

Bahrain & GCC Tax News



12 April 2023

Bahrain

National Bureau for Revenue (NBR) re-enables 5% field in VAT return and requests taxpayers to amend January and February 2023 returns

The NBR has recently sent an email to taxpayers regarding re-enabling of the field for standard rated sales at 5% and corresponding adjustments/apportionment in the VAT return form. Certain taxpayers may be required to self-amend their VAT returns for January and February 2023 tax periods.

Click [here](#) to read our latest Tax Alert on this development.

Corporate Income Tax (CIT) on large Multinational Enterprises (MNE)

With the global minimum tax (GMT) rules set to take effect from the beginning of 2024, the question for many Bahrain businesses is what Bahrain will do.

Countries that only have a limited CIT or a CIT below the GMT of 15% will need to make some key decisions:

- Implement the Income Inclusion Rule (IIR) and CIT on all businesses; or
- Implement the IIR and CIT on select businesses.

If Bahrain does nothing, profits generated by companies in Bahrain could be subject to tax in other jurisdictions. In essence, Bahrain will lose out on taxing rights. For example:

- The ultimate parent entity (UPE) located in Bahrain may still end up paying top-up tax in another jurisdiction on the profits generated locally;
- A UPE in a country that has implemented the IIR with subsidiaries in Bahrain would include and pay the top-up tax in respect to the low taxed Bahrain subsidiaries – Bahrain would then have conceded the tax revenue that may have been generated from profits of the Bahrain subsidiaries to another jurisdiction.

Therefore, given the recent [comment](#) made by the Minister for Sustainable Development at the 2023 World Economic Forum, Bahrain businesses could expect the introduction of a CIT, at least in the first instance, on MNEs with annual consolidated revenues exceeding BHD 342 million from financial years commencing 1 January 2024.

This means that a Bahrain headquartered MNE or a Bahrain subsidiary/branch of a foreign MNE could start paying CIT in Bahrain from FY 2024 onwards.

The second phase could include a broader CIT on other businesses as well. Whilst no formal announcement has been made yet, we recommend businesses conduct at least a preliminary analysis of the impact the introduction of a CIT will have on them.

You can also read our [FAQs](#) released in August 2021 on the BEPS Inclusive Framework Agreement for a refresher on the GMT.

Kingdom of Saudi Arabia (KSA)

Zakat, Tax and Customs Authority (ZATCA) approves amendment to transfer pricing guidelines

ZATCA has recently approved the proposed amendments to the transfer pricing guidelines through Decision No. 8/2/23 dated 20 March 2023.

Click [here](#) to view Decision No. 8/2/23. (In Arabic)

ZATCA proposes amendments to VAT Implementing Regulations

ZATCA has recently proposed amendments to the VAT Implementing Regulations aimed at raising ZATCA's compliance standards and the reliability of ZATCA's opinions. The proposed amendments have been released for public consultation where inputs may be submitted until 5 May.

Click [here](#) for more information.

ZATCA organizes over 30 open meetings with taxpayers and customers

ZATCA has recently announced that during Q1 2023, they held more than 30 open meetings with taxpayers and customers such as importers, exporters, and customs clearance agents. During such meetings, opinions and proposals submitted by the participants were discussed.

Click [here](#) to view the press release.

ZATCA encourages individuals to pay Zakat through "Zakaty" application

ZATCA has recently issued a press release encouraging individuals to pay Zakat voluntarily through the Zakaty application for smart phones or the service website.

Click [here](#) to view the press release.

ZATCA signs memorandum of cooperation with Riyadh Bank

ZATCA has recently announced through a press release that they have signed a memorandum of cooperation with Riyadh Bank. The memorandum is aimed at enhancing the user adoption of the new Zakaty platform.

Click [here](#) to view the press release. (In Arabic)

United Arab Emirates (UAE)

Federal Tax Authority (FTA) to conduct webinar on EmaraTax

The FTA has recently announced that they will be running a live webinar in Arabic for a guided walk-through of different services available on the EmaraTax Portal on 13 April 2023.

Click [here](#) to register for the webinar.

Ministry of Finance (MoF) issues multiple Corporate Income Tax (CIT) decisions

- [Ministerial Decision No. 43 of 2023](#) outlining the exceptions from CIT registration along with the required conditions.
- [Ministerial Decision No. 68 of 2023](#) to set the conditions for federal and local government entities to be considered as single taxpayers.
- [Ministerial Decision No. 73 of 2023](#) prescribing the threshold and other conditions for small businesses to qualify for the small business relief.

UAE and Cambodia hold second round of negotiations for tax treaty

According to a press release published by the Cambodian General Department of Taxation, a second round of negotiations for a tax treaty between UAE and Cambodia was held in Dubai from 4 to 6 April 2023.

Ukrainian parliament approves protocol to tax treaty with Qatar

On 10 April 2023, the Ukrainian parliament passed draft Law No. 0180 ratifying the amending protocol (signed on 2 September 2021) to the Qatar – Ukraine Income Tax Treaty (2018).

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

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