

07 December 2021

Bahrain

Doubling of VAT rate to 10% from 1 January 2022

The Bahrain Council of Ministers approved the VAT rate increase almost two months ago. The Government has also approved the increase announcing it as a key initiative in Bahrain's fiscal balance program.

The Bahrain Gulf Daily News (GDN) [reported](#) yesterday evening that the Council of Representatives financial and economic affairs committee has also now approved it – note that the approval by the Council of Representatives seems to be more of a procedural requirement. Whilst the Bahrain National Bureau for Revenue (NBR) is yet to release transitional rules, we have prepared the following as a guide based on the transitional rules issued by Saudi Arabia when they increased the VAT rate to 15% in July 2020 – please note the 'Transitional VAT treatments and invoicing' document is only a guide on the assumption that Bahrain also introduces similar transitional rules to Saudi Arabia:

- [Key issues for businesses to consider as a result of the VAT rate change](#)
- [Transitional VAT treatments and invoicing](#)

It is possible that Bahrain may not introduce specific transitional rules for the VAT rate change in which case the standard transitional rules (set out in the Bahrain VAT law and executive regulations) when VAT was introduced in Bahrain in 2019 will apply. It is important to note that based on what Saudi Arabia did last year, any transitional rules are likely to be optional – in essence, any transitional rules that may be introduced are likely to be a concession provided to businesses so it may not be compulsory for businesses to apply them.

With less than 20 working days to the proposed increase of the VAT rate to 10% effective 1 January 2022, business can already take steps to ensure they are prepared well before the effective date. KPMG Bahrain conducted a webinar in October on what businesses should be doing - click [here](#) to access the recording of the webinar as well as the presentation.

NBR confirms due date for submission of November 2021 VAT return

Under the announcement section of their website, the NBR has reiterated that that the deadline for submission of VAT return and payment of any tax dues for November 2021 tax period will be 3 January 2022.

Click [here](#) to read the announcement.

Customs Affairs sign two agreements for customs services facilitation

The Bahrain Customs Affairs have recently signed the following agreements which are aimed at facilitation of services provided to importers and exporters:

- Agreement with Benefit Company, a key conduit for all e-transactions throughout Bahrain, for providing advanced customs services.
- Agreement with Crimson Logic, a Singapore based government solutions company, for implementation of single window for OFOQ2 trade system.

It is relevant to note that Bahrain Customs Affairs has signed nine service agreements with companies to improve their services.

Click [here](#) to read more.

Bahrain Country by Country (CbC) Reporting (CbCR) requirements

CbC notification and reporting applies to all businesses that have a legal entity or branch in Bahrain and are members of a Multinational Enterprise (MNE) group with annual consolidated revenue of at least BHD342m (USD906m). For MNE groups with a financial year end of 31 December 2021, the first Bahrain CbC notification deadline is 31 December 2021.

The National Bureau for Revenue (Bahrain tax authority) is yet to release the form for the notification but it is likely to be online through their [International Tax Information Exchange System portal](#).

You can find out more by reading our [FAQs](#) and reviewing this [flowchart](#) on Bahrain CbC filing requirements.

Kingdom of Saudi Arabia (KSA)

E-invoicing Phase 1 (generation phase) commences

On 4 December 2021, the generation phase of e-invoicing (FATOORAH) went live in KSA. The second phase (integration phase) will go live on 1 January 2023. The second phase will be rolled out in phased manner where the Zakat, Tax and Customs Authority (ZATCA) will communicate with the selected taxpayers prior to their integration deadline.

ZATCA publishes book on Islamic jurisprudence on estimation in calculating Zakat

Following the issuance of the 2nd edition of the Zakat General Guide and the Zakat Guidelines for Equity Investments, ZATCA has recently published a book on Fiqh (Islamic jurisprudence) for estimation in calculating Zakat in the form of an applied fundamental study of the approximation methodology while calculating Zakat for joint-stock companies.

Click [here](#) to access the book Fiqh of estimation in calculating Zakat.

ZATCA shares SABIC's e-invoicing implementation experience

ZATCA has recently shared on its social media accounts a short video about the experience of SABIC (Saudi Basic Industries Corporation) with the implementation of e-invoicing within their organization.

Click [here](#) to access the video.

United Arab Emirates (UAE)

Federal Tax Authority (FTA) clarifies input VAT recovery of mobile use related expenses

On 6 December 2021, the FTA has issued VAT Public Clarification VATP028 which clarifies input VAT recovery of expenses incurred in relation to use of mobile phones (call/SMS charges and data consumption) by employees for business use.

Click [here](#) to access VAT Public Clarification VATP028.

Click [here](#) to read the Tax Flash prepared by the KPMG UAE member firm.

Dubai Customs felicitates distinctive businesses and trade groups

In the 4th Consultative Council Meeting of Dubai Customs, the CEO of Ports Customs and Free Zone Corporation and Director General of Dubai Customs, HE Ahmed Mahboob Musabih, felicitated distinctive trade groups and businesses for their coherence and strong partnership with Dubai Customs.

The above is for general information only and is not intended to address the circumstances of any particular scenario. Please seek professional advice in relation to your particular circumstances.

For a detailed discussion on how the above updates may impact your business, [contact us](#).

Mubeen Khadir

Partner - Head of Tax & Corporate Services

T: +973 3222 6811

E: mubeenkhadir@kpmg.Com

Omar Hisham

Senior Manager

T: +973 3840 7759

E: sosaid@kpmg.com

Hasan Khalaf

Manager

T: +973 3636 6462

E: hakhalaf@kpmg.com

Mansoor AlWadaie

Manager

T: +973 3998 8098

E: malwadaie@kpmg.com

Shashank Chandak

Manager

T: +973 3553 1905

E: shashankchandak@kpmg.Com

DaoHan Hung

Manager

T: +973 3907 7964

E: hdaohan@kpmg.com

home.kpmg/bh

© 2021 KPMG Fakhro, a Bahrain partnership registered with the Ministry of Industry, Commerce and Tourism (MOICT), Kingdom of Bahrain and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

Throughout this release, “we”, “KPMG”, “us” and “our” refers to the global organization or to one or more of the member firms of KPMG International Limited (“KPMG International”), each of which is a separate legal entity.

KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.