and
- Evidence that the stock has been written off in its financial statements.

The NBR has also reserved the right to request reports from relevant competent authorities in relation to the disposal, and may also request information from any third parties engaged to carry out the disposal.

The VAT treatment for obsolete stock outlined above will not apply where the taxpayer does not dispose of obsolete stock in accordance with Bahraini law or other applicable rules. The NBR may request evidence from the taxpayer that relevant rules have been applied when disposing of obsolete stock.

The NBR has stated that an updated VAT Retail and Wholesale Guide will be published in due course which will include these changes to the obsolete stock procedures.

The takeaway

Businesses are no longer required to notify the NBR of obsolete stock disposed of for no consideration

The newly updated VAT obsolete stock procedures will simplify the compliance obligations for businesses which dispose of obsolete stock on an ongoing basis, such as those in the retail and FMCG sector. These businesses will need to assess how these new changes affect their business and VAT processes to ensure that they remain fully compliant with the new procedures.

Businesses should ensure that they continue to keep the required records and documents evidencing the proper disposal of the obsolete stock items.

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Let's talk

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



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