Bahrain & GCC Tax News

5 January 2023

Bahrain

Potential introduction of corporate tax in Bahrain - key considerations for Bahrain businesses

With the introduction of corporate tax in the UAE later this year, Bahrain will be the only GCC country without a broad based corporate tax. It appears that it may be a question of when, rather than if, Bahrain will introduce corporate tax.

We have set out below some key considerations for Bahrain businesses:

1. Payments to shareholders: This is especially important for privately held groups that may not have a clear demarcation between private expenses and business expenses.

2. Deductibility of expenses: Corporate tax rules will generally disallow expenses of a private nature or limit the deductibility of certain types of expenses. For example, thin capitalization rules may apply to limit the deductibility of interest.

3. Accounting vs tax: Income and expenses may be recognized in different periods for tax and accounting purposes. As depreciation rates may differ for tax and accounting purposes, the tax base and carrying amount of assets/ liabilities may differ.

4. Foreign tax credits: Will a foreign tax credit be available for foreign withholding taxes suffered by Bahrain companies?

5. Tax losses: Will tax losses in a particular year be available to offset future taxable income?

6. Return to shareholders: With the differences between accounting profit and taxable income (or the carry forward tax loss) what will be the impact of corporate tax on the bottom line of the company? For example: A business that is reporting an accounting profit of BD10 million may report a higher taxable income of say BD12 million. If the corporate tax rate was 10% then the accounting profit after tax will be BD8.8 million.

It's crucial for Bahrain businesses to start planning early and consider their group structure from a tax efficiency perspective.

Further, Bahrain businesses with UAE operations and Bahrain entities who may be managed and controlled from the UAE should consider how they will be impacted by the soon to be introduced UAE corporate tax.

For more information, please contact us.

Kingdom of Saudi Arabia (KSA)

Zakat, Tax and Customs Authority (ZATCA) approves Zakat collection rules for investors

ZATCA has recently issued a decision approving the rules for collecting Zakat from investment fund investors.

Click here to view Decision No. 29791. (in Arabic)

ZATCA announces annual revenue threshold for second target group for second phase of e-invoicing

ZATCA has announced that businesses in KSA with annual revenues greater than SAR 500 million will be required to integrate their e-invoicing solution with ZATCA by 1 July 2023 under the second target group for phase 2 of e-invoicing.

Click here to view the resolution. (in Arabic)

ZATCA launches new Digital Employee project

ZATCA has recently announced that they have launched a 'Digital Employee' project to accelerate the speed of customer service.

Click here to view the press release. (in Arabic)

KSA and Serbia express intention to sign tax treaty

According to a press release published by the Serbian Ministry of Finance, KSA and Serbia have expressed their intention to sign a tax treaty.

United Arab Emirates (UAE)

Kazakhstan ratifies Investment Protection Agreement (IPA) with UAE

On 28 December 2022, the President of Kazakhstan ratified the IPA with UAE which was signed on 24 March 2018.

Dubai announces suspension of alcohol sales tax

Dubai has recently announced the suspension of 30% sales tax on alcohol for a period of one year starting from1 January 2023.

Oman

Oman Tax Authority (OTA) signs cooperation agreement with Oman Police

The OTA has recently signed a cooperation agreement with Oman Police for enhancing coordination and exchange of information in the areas of financial crime investigations, money laundering and financial fraud prevention.

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