



# Happy 50 National Day



15 December 2021

## Bahrain

### **VAT rate increase to 10% approved by the Shura Council**

Following the approval from the Council of Representatives last week, on 12 December 2021, the Shura Council approved the bill for VAT rate increase to 10% effective from 1 January 2022. The bill is now pending ratification by HM the King of Bahrain.

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](#)

We expect transitional rules to be released soon by the NBR. If Bahrain does not introduce specific transitional rules for the VAT rate change 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 around 10 working days left to the proposed VAT rate increase 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.

### **VAT revenue with the increased rate projected to be BHD 288 million**

As per local news reports, Bahrain government’s revenue from VAT increase to 10% are projected to increase to BHD 288 million in 2022. The government expects to reduce the total fiscal deficit for 2022 to BHD 823.528 million from BHD 1.112 billion.

### **Bahrain Country by Country (CbC) notification and reporting update**

As per the Ministerial Order (MO) No (28) of 2021 dated 3 February 2021, 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). The MO defines relevant terms such as Multinational Enterprise (MNE) Group, Excluded MNE Group, Constituent Entity (CE), Ultimate Parent Entity (UPE), and Reporting Entity (RE). The new CbC reporting requirements apply to financial years beginning on or after 1 January 2021. For MNE groups with a financial year end of 31 December 2021, the first Bahrain CbC notification deadline is 31 December 2021.

The Bahrain National Bureau for Revenue (NBR) are yet to release any information on the specific requirements for CbC notifications but it is likely to be online through their [International Tax Information Exchange System \(ITIES\) portal](#). Whilst the NBR page on CbC reporting still states ‘coming soon’, when you log into the NBR ITIES portal a new [CbC reporting guide](#) is available.

Our team is in the process of confirming:

- If notifications will still be required for Bahrain CEs of MNE groups headquartered outside Bahrain.
- The deadline for notifications for Bahrain headquartered MNE groups (for MNE groups with a financial year end of 31 December 2021, the first Bahrain CbC report filing deadline is 31 December 2022).

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

## Kingdom of Saudi Arabia (KSA)

### **ZATCA conducts virtual workshop on the amended tax due date rules**

On 13 December 2021, ZATCA conducted a virtual workshop to discuss the amendments to tax due date rules for supplies to government entities.

### **ZATCA publishes a number of infographics and videos on its social media platforms**

ZATCA has recently published multiple infographics and videos on its social media accounts which includes:

- Process of uploading the withholding tax returns
- Correct way to amend the electronic invoice after its issuance
- Developing FATOORA complaint QR code

### **ZATCA organizes workshop on tax treatment for international shipping businesses**

In cooperation with the National Shipping Company of Saudi Arabia, a workshop was organized by ZATCA to discuss tax treatments for international shipping businesses.

### **ZATCA updates withholding tax guidelines**

ZATCA has published the updated withholding tax guidelines which explains the application of withholding tax in specific circumstances.

Click [here](#) to access the guidelines in Arabic

### **ZATCA signs memorandum of understanding with Singapore Customs**

ZATCA recently signed a memorandum of understanding with Singapore Customs with the aim of mutual cooperation between the two organizations on customs matters.

### **ZATCA stops an attempt to smuggle 888 thousand captagon pills**

ZATCA recently intercepted and stopped an attempt to smuggle 888 thousand captagon pills through the Jeddah Islamic port.

## United Arab Emirates (UAE)

### **Federal Tax Authority (FTA) to participate in sharik.ae**

The FTA is going to participate in sharik.ae platform as part of its efforts to spread awareness among taxpayers.

### **Dubai Customs delivers a presentation on the role of its Smart Risk Engine**

The Director of Sea Customs Centers Management, Yousef Al Hashimi, delivered a presentation in the 4<sup>th</sup> International Conference on Falsified and Substandard Medical Products in which he highlighted the functions of the risk engine and the inspection booking system as well as the role of the smart risk engine, where it involves managing the risk files in trade shipments.

### **Dubai Customs reminds taxpayers to avail 80% discount on customs penalties**

Dubai Customs has reminded importers and exporters to avail 80% reduction in penalties applied in customs cases latest by 31 December 2021. The initiative is part of the Dubai government's economic stimulus package to alleviate the burden on businesses and help them navigate challenges due to the pandemic.

Click [here](#) to read more.

### **FTA publishes multiple infographics on its social media platforms**

FTA has recently published a number of infographics on its social media platforms including:

- Terms and conditions of the supplier registration for exhibitions and conferences
- Steps for issuance of Tax Residency Certificate service

## India and UAE hold third round of negotiations for Comprehensive Economic Partnership Agreement (CEPA)

According to a press release published by the Indian Ministry of Commerce and Industry, a third round of negotiations for a CEPA between India and the UAE were held in New Delhi from 6 to 10 December 2021.

*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](#).

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