


Kingdom Of Bahrain
**VAT Registration
Guide**

January 2019
Version 1.7

Updated On: 25 December 2022

Follow Us



 | 00973 33624372
00973 33624373

www.gspubahrain.com

Preface

This document provides guidance on registering for VAT in the Kingdom of Bahrain (Bahrain), including VAT group registration.

VAT was introduced in Bahrain with effect from 1 January 2019 with a standard rate of VAT of 5%. With effect from 1 January 2022, the standard rate of VAT was revised to 10%. See the VAT Rate Change Transitional Provisions Guide on the NBR website (www.nbr.gov.bh) for an explanation of the transitional rules relevant to the change in rate.

This guide is intended to provide general information only, and contains the current views of the National Bureau for Revenue (NBR) on its subject matter. This Guide is not a legally binding document, and does not commit the National Bureau for Revenue or any VAT payer in respect of any transaction. This document should be used as a guideline only and is not a substitute for obtaining competent legal advice from a qualified professional.

The main principles of the VAT system in the Kingdom of Bahrain are set out in the VAT General Guide issued by the NBR which is available on the NBR's website, www.nbr.gov.bh. This document should be read in conjunction with the VAT General Guide.

Contents

Updates to this guide	1
1. VATable persons and VAT registration	2
1.1. Definition of VATable person?.....	2
1.2. Who needs to consider VAT registration?	3
2. Mandatory registration	4
2.1. The business is resident in Bahrain.....	4
2.1.1. Registration during the transitional period (2019)	4
2.1.2. Registration from 2020 onwards	5
2.1.3. How to compute if the mandatory registration threshold is exceeded	6
2.1.4. Exception from mandatory VAT registration	7
2.2. Non-resident conducting business in Bahrain	7
2.2.1. Requirement to register.....	7
2.2.2. Use of a VAT representative	7
3. Voluntary registration	8
4. Registration process	9
5. VAT group registration	13
5.1. Eligibility to form/join a VAT group.....	13
5.2. The “related” condition	14
5.3. Applying for VAT group registration.....	17
6. Non-compliance with registration obligations	21
7. De-registration	22
7.1. Mandatory de-registration	22
7.2. Voluntary de-registration	22
7.2.1. Residents.....	22
7.2.2. Non-residents	22

Updates to this guide

Version 1.4	30 May 2019	Section 4. Registration Process Details on the updated registration process and step-by-step guidance on accessing and utilizing the online portal.
Version 1.5	1 January 2022	Section 5.3. Updated process for applying for VAT group registration.
Version 1.6	2 October 2022	Section 4. Registration Process Details on the updated registration process and step-by-step guidance on accessing and utilizing the online portal.
Version 1.7	25 December 2022	Section 3. Voluntary registration Updated criteria of voluntary registration

1. VATable persons and VAT registration

Persons who meet the criteria to be regarded as “VATable persons” are required to register for VAT and to account for VAT in Bahrain on their supplies of goods and services and/or on their purchases.

1.1. Definition of VATable person?

The definition of a “VATable person” is:

“A Person carrying out an Economic Activity independently for the purposes of generating income and who is registered or obliged to register for VAT purposes in accordance with the provisions of this Law.”

In order for a person to determine if he is a VATable person, he must assess whether he meets all the criteria set out in the definition of “VATable person”:

a. He is a “person”:

The VAT Law defines a person as any natural or legal person, whether public or private, or any other form of a partnership.

Examples of a “person” include an individual trader (establishment), a company (whether private or public), a partnership, a charity and a government body. In addition, it includes individual professionals such as doctors, lawyers, architects, etc.

b. He carries out an economic activity independently for the purpose of generating income

An economic activity is an activity that is conducted in an ongoing and regular manner for the purpose of generating income, and includes commercial, industrial, agricultural or professional activities or services or any use of tangible or intangible assets, and any other similar activity.

A person must determine if he is performing a regular and ongoing economic activity with the aim of generating income. A one-off transaction is not an economic activity. Further, it is not necessary that the activity is profitable for it to be an economic activity. It is enough if the activity is conducted for the purposes of generating income.

Government bodies and public entities are usually not considered as carrying on an economic activity when they are acting in their sovereign capacity. However, they may also carry out some activities which typically fall within the economic sphere and are in competition with the private sector. If it is the case, such government bodies and public entities may be considered as VATable persons if the other conditions are met.

A charity may be seen as conducting an economic activity even if its aim is not to make any profit. If a charity engages in commercial transactions and receives an income as a result, this could be an economic activity. Activities conducted with a charitable or philanthropic purpose and which are the reserved domain of appointed charities would generally not be an economic activity and charities solely conducting these types of activities do not meet the conditions to be regarded as “VATable persons”.

Charities which also conduct activities that are commercial in nature (e.g., collecting used clothes and goods in order to recycle and sell them in charity shops) will be considered as carrying out an economic activity and may be “VATable persons”. The fact that these activities are not conducted with the aim of making any profit or to raise money for the main purpose of the charity is not relevant.

An economic activity must be carried out in an independent manner. This condition mainly excludes employees (and persons in acting in a similar relationship with the same characteristics) from the scope of the definition of VATable person. When carrying out their duties under their employment contract, employees are not considered as performing an economic activity in an independent way. They are acting upon instructions and under the directions of their employer. Employees therefore cannot be VATable persons when acting in their capacity as employees.

See the VAT Economic Activity Guide on the NBR’s website for further information.

VATable persons can register either on a mandatory or voluntarily basis, as explained in in sections 2 and 3, respectively.

1.2. Who needs to consider VAT registration?

The obligation to register applies for both resident persons in Bahrain and non-resident persons that have economic activity in Bahrain.

VAT registration will identify these persons with the NBR as “VATable persons” who are duly authorized to account for VAT in Bahrain and remit this VAT to the NBR. It will also allow these “VATable persons” to claim the recovery of the VAT charged on their expenses (to the extent they are entitled to do so).

If a person is required to register, he should apply to the NBR for registration using the NBR website (please see section 4 for additional information). It is the responsibility of the person to identify whether he is required to register for VAT and, if so, from when. The NBR may register VAT payers automatically without their consent if they fail to register within the timeframe specified by the VAT legislation. In these cases, late registration penalties may be imposed.

If a person is not required to register for VAT, he may still be in a position to register in Bahrain on a voluntary basis (please see section 3 for additional information).

If a person does not meet the conditions for mandatory or voluntary registration, he cannot register for VAT in Bahrain. He will therefore be considered as a non-VATable person, and, as a result, will not be able to charge VAT on supplies of goods and services, nor will he be able to recover the VAT charged on his expenses (i.e. he will be considered as a “final consumer”).

The VAT Law and the Regulations cover the cases where VAT registration is mandatory in Bahrain. The conditions differ depending on whether the person registering is resident in Bahrain or not.

2. Mandatory registration

2.1. The business is resident in Bahrain

2.1.1. Registration during the transitional period (2019)

The year 2019 was a transitional year for VAT in Bahrain. In this respect, specific rules were put in place. The transitional period had phased mandatory VAT registration with three registration deadlines: 20 December 2018, 20 June 2019 and 20 December 2019. In this respect, mandatory registration requirements have been defined as follows:

1. Mandatory VAT registration on 1 January 2019

- VATable persons with annual supplies exceeding or expected to exceed BHD 5,000,000 were required to register for VAT with an effective date of 1 January 2019;
- VATable persons with annual supplies exceeding or expected to exceed BHD 18,750 but lower or equal to BHD 5,000,000 were permitted to register for VAT with an effective date of 1 January 2019.

Registration applications were required to have been submitted to the NBR no later than 20 December 2018.

2. Mandatory VAT registration on 1 July 2019

- VATable persons with annual supplies exceeding or expected to exceed BHD 500,000 but lower or equal to BHD 5,000,000 were required to register for VAT with an effective date of 1 July 2019;
- VATable persons with annual supplies exceeding or expected to exceed BHD 18,750 but lower or equal to BHD 500,000 were permitted to register for VAT with an effective date of 1 July 2019.

Registration applications were required to have been submitted to the NBR no later than by 20 June 2019.

3. VAT registration during the year 2019

- VATable persons exceeding the BHD 5,000,000 threshold during 2019 (where they did not forecast exceeding this threshold) were required to register for VAT:
 - Within 30 days of the last day of the month where they exceeded the threshold; or
 - Within 30 days prior to the first day of the month where they expected to exceed the threshold.
- VATable persons exceeding the BHD 500,000 threshold after 1 July 2019 (where they did not forecast exceeding this threshold) were required to register for VAT:

- Within 30 days of the last day of the month where they exceeded the threshold; or
- Within 30 days prior to the first day of the month where they expected to exceed the threshold.
- VATable persons with forecasted annual/actual value of supplies exceeding the BHD 18,750 threshold but below the BHD 5,000,000 threshold during 2019 (where they did not forecast exceeding this threshold) were permitted to register for VAT with an effective date in 2019.

4. VAT registration on 1 January 2020

VATable persons exceeding the mandatory registration threshold of BHD 37,500 on 1 January 2020 (based either on the 12 previous months test or on the 12 upcoming months test) were to register with an effective date of 1st January 2020.

Registration applications were required to have been submitted to the NBR no later than 20 December 2019.

The above is summarized below:

		2019 ('transitional period')		2020 and onward
Registration deadline		Dec 20 th 2018	June 20 th 2019	Dec 20 th 2019
Mandatory Registration	Annual Supplies in BHD	> 5,000,000	> 500,000	> 37,500

Businesses who were below these two thresholds for 2019 but above the voluntary registration threshold of BHD 18,750 were entitled to register for VAT from 1 January 2019 or during the year of 2019, if they wished. Please see section 3 for additional information on voluntary registration.

2.1.2. Registration from 2020 onwards

When person is resident in Bahrain and is a VATable person, he is required to register for VAT if:

- The amount of his annual supplies during the previous 12 months exceeds the threshold of BHD 37,500; or
- The amount of his annual supplies to be provided in the next 12 months is expected to exceed the threshold of BHD 37,500.

If the person exceeds the mandatory registration threshold under one of the above, he must apply to the NBR for VAT registration within 30 days starting from the last day of the month where he exceeded the mandatory threshold or within 30 days prior the first day of the month where he expected to exceed the mandatory threshold. Late application for registration may result in the application of penalties of up to BHD 10,000.

2.1.3. How to compute if the mandatory registration threshold is exceeded

In determining whether a person exceeds the mandatory registration threshold, the following must be taken into account:

1. VATable supplies excluding capital assets

The value of supplies of goods and services made in Bahrain (i.e. supplies subject to VAT at the zero-rate or standard rate), including deemed supplies but excluding the disposal of capital assets.

2. Intra-GCC supplies

When Bahrain and other GCC member states recognize each other as Implementing States for VAT purposes, the value of Intra-GCC supplies to another Implementing State which would have been subject to VAT in Bahrain if made in Bahrain will need to be added to determine if the mandatory registration threshold is exceeded. However, this is not applicable until further notice.

3. Value of VATable supplies of goods and services made by related persons

The value of the supplies of goods and services (computed as above) made by related persons should also be added together when computing the mandatory VAT registration threshold. If this combined value exceeds the mandatory registration threshold where a business has been segregated to avoid a mandatory VAT registration, then all of the related parties must register for VAT (even where each of them, taken on a stand-alone basis, do not meet the mandatory registration threshold).

For VAT purposes, persons are considered as related where one has the authority to direct and supervise the other(s), where he holds an administrative authority enabling him to influence the work of the other person(s) from a financial, economical or organizational perspective. This includes persons under the authority of a third person who may influence their work from a financial, economical or organizational perspective. Further detail on control conditions can be found in section 5 of this Guide.

4. Goods and services supplied to the person which are subject to the reverse charge mechanism

The value of the goods and services supplied to the person and for which he is liable to account for VAT in Bahrain under the reverse charge mechanism.

2.1.4. Exception from mandatory VAT registration

If a person only supplies goods or services which are subject to the zero-rate of VAT, and he do not receive services or goods for which he is liable to account for standard rated VAT under the reverse-charge mechanism, he can apply to the NBR for an exception to register for VAT if his zero-rated supplies exceed the mandatory threshold for registration.

If an application for an exception from VAT registration and is approved by the NBR, the applicant will not be considered as a VATable person. He will not be entitled to charge VAT on his supplies and will not be able to recover the VAT incurred on his business expenses (i.e. he will be treated as an end-consumer).

A person who has been granted an exception from VAT registration must apply to register for VAT with the NBR as soon as he stops meeting the opt-out conditions. He must apply within 30 days from the day he stopped meeting the opt-out conditions. A late application may result in the application of penalties of up to BHD 10,000.

2.2. Non-resident conducting business in Bahrain

2.2.1. Requirement to register

A non-resident person is a person who does not have a place of residence in Bahrain by way of a place of business, fixed establishment or a usual place of residence, as defined by the VAT Law.

A non-resident VATable person must register for VAT in Bahrain as soon as he starts making supplies in Bahrain, on which VAT arises where no one else is liable to account for the VAT due on such supplies. This is generally the case where a non-resident supplies standard rated goods or services in Bahrain to non-VAT registered businesses or end-consumers.

There is no minimum registration threshold for non-resident persons. Making a standard rated supply of BHD 1 to a non-registered customer will result in an obligation to register.

2.2.2. Use of a VAT representative

A non-resident may register for VAT through a VAT representative. A VAT representative must be resident in Bahrain and duly approved by the NBR. The appointment as VAT representative must be done by way of an official power of attorney.

A VAT representative is jointly and severally liable for any VAT related liabilities of the VATable person he is representing. For example, if a filing deadline for a VAT return is missed or a payment of VAT is omitted, the VAT representative can be held responsible for the late submission and the outstanding VAT amount and applicable penalties to be paid to the NBR.

3. Voluntary registration

Persons who are not required by law to register for VAT in Bahrain (i.e. because their supplies do not exceed the mandatory registration threshold) can still decide to register for VAT on a voluntary basis provided:

- The amount of their annual supplies¹ or annual expenses² in Bahrain exceeded the voluntary registration threshold of BHD 18,750 in the previous 12 months; or
- The amount of their annual supplies¹ or annual expenses² in Bahrain is expected to exceed the threshold of BHD 18,750 in the next 12 months.

When a person applies for VAT registration on a voluntary basis, the effective date of registration is the first day of the next month of processing the application or any future date requested by the VAT payer. The person must remain registered for at least 24 months before being able to ask for voluntary deregistration.

Prior to voluntary registration, persons are not entitled to charge VAT on supplies and cannot recover the VAT incurred on business expenses (i.e. they are treated as an end-consumer). Any person who charges VAT without being registered or before being effectively registered for VAT may be subject to penalties.

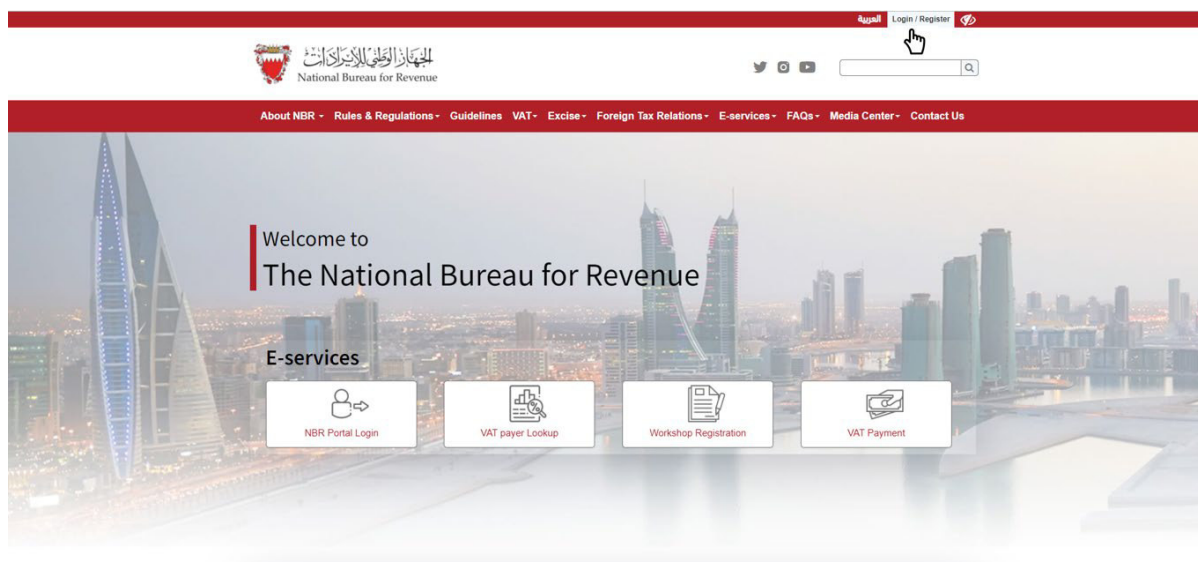
¹ Annual supplies here should be understood in the same way as for the purpose of computing the mandatory VAT registration threshold.

² Annual expenses mean business expenses subject to VAT in Bahrain at the rate of 10% (previously 5%) or at the rate of 0%.

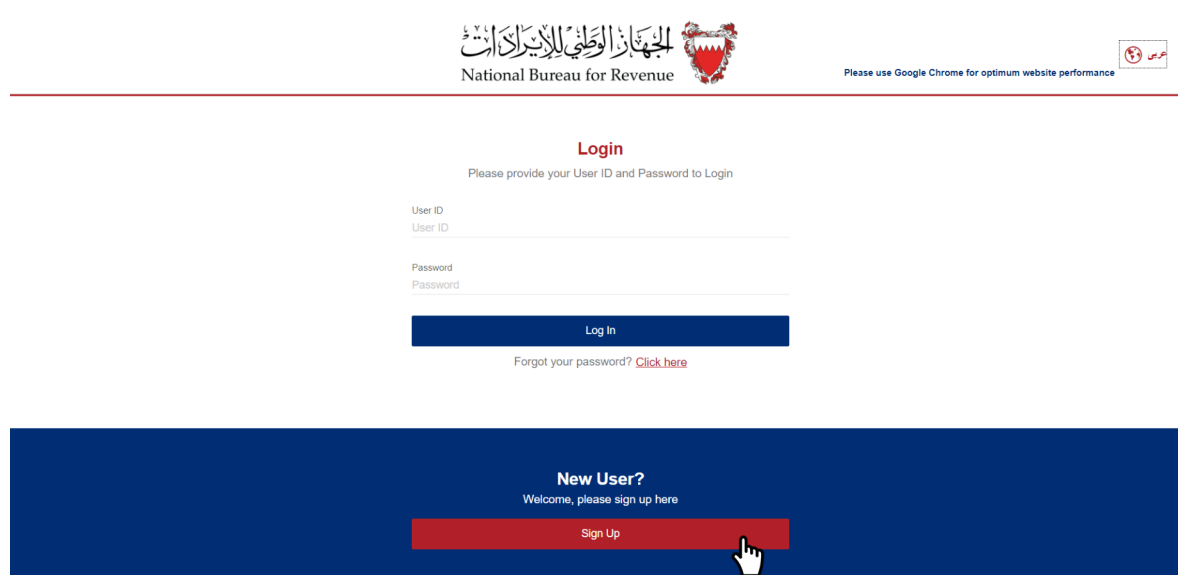
4. Registration process

Please refer to the steps below when registering for VAT in Bahrain for the first time.

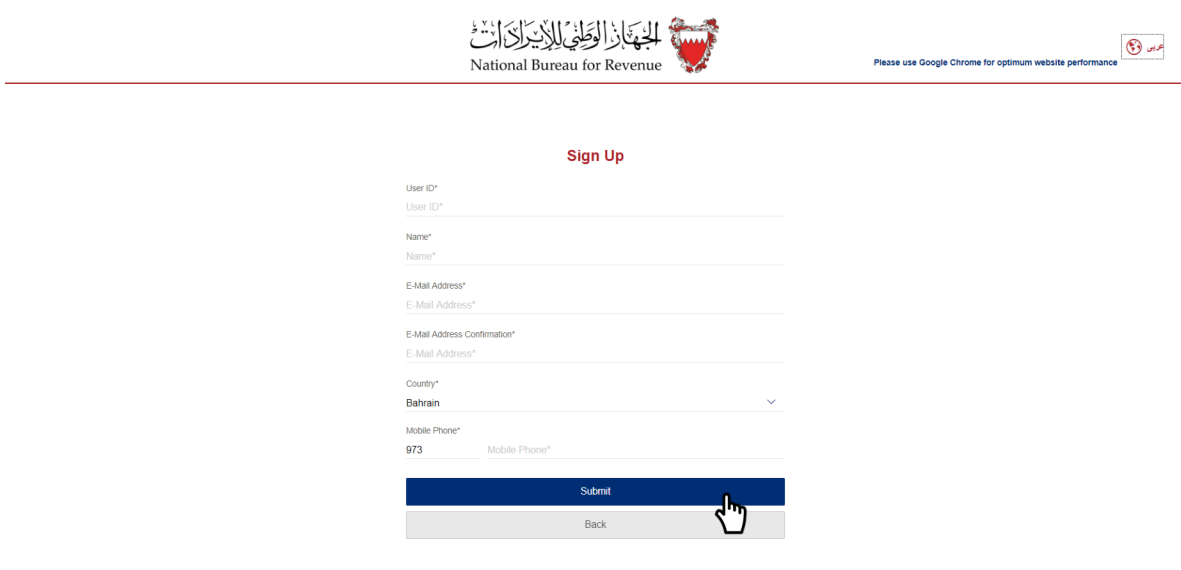
1. Create a profile by accessing the NBR website using the following link: <https://www.nbr.gov.bh/>. The registration portal should be accessed via Google Chrome for optimal utilization.



2. The applicant will then be required to sign up for an account.



Once the sign-up details have been filled in and confirmed, two emails will be received from the NBR: one will confirm the User ID requested and the other will provide a temporary login password. The user will be prompted to change this temporary password, and upon completion, will be successfully logged in to the portal.



Sign Up

User ID*
User ID*

Name*
Name*

E-Mail Address*
E-Mail Address*

E-Mail Address Confirmation*
E-Mail Address*

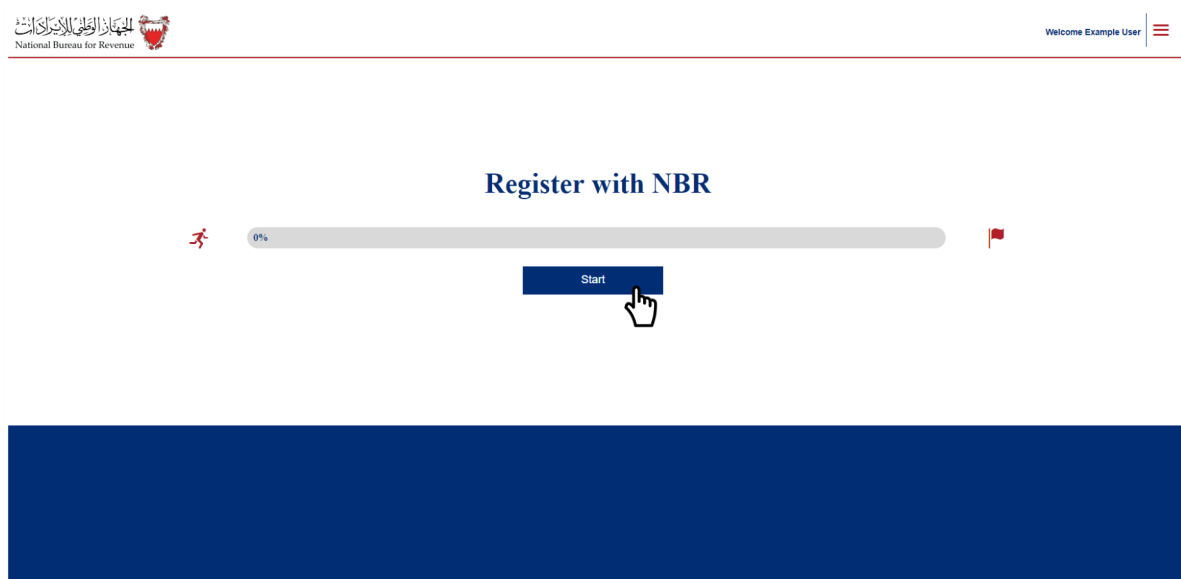
Country*
Bahrain

Mobile Phone*
973 Mobile Phone*

Submit

Back

3. After logging in, the registration process may be initiated.

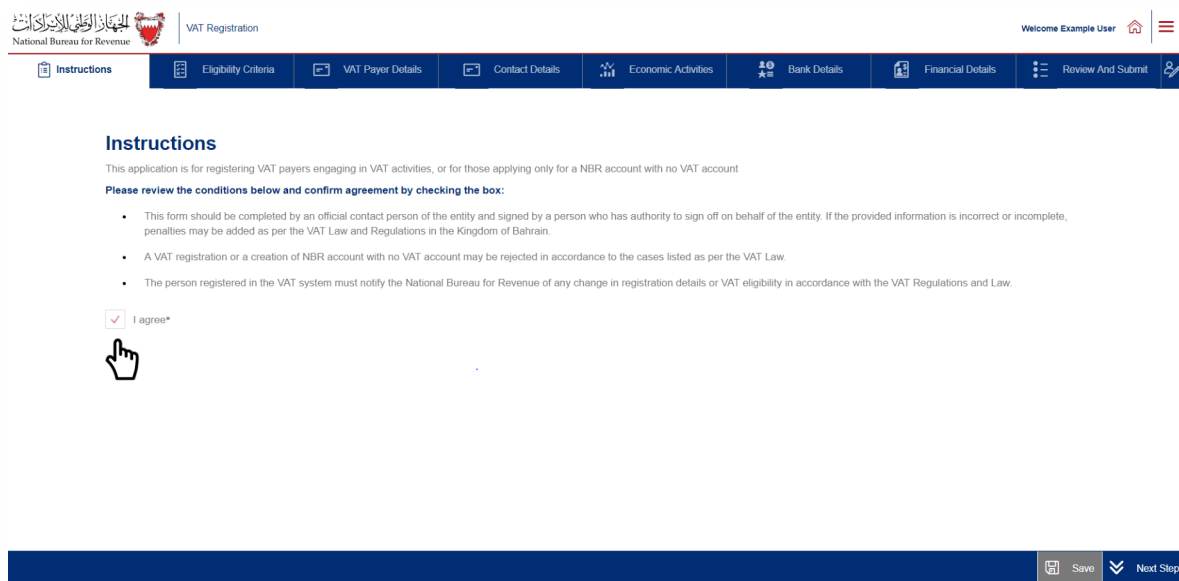


Register with NBR

0%

Start

After reviewing the conditions of registering for VAT with the NBR (or for an account with NBR), the applicant must confirm that he agrees to the instructions; only then can he fill out the application form.



Instructions

This application is for registering VAT payers engaging in VAT activities, or for those applying only for a NBR account with no VAT account

Please review the conditions below and confirm agreement by checking the box:

- This form should be completed by an official contact person of the entity and signed by a person who has authority to sign off on behalf of the entity. If the provided information is incorrect or incomplete, penalties may be added as per the VAT Law and Regulations in the Kingdom of Bahrain.
- A VAT registration or a creation of NBR account with no VAT account may be rejected in accordance to the cases listed as per the VAT Law.
- The person registered in the VAT system must notify the National Bureau for Revenue of any change in registration details or VAT eligibility in accordance with the VAT Regulations and Law.

I agree*

Save Next Step

As shown in the navigation pane above, the application includes the following six sections:

- Eligibility criteria – Questionnaire used to recommend registration options for the VAT payer
- VAT payer details – Legal name, ID type and number, physical and postal address
- Contact details – Phone number, email address, verification of information
- Economic activities – Import and export activities, business activity details
- Bank details – IBAN, bank name and owner, SWIFT code
- Financial details – Supply and expense details for the last and next 12 months, value of imports and exports, supply timelines and thresholds, financial year details

In each section, the applicant will be required to upload relevant attachments. If the appropriate documents are not included, and/or the requested information has not been filled in correctly, the applicant will be unable to move forward with the application.

The application should be saved on an ongoing basis.

Once completed, the applicant will be able to review and submit his application, then fill and save his declaration and confirmation. He will then be redirected to a page that confirms the successful submission of the application. There the applicant can view the submission or access the form which acknowledges the successful submission of the application. The applicant should also expect to receive an SMS and email confirming the submission.

The NBR shall process the registration application within thirty days from the date of its submission and shall notify the applicant of its decision to approve or reject the application.





 الجهاز الوطني للإيرادات
 National Bureau for Revenue

الرقم المرجعي : 200000005332 : Ref. Number

تاريخ الرسالة : 27/05/2019 : Date of Letter

Acknowledgment Of Successful Submission Of Registration Application

إشعار بنجاح تقديم طلب التسجيل

Name: Example User : اسم

Address: Flat/Shop No. 00000, Building Building, Road/Street Road, Town, Block 000, United Arab Emirates : عنوان

CPR/Identity Card No.: 44454555 : فرع لشركة اجنبية

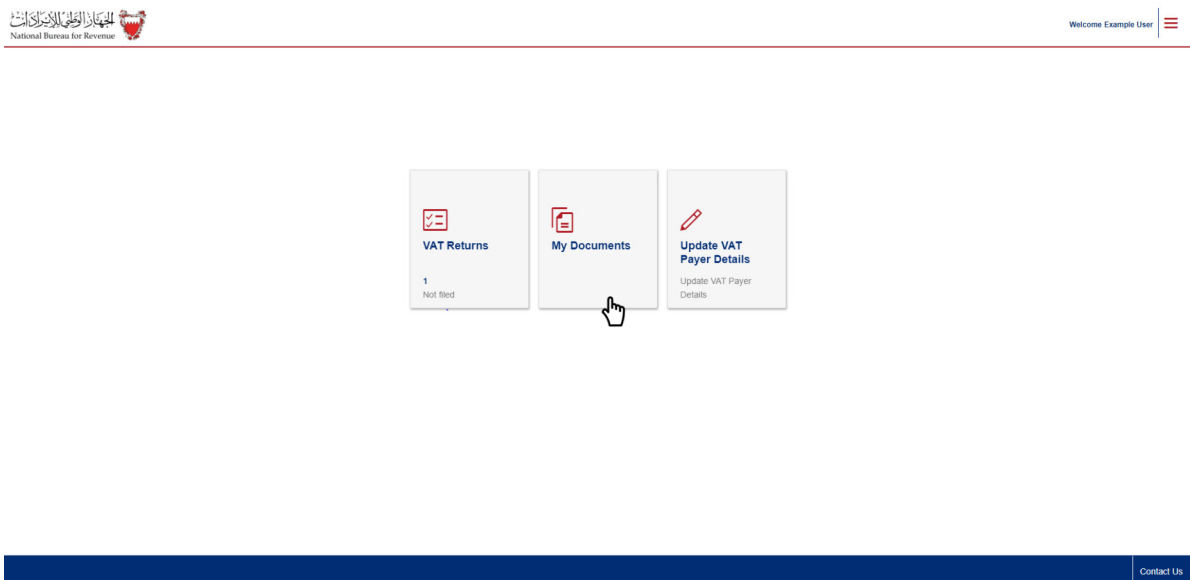
Dear Example User,
 Thank You for submitting your Registration Application with Reference Number 200000005332 dated 27/05/2019.
 We are currently reviewing your application and will get back to you shortly.

عزيزي Example User,
 شكرًا لك على تقديم طلب التسجيل والذي يحمل الرقم المرجعي 200000005332 بتاريخ 27/05/2019.
 نحن بصدد مراجعة طلبك وستقوم بالرد عليك قريباً.

For further information, please contact the National Bureau for Revenue on 80008001.
 This document is extracted from the automated system and does not need to be signed.

لمزيد من المعلومات، يرجى الاتصال بالجهاز الوطني للإيرادات على 80008001.
 يتم استخراج هذه الوثيقة من النظام الآلي ولا تحتاج للتوقيع.

- After the NBR has processed and approved the registration, the applicant should expect to receive SMS and email confirmation of the registration. The VAT registration certificate can be accessed by clicking “My Documents” on the home page of the portal.



The certificate is an official confirmation of your VAT registration and your VAT account number (the first 10 digits of which are the VAN). This certificate must be visibly displayed in the premises of the VAT payer.

VAT Registration Certificate
شهادة تسجيل القيمة المضافة


 الجهاد الوطني للإيرادات
 National Bureau for Revenue



Hereby, the National Bureau for Revenue certifies the VAT effective registration date for the VAT payer below as 01/06/2019
 يقر الجهاز الوطني للإيرادات بأن الخاضع للقيمة المضافة أدناه مسجل في القيمة المضافة من تاريخ ٢٠١٩/٠٦/٠١

VAT payer information:		معلومات الخاضع للقيمة المضافة:
CPR/Identity Card No.	44454555	فرع لشركة أجنبية
VAT payer name	Example User	اسم الخاضع للقيمة المضافة
VAT payer address	Flat/Shop No. 00000, Building Building, Road/Street Road, Town, Block 000, United Arab Emirates	عنوان الشخص الخاضع للقيمة المضافة
Registration:		التسجيل:
VAT account number	210000461300002	رقم الحساب للقيمة المضافة
VAT registration date	28/05/2019	تاريخ التسجيل

This certificate is sent from an automated system and does not require a signature
 هذه الشهادة مرسله من النظام الآلي ولا تحتاج إلى توقيع

Please ensure that the details on this certificate are correct. You must inform the National Bureau for Revenue "NBR" of any change on the basis of which you obtained your VAT account number. NBR reserves the right to deregister you for VAT purposes based on the evidence of your non-compliance with registration or deregistration criteria.
 يرجى التأكد من صحة تفاصيل هذه الشهادة. ويجب إبلاغ الجهاز الوطني للإيرادات بأي تغيير بشأن حصولك على رقم حساب القيمة المضافة. يحتفظ الجهاز بحق إلغاء تسجيلك لأغراض القيمة المضافة في حال ثبوت عدم امتلاكك لمعايير التسجيل أو إلغاء التسجيل.

If the NBR does not approve an application, the applicant should expect to receive an SMS and email either requesting additional information on the application (which can then be resubmitted) or rejecting the registration application.

5. VAT group registration

5.1. Eligibility to form/join a VAT group

Two or more persons can apply to form a VAT group provided all the following conditions are met:

- Each applicant is a legal person (i.e. an entity that is capable of entering into contracts in its own name);
- All applicants have a place of residence in Bahrain;
- All applicants conduct an economic activity;
- All applicants are registered for VAT purposes at the date of applying for registration as a VAT Group;
- None of the applicants is a member of another VAT group in Bahrain; and
- All the applicants are related (see below for further details on this condition).

Upon forming / joining a VAT group, each member of the VAT group becomes jointly and severally liable for all the VAT group's VAT obligations (including any VAT and penalties due) arising during VAT group membership. That liability remains even after the member has left the VAT group.

A member must leave the VAT group as soon as it ceases to meet the conditions to be a member of the VAT group.

A member may leave the VAT group voluntarily even if it still meets the conditions to be a member. However, voluntary withdrawal is only permitted after a period of at least twelve months has passed from the date of joining the VAT group.

5.2. The “related” condition

The persons applying to form/join a VAT group will be considered as “related” for the purpose of VAT grouping where:

- One of them has the authority to direct and supervise (i.e. to control) the others; or
- They are all directed and supervised (i.e. they are controlled) by the same person.

The “same person” could be:

- A legal person;
- A natural person; or
- A group of persons acting jointly under a formal arrangement such as a shareholders' agreement or partnership agreement.

For control to exist through the same group of persons, these persons must act jointly under a formal arrangement requiring them to exercise their rights in each of the entities wishing to be group registered as if they were one person. This formal arrangement must be notarized by the Ministry of Justice. This applies to families, partnerships or any other group of persons (legal or natural).

Control is considered to be established when either (i) the same person, or (ii) the same group of persons who act jointly under a formal arrangement:

- Hold, directly or indirectly, more than 50% of the voting rights attaching to the shares in each applying entity;
- Hold, directly or indirectly, more than 50% of the capital or ownership in each applying entity; or
- Control each applying entity by any means other than voting rights or capital participation.

Direct holding refers to cases where a person has shares or voting rights in an entity without intermediaries (e.g. company A owns 55% of shares in company B). Indirect holding covers cases where that relationship is established through a third company (e.g. company A owns 100% of shares in company B which, in turn, owns 55% of shares in company C).

“Control by any other means” exists where a person or same group of persons acting jointly under a formal arrangement do not have control by way of voting rights or capital. “Control by any other means” will be considered established when the same person (or the same group of persons acting jointly under a formal arrangement), having a capital participation in the applying entities, exercises a dominant influence over these entities in one of the following ways:

1. Has the right to appoint and / or remove members of the administrative, management or supervisory body of these entities (equivalent to the board of directors of the entity and does not mean the day-to-day management personnel) who hold a majority of the voting rights in that body. This right must be formalized in a provision in the contracts, articles of association or other constitutional documents establishing / governing these entities or in any other agreement; or
2. Controls alone, pursuant to an agreement with other shareholders / owners of these entities, a majority of the shareholder voting rights in these entities. This agreement must be notarized by the Ministry of Justice.

It is not necessary that:

- The controlling person is a member of the VAT group;
- The controlling person is established (for a legal person) or resident (for a natural person) in Bahrain; or
- There is a direct participation of one applying entity in the other applying entity, provided both of them are effectively controlled by the same person.

Example 1 – Control by the “same group of persons”

A, B and C (all natural persons) each hold 20% of the voting rights in Company Y and Company Z. They do not control them even though their rights, held collectively, amount to 60% in each company.

In order for them to control these two companies, they must hold more than 50% of the voting rights in each company in such a manner that they effectively act as one person in relation to the voting rights, e.g. through a partnership arrangement or through a shareholder agreement (notarized by the Ministry of Justice) where they agree to effectively act as one person when exercising the voting rights attached to their shares.

Example 2 – Direct and indirect control

Assuming that the voting rights follow the capital participation, control is established in cases where (non-exhaustive list):

- A VAT group applicant has a direct participation of more than 50% in another VAT group applicant.
- A parent company has a direct participation of more than 50% in the capital of two different subsidiaries. Although there is no direct participation of one subsidiary in the other subsidiary, both of them are effectively controlled by the same person, i.e. the parent company.
- A parent company owns a 100% participation in Subsidiary 1, which in turn directly owns 60% of Subsidiary 2. The parent company holds direct control over Subsidiary 1 and indirect control over Subsidiary 2. Subsidiary 1 holds direct control over Subsidiary 2.
- A parent company owns a 70% participation in Subsidiary 1 which, in turn, holds a 70% participation in Subsidiary 2. The parent company directly controls Subsidiary 1 and Subsidiary 1 directly controls Subsidiary 2. Since the parent has an indirect participation of only 49% (70% x 70%) in Subsidiary 2, the three of them cannot form a VAT group together. A VAT group may be formed either between the parent company and Subsidiary 1 or between Subsidiary 1 and Subsidiary 2.

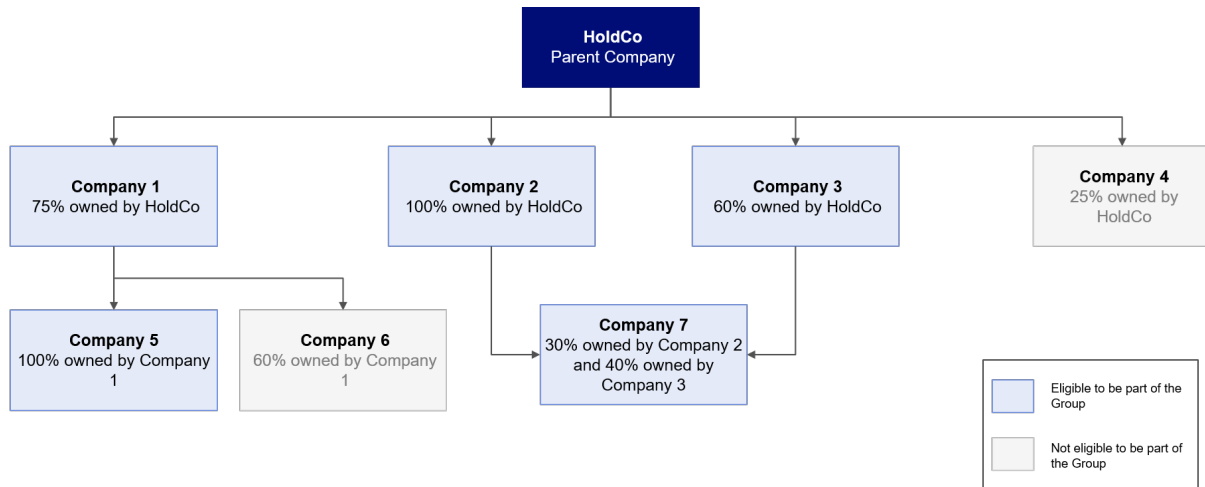
Example 3 – Control by any other means

Noor owns 30% of the shares in Company X (1 share = 1 voting right). Company X's articles of association grant Noor's shares the right to appoint and / or remove a majority of the board of directors (who hold a majority of the voting rights at board meetings). Noor does not have control by virtue of her shareholding rights (not being more than 50% of shares and voting rights). However, Noor has effective control of Company X by virtue of dominant influence granted by her right to appoint or remove board members who have the majority of the voting rights at board level.

Example 4 – Control by any other means

Company A and Company B hold 21% and 34% of the shares in Company Y respectively (1 share = 1 voting right). Company A and Company B enter into a shareholders' agreement whereby Company A grants Company B the right to exercise its voting rights in Company Y. By virtue of this shareholders' agreement, Company B will have effectively control of Company Y.

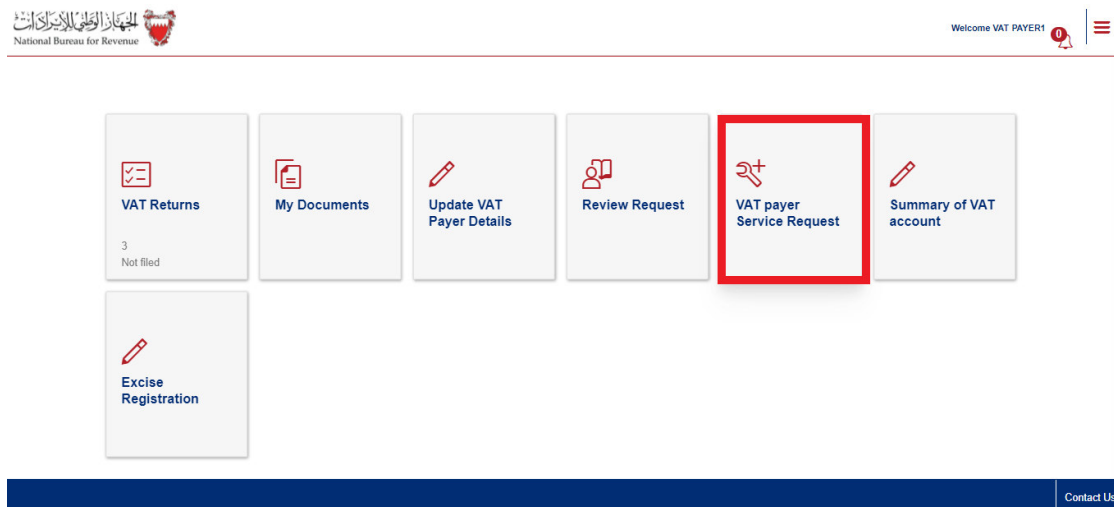
The following is an illustrative example of VAT group registration:



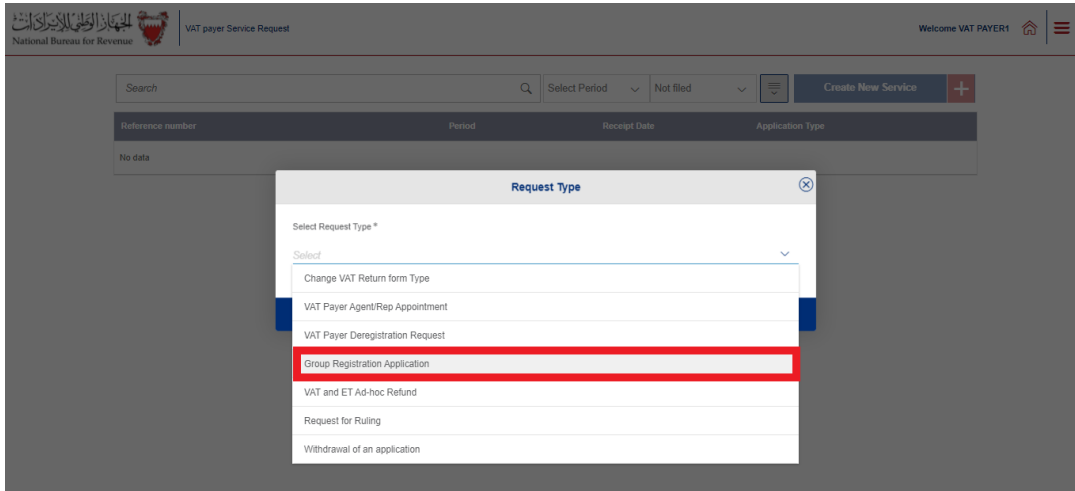
5.3. Applying for VAT group registration

Please refer to the steps below to apply for VAT group application:

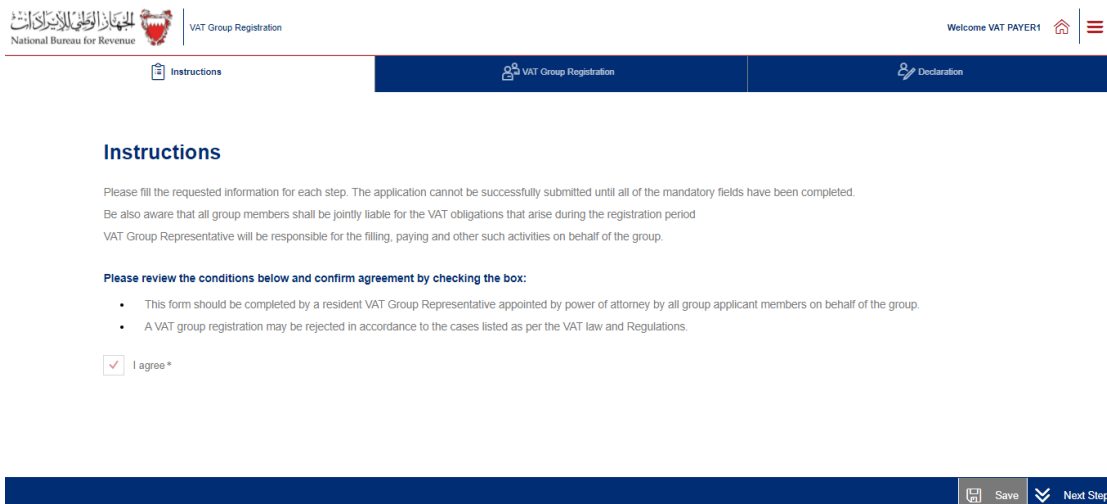
1. The VAT group representative should initiate the VAT group application by clicking “VAT Payer Service Request” on the home page of the portal.



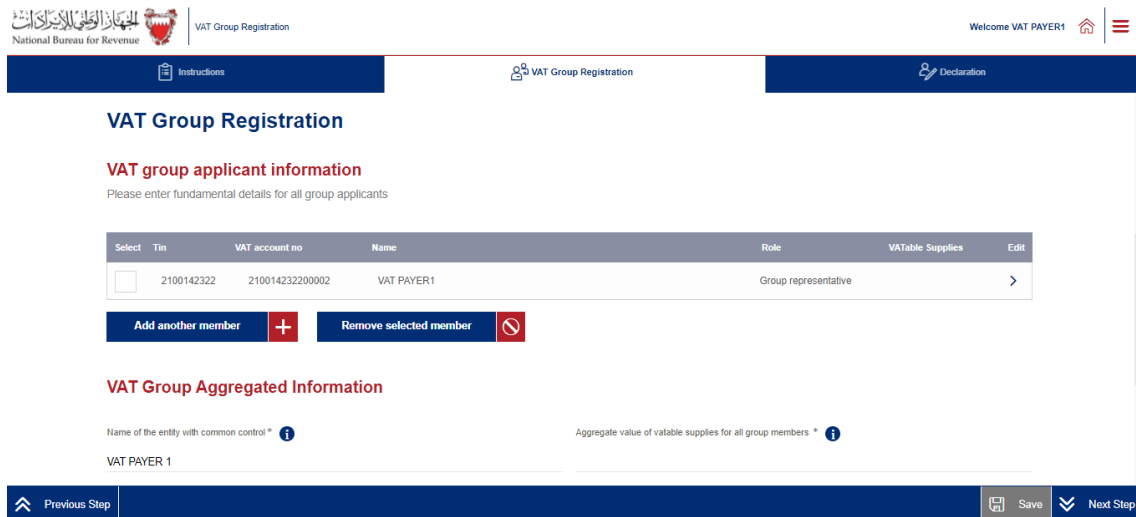
After selecting “Group Registration Application” request type, the applicant will be directed to the application.



2. After reviewing the conditions for registering a VAT group with the NBR, the applicant must confirm that he agrees to the instructions; only then can he fill out the VAT group registration application form.



3. The applicant is requested to fill out the requested information in the application form under “VAT group registration” section.



The screenshot shows the 'VAT Group Registration' page. At the top, there is a navigation bar with 'Instructions', 'VAT Group Registration', and 'Declaration'. The main heading is 'VAT Group Registration'. Below it, there is a section for 'VAT group applicant information' with a sub-heading 'Please enter fundamental details for all group applicants'. A table lists the group members:

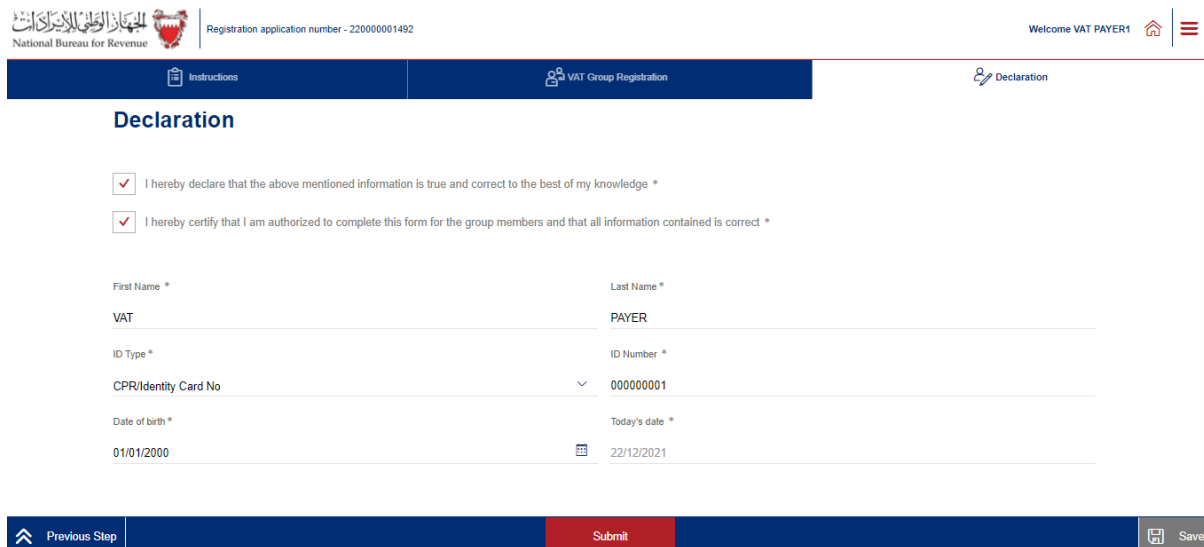
Select	Tin	VAT account no	Name	Role	VATable Supplies	Edit
<input type="checkbox"/>	2100142322	210014232200002	VAT PAYER1	Group representative		>

Below the table are two buttons: 'Add another member' with a plus icon and 'Remove selected member' with a minus icon. Further down, there is a section for 'VAT Group Aggregated Information' with two input fields: 'Name of the entity with common control *' (containing 'VAT PAYER 1') and 'Aggregate value of vatiable supplies for all group members *'.

At the bottom, there is a navigation bar with 'Previous Step', 'Save', and 'Next Step'.

In this section, the applicant will be requested to list members of the VAT group and upload documents as requested in the application form.

- Once all documents have been submitted, the applicant will be able to review and submit his application, then fill in and submit his declaration and confirmation.



The screenshot shows the 'Declaration' page. At the top, there is a navigation bar with 'Instructions', 'VAT Group Registration', and 'Declaration'. The main heading is 'Declaration'. Below it, there are two checkboxes with labels: 'I hereby declare that the above mentioned information is true and correct to the best of my knowledge *' and 'I hereby certify that I am authorized to complete this form for the group members and that all information contained is correct *'. Both are checked.

Below the checkboxes, there are several input fields:

- First Name * (VAT)
- Last Name * (PAYER)
- ID Type * (CPR/Identity Card No)
- ID Number * (000000001)
- Date of birth * (01/01/2000)
- Today's date * (22/12/2021)

At the bottom, there is a navigation bar with 'Previous Step', 'Submit', and 'Save'.

He will then be redirected to a page that confirms the successful submission of the application.

Acknowledgment of successful submission of VAT Group registration application

Your application for Group registration has been successfully submitted. We are currently reviewing your application and will get back to you shortly.

Reference Number : 220000001492

Date: 22/12/2021

[Download filing confirmation](#)

Form: 220000001492
submitted successfully

5. After NBR has processed and approved the registration, the applicant should expect to receive an SMS and an email confirmation of the VAT group registration. The VAT group registration certificate can be accessed by clicking “My Documents” on the home page of the portal of the group representative.

If NBR does not approve an application, the applicant should expect to receive an SMS and an email either requesting additional information on the application (which can then be resubmitted) or rejecting the VAT group registration application.

6. Non-compliance with registration obligations

Any person who is required to register for VAT, but has not done so by the relevant deadline, may be automatically registered by the NBR from the date on which he should have been registered.

The person will be required to account for all the VAT due on supplies and acquisitions of goods and services from the effective date of registration.

If a person does not register within 60 days from the registration deadline, the NBR may apply administrative penalties of up to BHD 10,000.

If a person does not register within 120 days from the registration deadline, he may be convicted of VAT evasion.

7. De-registration

If a person no longer meets the criteria to be registered for VAT, he must de-register. A request for de-registration should be made on the NBR's portal.

A person will remain a VATable person, liable for all his VAT obligations until the NBR approves the de-registration and notifies the person of his effective de-registration date.

7.1. Mandatory de-registration

If a person is registered for VAT in Bahrain, he must de-register within 30 days of any of the following events occurring:

He is	He must de-register
Resident / Non-resident	<ul style="list-style-type: none"> • If he no longer carries out an economic activity in Bahrain; or • If he has not made any VATable supplies for a period of 12 consecutive months
Resident	<ul style="list-style-type: none"> • If the total value of his annual VATable supplies in the last 12 months is below the voluntary registration threshold; and • The total value of his annual supplies³ or annual expenses⁴ is not expected to exceed this threshold in the next 12 months

7.2. Voluntary de-registration

7.2.1. Residents

A person may apply to the NBR to de-register on a voluntary basis if the value of his annual supplies during the last 12 months is below the mandatory registration threshold (BHD 37,500) and exceeds the voluntary registration threshold (BHD 18,750). A person who registered for VAT on a voluntary basis may not de-register on a voluntary basis until he has been registered for at least 24 months.

7.2.2. Non-residents

A non-resident person may not choose to de-register on a voluntary basis.

³ Annual supplies should be understood in the same way as for the purpose of computing the mandatory VAT registration threshold (refer to section 2.1.3).

⁴ Annual expenses mean business expenses subject to VAT in Bahrain at the rate of 10% (previously 5%) or at the rate of 0%

