

Bahrain: VAT General Guide Updated

January 2021



In brief

Updates to the VAT General Guide

The National Bureau for Revenue (NBR) in Bahrain has published an updated VAT General Guide, setting out guidance on how to determine the place most closely connected with a supply. The Guide also sets out fees payable for certain NBR services and the procedures for requesting a review of an assessment (pre-appeal).

In detail

The NBR has published an updated version of the VAT General Guide with a number of changes.

Place most closely connected with a supply

The Guide contains a new Appendix C, which discusses how to determine which place of residence is most closely connected with a supply. This is relevant where an entity may have more than one place of residence for VAT purposes. The guide sets out the following factors that should be borne in mind when determining the place of residence most closely connected with a supply:

- Which establishment appears on the contracts, correspondence and invoices;
- Where the directors or other officials who entered into the contract to make or receive the supply are permanently based;
- At which establishment decisions are taken and controls are exercised over the performance of contracts;
- From which establishment the services are actually provided or, as the case may be, used or consumed;
- The nature of the work undertaken by each establishment to make or receive the supply, as the case may be;
- The extent of involvement of each establishment's personnel in the provision of or receipt of the supplies.

The Guide states that, when considered in the light of the above, a Bahraini establishment that has a minimal involvement in making or receiving a supply, will not be regarded as being the most closely connected with that supply.

Where the Bahraini establishment provides administrative support such as accounting, invoicing and debt collection without any other major role in a supply, this will not result in that Bahraini establishment being regarded as the one most closely connected with a supply.

Fees for NBR services

The Guide incorporates the fees for certain services set out in Ministerial Decree No. 33 of 2020:

- BHD 50 for issuing a tax certificate. The Guide clarifies that a tax certificate is an official hard copy of a VAT registration certificate or another certification that may be required by a taxpayer, e.g. to present to a foreign tax authority.
- BHD 300 to be authorised by the NBR as a Tax Agent or Tax Representative. The authorisation lasts three years, after which time it must be renewed for a further BHD 300.
- BHD 50 for lodging an appeal to the Tax Appeals Review Committee. This fee applies per each decision appealed.

Reviews of assessments

The Guide confirms the text of an FAQ on the NBR's website dealing with requests to reconsider assessments. Rather than immediately appealing an assessment, a taxpayer may request the Reviews and Appeals Section at the NBR to review the assessment. Such a request must be made within 15 days of receiving the assessment.

The Reviews and Appeals Section will review the assessment and may accept the taxpayer's request to cancel or amend it or may confirm the assessment. They may also seek additional information from the taxpayer to consider the request.

One advantage to this process over a formal appeal to the Tax Appeals Review Committee is that the taxpayer does not have to pay the disputed tax amount before making a request to reconsider the assessment. Further, no fees are required to be paid when requesting a review.

Link to the NBR website

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

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

The takeaway

Entities with more than one place of residence (including one in Bahrain) should review the guidance on how to establish the place most closely connected with a supply to ensure that local VAT applies where required. Businesses should also be aware of the new fees for certain NBR services and should also bear in mind that they may ask for a review of an assessment, rather than formally appealing it.



Let's talk

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

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