



Resolution 12 of 2018

Executive Regulation of Decree Law 48 of 2018 on Value Added Tax

English Translation (Unofficial)

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Bahrain VAT Executive Regulations (Unofficial Translation)

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The information contained herein is a translation of the 'Resolution No. 12 of 2018, Related to Issuing the Executive Regulations of the VAT Law, Issued by Decree-Law No. 48 of 2018'. The document is not intended to address the circumstances of any particular individual or entity. Although we have endeavored to provide accurate translate, there can be no guarantee that the translation is error free. No one should act on such translation and any applications of these regulations must be consulted with appropriate professional advice after a thorough examination of the particular situation.



Bahrain VAT Executive Regulations (Unofficial Translation)

Ministry of Finance and National Economy

**Resolution No. 12 of 2018
Related to Issuing the Executive Regulations of the VAT Law
Issued by Decree-Law No. 48 of 2018**

The Minister of Finance:
Having examined the VAT Law issued by Decree-Law No. 48 of 2018,
And pursuant to the presentation of the Undersecretary of the Ministry of Finance,
And upon obtaining the approval of the Cabinet,

Hereby resolves the following:

Article (1)

The provisions of the attached Executive Regulations of the VAT Law issued by Decree-Law No. 48 of 2018 shall hereby be implemented.

Article (2)

The concerned entities shall implement this Resolution and the Regulations attached thereto, which shall come into effect as of 1st of January 2019.

**Minister of Finance
Salman Bin Khalifa Al Khalifa**

Issued on:
Corresponding to:

**Executive Regulations of the VAT Law
Issued by Decree-Law No. 48 of 2018**

**Chapter 1
Preamble**

**Article (1)
Definitions**

The terms and expressions in these Regulations shall have the meanings indicated in the VAT Law issued by Decree-Law No. 48 of 2018. The following terms and expressions shall have the meanings assigned to them below, unless the context requires otherwise:

- 1- **Bad debts:** Amounts due to the creditor and probably unpaid thereto.
- 2- **Means of transport:** Any vehicle, ship or airplane, having a driver, a pilot or a crew, as the case may be, capable of transporting at least ten persons or capable of transporting commercial goods, with a main purpose of conducting international transport. They do not include any means of transport modified or used for recreational or personal purposes.
- 3- **Finance Lease Agreement:** Asset lease agreement by virtue of which the lessor substantially transfers all risks and benefits related to the ownership of the asset to the lessee.
- 4- **Operating Lease Agreement:** Asset lease agreement by virtue of which the lessee uses the asset for a set time period, at the end of which the asset is returned to the lessor and the lessee does not bear any risks related to the ownership of the asset.
- 5- **Telecommunication services:** Services related to the transmission, broadcast, transfer, or receipt of signals used to diffuse words, images, sound or information from any type of wires, and to radio and audio telephone services, visual telephone services, VoIP, voicemail, call waiting services, other call management services, internet connection and roaming data, including related transport services or forfeiture of the right to use the ability to transfer, or broadcast, receipt, or other similar means.
- 6- **Electronic services:** Services provided online or via any electronic platform, operating automatically and with limited human intervention. They are impossible to complete without the use of information technologies.
- 7- **Healthcare services:** All preventive and basic medical services offered to patients at hospitals, health centers, medical clinics and other locations offering medical care. They do not include the other commercial or investment services offered by these entities.
- 8- **Education services:** Education services provided by education institutions, licensed by the Ministry of Education or under its supervision, directly to students,

through nurseries, pre-primary education, primary education, secondary education and higher education.

- 9- **Tourist:** Any natural person who does not reside in any of the Implementing States and who is not a member of the cruise or airplane crew leaving the Kingdom.
- 10- **Law:** The VAT Law issued by Decree-Law No. 48 of 2018.

Chapter 2

Tax Scope and Rate

Article (2)

Tax-Inclusive Price

- A- The declared price of goods and services in the local market must include the amount of due VAT.
- B- The price excluding the amount of due VAT may be declared, provided that the Taxable Person expressly indicates that the declared price does not include the tax, in the event of exportation of goods or services.

Chapter 3

Supply of Goods and Services

Article (3)

Supply of Goods

- A- Transfer of ownership of the goods or the right to use them as an owner includes:
- 1- Mandatory transfer of ownership of the goods, in application of a Resolution made by public authorities or any law in effect in the Kingdom.
 - 2- Supply of goods in accordance with a long-term goods rental agreement or sale of goods in deferred payments, provided that the agreement includes the transfer of ownership of the goods, under normal circumstances, to the customer at the latest upon full payment.
- B- The following shall be considered supply of goods:
- 1- Supply of water.
 - 2- Supply of any type of energy, including, without being limited to, electricity and gas, including biogas, coal gas, liquid petroleum gas, natural gas, petroleum gas, produced gas, refinery gas, reconstituted natural gas, heat-treated liquid petroleum gas and any mixture of gases, whether they are used for lighting, heating, cooling, air conditioning, or any other purposes.
 - 3- Deemed supply of goods.

Article (4)
Transport of Goods to an Implementing State

- A- The Taxable Person must comply with the requirements of temporary admission stipulated in the GCC Common Customs Law, in particular the following requirements:
- 1- Submit an application to Customs Affairs indicating the purpose of admitting the goods under Temporary Admission Case and the required admission period.
 - 2- Submit a financial guarantee or a cash deposit equivalent to the amount of due tax, according to the Temporary Admission Statement.
- B- Transport of goods which are part of taxable assets from the Kingdom to another location in an Implementing State shall not be considered supply of goods when these goods are part of another taxable supply in the Implementing State, provided that said goods are used for another taxable supply within a period not exceeding sixty days as of the date of admission of the goods into the Implementing State.
- C- The Taxable Person must maintain the necessary documents and records to show the following information:
- 1- Description of the goods transported from the Kingdom to the other Implementing State.
 - 2- Date of transportation of the goods and date of return to the Kingdom, if any.
 - 3- Commercial documents showing the identity of the recipient and the delivery location.
 - 4- Transport documents showing that the goods are delivered or received in the other Implementing State.
 - 5- Documents and details of the supply of the goods in the other Implementing State, if applicable.

Article (5)
Supply of Services

Supply of services includes the following:

- 1- Granting, forfeiting, suspending or waiving a right.
- 2- Providing a facility or an advantage.
- 3- Undertaking to refrain from a certain act or authorizing a certain act.
- 4- Refraining from participating in any activity or from authorizing any activity or agreeing to carry out any activity.
- 5- Transferring an indivisible share in a good.
- 6- Transferring or authorizing corporeal rights, such as copyright, rights to trademarks and rights which fall under this category pursuant to Bahraini laws.

Article (6)
Supply Transactions Consisting of Multiple Components

- A- The Taxable Person must, when supplying more than one related good or service for one price, determine whether said supply constitutes one structured supply or multiple separate supplies, depending on the actual characteristics of said supply.
- B- “Structure supply” refers to any supply of goods or services composed of two or more components in the following cases:
- 1- The supply includes an initial component and one or more other components needed or key to carry out the initial supply.
 - 2- The supply includes one initial component and one or more other components which are not considered an objective themselves, but rather a means to provide the initial supply.
 - 3- The supply includes two or more components which are closely related, thus constituting one supply which cannot be divided or is naturally indivisible.
- C- A single composite supply may occur according to paragraph (B) of this article, if one of the two following conditions was met:
- 1- All components must be supplied by the Taxable Person.
 - 2- The Taxable Person must not set the price of the supply components separately no set a different price for each component.

Article (7)
Supply via Agent

- A- Should the Taxable Person supply or receive goods or services in his own name on behalf of his Principal (hidden agent), he shall be treated as the supplier or recipient of the goods or services himself.
- B- Should the Taxable Person supply goods or services in the name of his Principal (apparent agent), this shall be treated for tax purposes as supply between the Principal and the third party.
- C- The apparent agent must prove his capacity by submitting the following:
- 1- Power of attorney from the Principal, expressly authorizing the agent to act in his name and on his behalf.
 - 2- Contract, invoice or any other documents clearly showing that supply was made in the name and on behalf of the Principal. Said documents must include the subject of the transaction, the names and addresses of the Principal and the agent, and the details of the third party.

Article (8)
Gifts of Minimal Value and Samples

- A- Gifts of minimal value referred to in Paragraph (A) of Article (10) of the Law shall be treated at a market value not exceeding fifty dinars, excluding tax, for each recipient during the year.
- B- Should the market value of all the gifts exceed one thousand dinars during one calendar year, any amount exceeding one thousand dinars shall be considered as deemed supply.
- C- Samples used gratuitously must be from a product for the purpose of promoting its sales, in a way that allows customers to assess the characteristics and quality of the said product without leading to its definitive consumption, except for cases where definitive consumption is key to promote the said product.

Article (9)
Exceptions of Deemed Supply

Cases of deemed supply do not apply in the two following cases:

- 1- If the Input Tax is not deducted on the goods or services related to the deemed supply case, in part or in full.
- 2- If the supply of goods or services is exempted from tax.

Article (10)
Transactions Between Mother Companies and Their Branches

Transactions between parent companies and their branches or between the branches shall not be considered as a taxable supply, on the grounds that they are considered transactions made by one legal person.

Article (11)
Recharging Incurred Expenses

The transaction of recharging expenses incurred by the Taxable Person in his name to another person is taxable, except for cases where the expenses are incurred directly in the name of the other person.

Article (12)
Transfer of a Going Concern

- A- The taxable person's transfer of part or all its economic activity shall not be considered as a supply when the following conditions are met:

- 1- The transfer must include the business elements that enable the assignee to conduct the economic activity subject of the partial or full waiver.
 - 2- The assignor must be registered for tax purposes in the Kingdom.
 - 3- The assignee must be registered for tax purposes in the Kingdom or compelled to register further to the transfer transaction.
 - 4- The assignee must, immediately upon completing the transfer transaction, use those goods and services to practice the same economic activity.
- B- Business elements referred to in Subparagraph (1) of Paragraph (A) of this Article includes tangible property, including fixed assets, rights, intangible assets and debts of the said economic activity.
- C- Each of the assignor and the assignee must declare the transfer – separately – to the Bureau, using the form prepared for this purpose by the Bureau, within thirty days of the date of the transfer. Failure to formally submit the declaration to the Bureau within the set period shall result in a disregard of the said transfer and it shall be considered a taxable supply.

Chapter 4 Tax Due Date

Article (13) Supply Date for Services

- A- Services shall be considered executed when the agreed-upon work is completed or when the customer receives the service and expressly approves it, or when a service completion certificate is issued by the customer.
- B- Any secondary services provided after the date of execution of the initial service, shall be considered as a separate supply without any effect on the date of completion of the initial service.

Article (14) Various Cases of Tax Due Date

- A- The tax on deposited goods and goods mortgaged by way of guarantee shall be due on any of the two following dates, whichever comes first:
- 1- When the depository or the creditor who holds the mortgage sells them.
 - 2- When the depository or the creditor who holds the mortgage deducts a cash amount deposited by way of guarantee to acquire it definitively.
- B- The tax shall be due on consignment sale transactions on the date of supply of the goods deposited by way of consignment.
- C- In regard to imported goods, the tax shall be due on the due date of the customs duties, in accordance with the provisions of the GCC Common Customs Law.

- D- The tax shall be due, in case of supply of goods by way of trial, on any of the two following dates, whichever comes first:
- 1- When the purchaser accepts these goods definitively.
 - 2- On the date of issuance of the invoice.
- E- The tax shall be due on sale of goods by instalments on the date of supply of the said goods, in accordance with the provisions of the Law.
- F- The tax shall be due on Operating Lease Agreements on the due date or on the date of payment of each fee or instalment of the Agreement, whichever comes first.
- G- In regard to Finance Lease Agreements, the tax shall be due on the date of supply of the goods subject of the Agreement. In cases where the customer elects to purchase the goods at the end of the Agreement, the tax shall be due based on the price of the said purchase. The tax shall be due in regard to the supply of the goods contingent upon the right to recover the tax, on the date of the supply.
- H- The tax shall be due on mandatory supplies made on the date of supply of the goods subject of the said supply.
- I- The tax shall be due on deemed supplies of goods and services on the date of their supply, waiver, use or change of purpose or on the date of de-registration, as the case may be.

Article (15) **Vouchers**

- A- In regard to single purpose vouchers, meaning vouchers which can be exchanged for goods or services subject to the same tax rate only, with a set place of supply, on the date of issuance of the voucher, the tax shall be due on the date of supply of the said vouchers based on the amount paid for the vouchers.
- B- The tax on multi-purpose vouchers shall be due on the date of supply of the goods or services being exchanged for the said vouchers based on the price paid for the voucher or the value of the nominative voucher when the value of the goods or services is not specified.

Chapter 5 **Place of Supply**

Article (16) **Place of Supply of Services Related to Real Estate**

- A- For the purposes of implementing this Article, the words “real estate” include, for example, the following:
- 1- Any piece of land having or resulting in rights, interests or services.
 - 2- Any building, structure or architectural work permanently fixed to the ground.

- 3- Any equipment or installations erected as a permanent part of the ground or permanently attached to the building, the structure or the architectural work.
- B- The supply of services is considered related to the real estate if the said supply is directly related to the real estate.
- C- The place of supply of the services related to the real estate is considered the location of the real estate. The said services include, without being limited to, the following:
 - 1- Real estate expert and agent services.
 - 2- Services for preparing, coordinating and executing construction, demolition, maintenance and transformation works, as well as other similar works.
 - 3- Accommodation services.
 - 4- Services of auctioneers, architects, surveyors, engineers, and other persons who carry out tasks and works related to the real estate.

Article (17)

Place of Supply of Telecommunication Services

- A- The place of supply of telecommunication services shall be determined as follows:
 - 1- At the place where the service is used or utilized, if the customer is a Non-Taxable Person, regardless of the place of contracting or of payment of the Consideration.
 - 2- In the Kingdom, if the service is used or utilized therein, within the limits of the said utilization and use.
 - 3- At the customer's place of residence, if he is a Taxable Person.
- B- The place of use of wired and wireless telecommunication services shall be determined as follows:
 - 1- If the wired and wireless telecommunication services are provided via fixed locations to receive fixed telephone, public telephone, or Wi-Fi services, the place where the service is used or utilized by the customer at the fixed location shall be used.
 - 2- If the services are provided via mobile network, the place where the service is used or utilized shall be the location determined based on the country code of the SIM card used to receive the services.
 - 3- If the service is related to international roaming, the place where the service is used or utilized shall be the country in which the mobile network used for international roaming is located.
- C- Should a supplier supply wired and wireless telecommunication services to a customer for the purpose of re-supplying them to another customer, the place where the services are used and utilized must be determined for each of the two transactions independently.

Article (18)
Place of Supply of Electronic Services

A- Electronic services include, without being limited to, the following:

- 1- Provided services or services which support an electronic network, including websites or webpages.
- 2- Digital products, including computer programs and any changes or updates to computer programs.
- 3- Services automatically generated by the computer via the internet or via an electronic network, in response to specific data input entered by the recipient.
- 4- Internet service programs related to information which enables the communications component to be part of annexes, such as components which allow access to news, weather reports or travel, website hosting, access to online debates, etc.
- 5- Supply of websites, network hosting and program and equipment maintenance.
- 6- Supply of visual images, such as pictures or scripts which are automatically supplied, screensavers, e-books and other digital documents and files.
- 7- Supply of music, movies, television series, games, magazines, newspapers or other programs, on demand.
- 8- Supply of advertisement or advertising space on websites, with any advertisement-related rights.
- 9- Supply of online education services.
- 10- Supply and update of computer programs.

B- The place of supply of electronic services shall be the place of use or utilization of the service, if the customer is a Non-Taxable Person.

C- The place of supply of electronic services to a Taxable customer shall be his place of residence. For the purposes of determining the customer's place of residence, the supplier shall rely on the following:

- 1- Customer's address, as shown on the tax invoice or on the documents used to send invoices.
- 2- Customer's bank account details.
- 3- Customer's IP address which is used to receive wired and wireless telecommunication and electronic services.
- 4- Country code of the SIM card used by the customer to receive wired and wireless telecommunication and electronic services.
- 5- Other commercial information.

D- The place of use or utilization of electronic services shall be determined based on the date of their supply. Any subsequent changes to the use of the received service shall have no effect on the identification of the place of supply.

Article (19)
Place of Supply of Transport Services of Goods and Passengers

The place of supply of transport services of goods and passengers, along with their related services, shall be determined as follows:

- 1- The place of supply of transport services of goods and passengers shall be the place where the transport begins, even if the trip includes more than one stop.
- 2- The place of supply of services related to transport shall be the place where the related service is supplied.

Article (20)
Place of Supply of Internal Supplies

- A- The Taxable Person who provides internal supplies must maintain proof of transport of goods and of their arrival at the final Implementing State where the transport or delivery ends. Should the Taxable Person fail to provide proof of completion of the transport within sixty days of the date of supply, the provisions of Subparagraph (2) of Paragraph (A) of Article (14) of the Law shall apply.
- B- Any of the following shall be considered proof of transport of goods to the Implementing State where the transport or delivery ends:
- 1- Commercial documents showing the customer's identity, as well as the deliver location and date.
 - 2- Transport documents showing that the goods were delivered or received in the Implementing State where the transport or delivery ends.
 - 3- Customs declaration.

Chapter 6
Import

Article (21)
General Provisions Related to the Import of Goods

- A- Goods shall not be treated as goods imported to the Kingdom in the following cases:
- 1- If the goods are placed in customs duty suspension pursuant to the provisions of the GCC Common Customs Law, provided that a financial guarantee or a cash deposit equivalent to the amount of the due tax is provided, in the following cases:
 - A) Goods placed in a customs warehouse.
 - B) Temporary admission.

- C) Goods in transit.
- D) Goods imported for the purpose of being re-exported by the same person.
- 2- The financial guarantee referred to in Subparagraph (1) of this Article must meet the following conditions:
 - A) Its amount must be equivalent to the amount of the due tax.
 - B) It must be issued by a bank licensed by the Central Bank of Bahrain, either in the form of an unconditional or unrestricted letter of guarantee or in the form of a certified cashier's cheque.
 - C) It must be valid for the entire period during which the goods are under customs duty suspension.
 - D) The importer must undertake to renew the guarantee at its expiration date, as long as the goods remain in customs duty suspension.
- B- Should a person import goods to the Kingdom via another Implementing State, the tax shall not be due at import if the Bureau considers that the due tax was paid in the said Implementing State. The importer must declare to the Bureau the tax amount paid in the Implementing State and attach the documents proving payment thereof.

Article (22)

Implementation of the Reverse Charge Mechanism on the Import of Goods

- A- The Bureau may authorize a delay in tax payment on imports based on a reverse charge mechanism, when the following conditions are met:
 - 1- The importer is registered for tax purposes.
 - 2- The Taxable Person is registered at Customs Affairs at the Ministry of Interior.
- B- The Taxable Person licensed to implement the reverse charge mechanism on imports must comply with the following:
 - 1- Maintain sufficient documents and files to enable the Bureau to verify the import procedures and proper calculation of his due tax. The Taxable Person must submit them to the Bureau or to Customs Affairs upon demand.
 - 2- Cooperate and comply with any requirements set by the Bureau in regard to imports.
 - 3- Declare the due tax calculated using the reverse charge mechanism as part of the tax returns related to the tax period during which the import of goods occurred.

Article (23)
Imports via Registered Agents

- A- Should a person who is not registered for tax purposes in the Kingdom import goods via an agent registered for tax purposes who acts on his behalf for the purpose of importing the goods to the Kingdom, the agent shall be responsible for payment of the tax due upon import, prior to clearing the said goods.
- B- Transactions of recharge of the tax paid from the agent to his Principal shall not be taxable, pursuant to Paragraph (A) of this Article. Additionally, the agent may not deduct this tax, unless the agent presents proof of payment of the tax on behalf of the Principal.

Chapter 7
Value of Supply

Article (24)
Value of Supplying Goods and Services

- A- The Consideration does not include the amounts deposited in favor of the Taxable Person by the customer by way of guarantee, if the two following conditions are met:
- 1- These amounts are naturally recoverable.
 - 2- They are not down payments.
- B- The market value shall be determined according to the fair price in the market between two independent parties, under similar conditions, on the same date as the supply transaction and according to the following free competition conditions:
- 1- Neither the supplier nor the customer are exposed to any type of commercial pressures.
 - 2- Each of the supplier and the customer acts in his own best interest, separately.
 - 3- The transaction is concluded within a reasonable time period.
- C- In cases where the market value cannot be determined pursuant to paragraph (B) of this article, the Bureau shall determine the market value based on the mechanism it depends on.

Article (25)
Special Cases for Determining the Value of Supply

- A- Subject to the provisions of Article (6) of these Regulations, should the different supply components subject to different tax treatments, the Taxable Person must

split the price to apply the tax due on each good or service depending on their tax treatments, else the tax shall be applied to the full price at the highest tax rate.

- B- In regard to goods and services deposited or mortgaged by way of guarantee, which are supplied by the depositary or the mortgagee creditor, the value of supply of these goods and services shall be used as the basis for taxation.
- C- Should the value of supply of the goods and services be undetermined between different persons on the date of completion of the transaction, due to the agreement being related to an unknown element or standard, the tax shall be calculated based on the expected value of supply, provided that the due tax is adjusted when the value of supply becomes definitive.

Article (26) **Value of Imported Goods**

The value of imported goods deposited under a case of tax suspension shall be determined based on the value of the goods as is when they are released from the case of suspension. This includes the value of services provided in relation thereto and the value of all the elements which help determine the value of the goods on import.

Article (27) **Value of Supply Between Related Persons**

- A- The tax shall be calculated between related persons based on the market value, in the following cases:
 - 1- If the value of supply is lower than the market value.
 - 2- If the customer is not entitled to fully deduct the Input Tax.
- B- The Bureau may request documentary evidence from any of the related persons, to ensure proper calculation of the tax based on the market value of the goods and services.
- C- Failure to provide the evidence referred to in the previous Paragraph to the Bureau within thirty days of their request or should the Bureau deem that the related persons used a value lower than the market value, then the Bureau may replace the market value with the value used and calculate the tax accordingly.

Article (28) **Value of Deemed Supply**

- A- In regard to deemed supply operations related to goods, the purchase value shall be used as a basis for taxation. If the price cannot be determined, the total actual cost on the date of supply shall be used.

- B- In regard to deemed supply operations related to services, the total actual cost borne by the Taxable Person in providing the said services shall be used.
- C- In cases where the purchase value or the total actual cost stipulated in Paragraphs (A) and (B) of this Article cannot be determined, the tax shall be based on the fair market value of the goods or services.
- D- Should economic activity cease, the value of deemed supply shall be the fair market value of the goods kept by the Taxable Person on the date of his de-registration.

Article (29)
Value of Supply After Discount

- A- Discounts offered at the date of supply shall be treated in accordance with point (1) of the first Paragraph of Article (24) of the Law.
- B- Discounts offered after the date of supply shall be treated in accordance with the provisions of Article (28) of the Law.
- C- For the purposes of implementing point (2) of the first Paragraph of Article (24) of the Law, subsidies granted by the Kingdom shall include subsidies granted by government entities.

Article (30)
Bad Debts

- A- If the Consideration of the supply is not paid in part or in full, the value of the tax can be adjusted according to the following conditions:
 - 1- The Taxable Person must prove that he has taken all the necessary measures to collect his debt.
 - 2- The debt is cancelled from the records of the Taxable Person on account that it is bad debt in part or in full.
 - 3- The debt continued, without being collected, for twelve of more months, excluding cases of non-payment due to bankruptcy.
- B- The customer must deduct the recoverable Input Tax related to the tax period during which the tax related to the bad debt was adjusted by the Taxable Person in accordance with Paragraph (A) of this Article.
- C- Should the debt be collected, in part or in full, at a later date to the adjustment, the net tax must be amended within the tax period during which the collection was made.

Article (31)
Value of Supply Based on Profit Margin

- A- The Taxable Person may, with the Bureau's approval, calculate the tax based on the profit margin, in regard to the supply of the following goods:
- 1- Transported used goods fit to be further used in their current condition or after being repaired
 - 2- Art works, artifacts, or other items of scientific, historic or archeological importance.
- B- The provisions of Paragraph (A) of this Article shall apply, should the Taxable Person supply the abovementioned goods after being purchased by:
- 1- A person who is not registered for tax purposes in the Kingdom.
 - 2- A taxable person licensed to calculate the tax based on the profit margin.
 - 3- A taxable person who purchased the goods for commercial purposes and who was not entitled to recover the Input Tax related to the said goods.
- C- The profit margin consists of the difference between the purchase price and the sale price of the good. It is considered as tax-inclusive.
- D- The Taxable Person may not deduct any Input Taxes imposed on him or included in the value of the acquired used goods.
- E- The Taxable Person must expressly indicate, on his tax invoices, that the tax was calculated based on the profit margin.
- F- The Taxable Person must keep records and documents showing the details of the supplies taxable based on the profit margin.

Article (32)
Adjustment of the Value of Supply

- A- The Taxable Person must issue the necessary corrective documents stipulated in Article (41) of the Law and provide them to the customer in any of the cases set forth in Article (28) of the Law.
- B- The Taxable Person must adjust the tax due on the tax period during which one of the cases referred to in Article (28) of the Law occurred.
- C- Should the conditions for bad debts be fulfilled, the Taxable Person may adjust the due tax.

Chapter 8
Registration
Article (33)
Mandatory Registration

- A- The mandatory registration threshold is set at thirty-seven thousand five hundred dinars.
- B- The person obligated to register for tax purposes must submit a registration application to the Bureau within the following deadlines:
- 1- Thirty days as of the last day of the month during which the value of his annual supplies in the Kingdom exceeded the mandatory registration threshold.
 - 2- Thirty days before the month during which the value of his annual supplies in the Kingdom is expected to exceed the mandatory registration threshold.
- C- Registration shall enter into effect on the date shown on the registration certificate.
- D- The Bureau may register the Taxable Person automatically as of the date on which the value of his supplies reaches the mandatory registration threshold, should he fail to submit the registration application within the deadlines indicated in this Article. Registration provisions shall apply to the Taxable Person as of that date and the Bureau must notify him of the said registration.
- E- The Taxable Person shall be responsible for the tax due on all taxable supply and import operations conducted by him prior to the date of his registration, in case of delay in registering according to the provisions of this Article.

Article (34)
Annual Supplies for Registration Purposes

- A- The value of annual supplies must include the following, for registration purposes:
- 1- Value of supply of taxable goods and services, except for the value of supply of capital assets.
 - 2- Value of deemed supply.
 - 3- Value of internal supply, if the supply is taxable in the Kingdom.
 - 4- Value of annual supply made by Related Parties provided that the conditions in Article (40) of these Regulations are met.
 - 5- The value of the goods and services supplied to the taxable person who is obliged to pay tax.
- B- The provisions of Paragraph (A) of this Article shall apply when determining the value of expected annual supply. The value of potential supply must be based on a clear action plan prepared by the Taxable Person, with no expectation to amend it in a way that would affect the attainment of the potential supply.

Article (35)
Exemption from Registration

- A- The Taxable Person wishing to be exempted from registration must submit an exemption application to the Bureau, using the form prepared for this purpose and including the following information:
- 1- His name, information and business address in the Kingdom.
 - 2- His Commercial Register number.
 - 3- His registration number and customs registration number, if any.
 - 4- Type and details of his taxable economic activity, showing that his supplies are zero-rated.
 - 5- The value of annual supplies is zero-rated.
 - 6- Pledge not to deduct the Input Tax nor claim any tax recovery for the registration exemption period, if he becomes registered for tax purposes at a later date.
- B- The Bureau must render a decision on the registration exemption application within thirty days of its submittal. The Taxable Person must provide any clarifications and related documents to the Bureau immediately upon request.
- C- The Bureau shall examine the application to ensure that it meets the requirements and notify the Taxable Person of its decision to approve or reject his application upon reviewing it.
- D- The Taxable Person exempted from registration must immediately notify the Bureau, should he begin any supply other than his zero-rated supply, within a period not exceeding thirty days as of the date of beginning the said supply.
- E- The Taxable Person exempted from registration, who ceases to fulfill part or all of the conditions set forth in this Article, shall undertake to register for tax purposes within thirty days of the date on which the reason for the exemption ceases to exist.

Article (36)
Mandatory Registration for Non-Residents

Each non-resident in the Kingdom who is not registered at the Bureau and obligated to pay the tax in the Kingdom, must submit a registration request to the Bureau within thirty days as of the date of the first taxable supply, either directly or by appointing a tax representative. Upon the Bureau's approval, he shall fulfill all the obligations stipulated in the Law and in these Regulations.

Article (37)
Registration Applications

- A- The registration application must include, at least, the following information:

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- 1- Name and address of the applicant.
 - 2- Email address to be used to communicate with the Bureau.
 - 3- Commercial Register number and customs registration number, if any.
 - 4- Details regarding the taxable activity.
 - 5- Commencement date of the activity and date of fulfilment of the taxability conditions in case of mandatory registration.
 - 6- Value of actual and expected annual supply, for registration purposes.
 - 7- Indicate the nature of supply and if it is exempted from tax or zero-rated.
 - 8- Indicate if the applicant is an exporter and the percentage of annual export transactions out of the total value of his annual supply.
 - 9- Details on the Taxable Person's authorized signatories, for tax purposes.
- B- Should the registration application be accepted, the Bureau shall issue to the Taxable Person a registration certificate which includes the date of entry into effect and the tax registration number. Should the registration certificate be lost or destroyed, the registrant must obtain another registration certificate.
- C- The Taxable Person must display the tax registration certificate issued by the Bureau in a visible place at his facilities.

Article (38)
Tax Group

- A- The Bureau may register two or more taxable and resident legal persons as one tax group, upon their request, when the following conditions are met:
- 1- They must be Related Persons.
 - 2- Each one of them must be registered for tax purposes on the date of submittal of the tax group registration application.
- B- A person may not be member of more than one tax group in the Kingdom.
- C- Each member of the tax group shall be jointly liable for the tax due from the group and for tax obligations occurring during the membership of the said member in the tax group.
- D- Transactions between members of the same tax group shall not be considered as supply for tax purposes.
- E- No member of the tax group may withdraw therefrom less than twelve months after joining the tax group.

Article (39)
Tax Group Representative

- A- The tax group must appoint one of its members as representative of the group by virtue of a power of attorney.

- B- The tax group representative must comply with all tax obligations of the group, without prejudice to the joint liability of the tax group members, including the following:
- 1- Submit a request to form the tax group on its behalf, using the form prepared for this purpose by the Bureau.
 - 2- Notify the Bureau of member withdrawal requests or new join requests.
 - 3- Notify the Bureau of the request to dissolve the group further to the group's decision, for any reason whatsoever, or when the tax group ceases to fulfill the conditions for registering as a tax group.

Article (40)
Registration of Related Persons

- A- The value of annual supply made separately by Related Persons shall be added to determine the total value of annual supply for the purpose of registering in the Kingdom as Related Persons.
- B- Related Persons must have financial, economic and organizational bonds.
- C- Should the total value of annual supply exceed the mandatory registration threshold, each of the concerned Related Persons must submit an individual registration application to the Bureau and the Bureau may automatically register these persons, or when they are found to have separated their businesses to avoid tax registration.

Article (41)
Obligations Arising When Exiting the Tax Group

- A- Any adjustment related to a supply, receipt or import transaction made by any member of the tax group during his membership in the tax group shall be considered as an adjustment made by a Taxable Person, not by the tax group, provided that the said adjustment is not related to transactions between the tax group members.
- B- The value of any adjustment related to capital assets acquired by the member during his membership in the group shall be considered as an adjustment made by the member, not by the tax group.

Article (42)
Tax Group Registration Procedures

- A- The tax group representative must submit a tax group registration application using the form prepared by the Bureau for this purpose.
- B- The tax group registration application must contain, at least, the following information:
- 1- Name of the tax group representative and registration number.

- 2- Name and registration number of each member of the tax group.
 - 3- Details regarding the financial, economic or organizational bonds between each and every member of the tax group.
 - 4- Formal power of attorney appointing the representative, made by the group members.
 - 5- Written approval from the person appointed by the group as representative, accepting to represent the tax group.
- C- The tax group representative must provide the Bureau with any documents validating the information included in the application, within thirty days of their request.
- D- The Bureau must render a decision regarding the tax group registration application, either approving or rejecting it, within thirty days of the date of submittal of the application. The Bureau must notify the decision to the tax group.
- E- Tax group registration applications must be rejected in any of the following cases:
- 1- If the information included in the application is found to be incorrect or if one of the conditions for registering as a tax group according to the Law is not met.
 - 2- If there are reasonable grounds suggesting that registration as a tax group may put tax revenues at risk.
 - 3- If one of the members of the tax group is a government entity.
- F- Should the tax group registration application be approved, the Bureau shall issue a new tax registration number for the tax group and a new tax registration certificate accordingly. It shall also set the date of entry into effect of the tax group registration.

Article (43) **Amendment of Registration Information**

The Taxable Person must notify the Bureau, using the form prepared by the Bureau for this purpose, of any changes to his information, operations or activities in the Kingdom or to any other key information included in the registration application, within thirty days as of the date of the change.

Article (44) **Voluntary Registration**

- A- The voluntary registration threshold is set at eighteen thousand seven hundred fifty dinars.
- B- The voluntary registration application shall be submitted to the Bureau by the person who is not obligated to register, using the form prepared for this purpose. The Bureau shall review and examine the application and inform the applicant of the result of the examination, either approving or rejecting the application, within sixty days of its submittal.

- C- The voluntary registrant must remain registered for a period of no less than twenty-four months as of the registration date, unless he ceases his activities definitively prior to that date. In this case, the person must submit sufficient documentary evidence to prove to the Bureau that he has ceased his activities.

Article (45) **De-Registration**

- A- A person required to de-register when one of the following cases of de-registration occurs must submit a de-registration application using the form prepared by the Bureau for this purpose, within thirty days of the date on which the reason for the de-registration occurred.
- B- The Bureau may request from the Taxable Person documents showing his ceased economic activity or proof of the value of his actual or expected annual supply, as well as any other documents that the Bureau deems necessary to examine the de-registration application.

Article (46) **De-Registration Application**

The de-registration application must include, at least, the following information:

- 1- Name of the Taxable Person requesting de-registration.
- 2- Registration number of the Taxable Person and date of entry into effect.
- 3- Grounds for requesting de-registration.
- 4- Date on which the Taxable Person ceased his taxable supply, if the grounds for de-registering is cessation of his economic activity.
- 5- Value of annual taxable supply in the last twenty-four months.
- 6- Value of expected annual supply in the twelve months to come.

Article (47) **Decisions on De-Registration Applications**

- A- The Bureau must render its decisions on de-registration applications within thirty days of their submittal. It must notify the decision to approve or to reject the applications to the applicants.
- B- Upon approving the de-registration request, the Bureau shall notify the Taxable Person of his de-registration. The said notification shall only be issued after the Taxable Person has:
- 1- Paid the due tax and fines.
 - 2- Submitted all tax returns related to the tax period.

- C- The Bureau shall specify the date of entry into effect of the de-registration in the de-registration decision.
- D- The person who is de-registered must comply with the following:
 - 1- Refrain from presenting himself as being a registrant, in any way whatsoever.
 - 2- Keep books, records and invoices related to his supply for a period of five years as of the date of de-registration and give the Bureau's employees access to them, upon request.

Chapter 9

Tax Period and Tax Returns

Article (48)

Tax Period

- A- Tax periods shall be determined as follows:
 - 1- One Gregorian month for the Taxable Person having a value of annual supply declared for the purpose of registering for tax purposes amounting to three million dinars.
 - 2- One quarter of the Gregorian calendar for the Taxable Person having a value of annual supply declared for the purpose of registering for tax purposes not exceeding three million dinars, as set below:
 - A) First quarter: From the 1st of January until the 31st of March.
 - B) Second quarter: From the 1st of April until the 30th of June.
 - C) Third quarter: From the 1st of July until the 30th of September.
 - D) Fourth quarter: From the 1st of October until the 31st of December.
- B- As an exception to the provisions of Paragraph (A) above, the Bureau may amend the tax period at its own discretion. The Bureau must notify the Taxable Person of the new tax period, no less than three months prior to the date of entry into effect of the new period.
- C- The Taxable Person having a value of annual supply not exceeding three million dinars may submit a request to amend the tax period to one month. Should the Bureau approve this request, it must issue a notification to the applicant in this regard, showing the date of entry into effect of the new tax period.

Article (49)

Tax Return Submittal

- A- The Taxable Person must submit to the Bureau a tax return for each tax period, no later than the last day of the month following the end of the tax period.
- B- The Taxable Person must declare, at least, the following information in the tax return:

- 1- Value of the taxable supply at the standard rate and value of the tax due thereon for the tax period covered by the tax return.
- 2- Value of the taxable supply at zero rate related to the tax period covered by the tax return.
- 3- Value of the goods and services supplied to the Taxable Person and for which he is obligated to pay the tax, as well as the value of the tax due thereon for the tax period covered by the tax return.
- 4- Value of the tax due on import and subject to deferred payment, for the tax period covered by the tax return.
- 5- Value of increase in tax due as a result of tax adjustment.
- 6- Total value of tax due for the tax period.
- 7- Total value of input of the Taxable Person and value of the deductible tax related to the said input and related to the tax period covered by the tax return.
- 8- Value of net tax recoverable from previous periods.
- 9- Value of deductible tax related to import transactions.
- 10- Value of additional deductible tax resulting from deduction adjustment.
- 11- Total value of deductible tax for the tax period covered by the tax return.
- 12- Net due or recoverable tax.

Article (50)
Tax Return Submittal Procedures

- A- The Taxable Person must submit a tax return to the Bureau in electronic form, using the mechanism prepared for this purpose.
- B- The Taxable Person shall obtain, from the Bureau, credentials that allow him access to his webpage. He must keep the said credentials and must not allow any third party access thereto or use thereof.
- C- Upon receiving the tax return, the Bureau shall send an acknowledgment receipt to the Taxable Person via email.
- D- The electronic tax return receipt shall be considered as a formal acknowledgment of receipt of the tax return. The date on which the tax return is submitted via the Bureau's website shall be considered as the actual date of submittal of the tax return.
- E- By submitting the tax return via the Bureau's website, the Taxable Person approves and acknowledges that the information contained therein is correct and provided by the Taxable Person.

Article (51)
Tax Return Amendment

- A- In case of errors in the tax return, resulting in a net tax amount that is too low or too high, the Taxable Person must submit an amended tax return following the same mechanism, using the form prepared by the Bureau for this purpose.
- B- The amended tax return shall include, in addition to the information included in the original tax return, a description of the amended amounts, the original amounts, the differences and the grounds for the amendment.
- C- The amended tax return must be submitted within thirty days as of the date on which the Taxable Person becomes aware of the error in his tax return, before the Bureau initiates its control and investigation procedures.
- D- The amended tax return shall cancel and supersede the original tax return.
- E- No administrative fines shall be imposed on the Taxable Person for submitting an amended tax return when the said tax return is submitted within the deadline set in this Article.
- F- As an exception to Paragraph (A) of this Article, the Taxable Person may correct any errors resulting in a net due tax of less than five thousand dinars using the tax return of the tax period following the original tax period.

Chapter 10
Tax Invoice and Relevant Documents

Article (52)
Tax Invoice

- A- The tax invoice shall include at least the following:
 - 1- The words “Tax Invoice” clearly displayed.
 - 2- Name and address of the Taxable Person and registration number.
 - 3- Name and address of the customer.
 - 4- Date of issuance of the tax invoice, date of supply or date of payment, where they differ from the date of issuance of the tax invoice.
 - 5- Serial number of the invoice.
 - 6- Description of supplied goods or services.
 - 7- Quantity of supplied goods.
 - 8- Value of supply in dinars, while indicating the unit price exclusive of tax, in dinars.
 - 9- Value of discounts, if any, and net supply value, in dinars.
 - 10- Rate and amount of tax charged.
 - 11- Total amount due on the supply, inclusive of tax, in dinars.
 - 12- Prevailing exchange rate, where a currency other than the dinar is used.

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- 13- Explicit indication that the tax is calculated based on the profit margin, where the calculation of due tax is subject to a profit margin scheme.
 - 14- Explicit reference to the exclusion or exemption of the transaction from the tax.
- B- The Taxable Person must issue a tax invoice upon supplying any goods or services to a non-resident person.
- C- A Taxable Person obligated to pay the tax pursuant to the reverse (charge) calculation mechanism must indicate the value of tax due in respect of the transaction price, in dinars, on the invoice issued to the Taxable Person by the supplier residing outside the Kingdom.
- D- Should the Taxable Person issue one or more copies of the original tax invoice, each copy shall be clearly marked as a “True Copy”. No deductions may be made in the absence of the original tax invoice.
- E- In the event that the original tax invoice is lost or destroyed, the supplier may issue an identical invoice and include a statement on the said invoice indicating that it has been issued as a replacement for the original tax invoice.
- F- The Taxable Person shall keep photocopies of all tax invoices issued by him for a period of five years from the end of the Gregorian year during which the said invoices were issued.
- G- A taxable customer receiving goods or services supplied by a taxable supplier may issue tax invoices on behalf of such supplier if:
- 1- A written agreement is entered into between the two parties authorizing the customer to issue the tax invoice.
 - 2- The supplier undertakes not to issue any tax invoices in respect of the transaction in question.
 - 3- A scheme allowing the supplier to approve each tax invoice issued by the customer on behalf of the supplier is in place.
 - 4- The tax invoice clearly states that it is issued by the customer on behalf of the supplier.
 - 5- The customer keeps a copy of each tax invoice issued by him on behalf of the supplier.
 - 6- The invoice issued by the customer on behalf of the supplier satisfies the tax invoice requirements provided for in the Law and these Regulations.
- H- A Taxable Person making several supply transactions in favor of a single customer within a period not exceeding one month may issue a concise tax invoice that shall be treated as a tax invoice. The said invoice must fulfill the same tax invoice requirements set forth in the Law and these Regulations.
- I- As an exception to the provisions of Paragraph (A) of this Article, a bank account statement shall be treated as a tax invoice, provided that it contains the following information:
- 1- Name, address and registration number of the taxable bank in the Kingdom.

- 2- Customer name and address.
- 3- Date of issuance of the bank account statement.
- 4- Tax rate applicable to each supply.
- 5- Amount of tax in respect of each supply.

Article (53)

Issuance of Simplified Tax Invoices under Special Cases

- A- As an exception to the provisions of Article (52) of these Regulations, a Taxable Person may issue simplified tax invoices in any of the following cases:
- 1- If the Customer is not registered for tax purposes in the Kingdom.
 - 2- If the Consideration does not exceed five hundred dinars.
- B- A simplified tax invoice must include, at least, the following:
- 1- Name and address of the taxable supplier and registration number.
 - 2- Date of issuance of the simplified tax invoice.
 - 3- Description of goods and services supplied.
 - 4- Total value of supply after tax, in dinars.
 - 5- Rate and amount of tax charged, in dinars.

Article (54)

Amendment of Tax Invoice (Credit/Debit Note)

- A- The Taxable Person must issue a rectified document in cases where the tax invoice or replacement document is amended after issuance of the tax invoice, subject to the following:
- 1- If the value of tax due on the supply exceeds the tax collected by the Taxable Person, the Taxable Person must issue a debit note and calculate the amount of tax due by way of increase during the tax period during which the said underpayment was identified.
 - 2- If the value of tax collected by the Taxable Person exceeds the actual value of tax due on the supply, the Taxable Person must issue a credit note and deduct the surplus during the tax period during which such overpayment was identified.
- B- The credit note and debit note must include at least the following:
- 1- The words “Credit Note” or “Debit Note”, as the case may be, pursuant to Paragraph (A) of this Article.
 - 2- Name and address of the Taxable Person and registration number.
 - 3- Name and address of the customer.
 - 4- Serial number of the credit/debit note.
 - 5- Date of issuance of the credit/debit note.

- 6- Number of the original tax invoice or original document, subject of the correction.
- 7- Rectified value of supply and value of tax to be rectified, in dinars.

Article (55)
Fils Fractions

Should the tax calculation involve fils fractions, the Taxable Person may round up the amount to the nearest fils, according to rounding rules.

Article (56)
Keeping Tax Invoices and Relevant Documents

- A- The Taxable Person may issue and keep tax invoices, credit/debit notes and any other documentary evidence of his supplies, electronically, provided that the devices used by the Taxable Person to this end shall be equipped to issue such invoices and documents in hard copy form, according to a chronological order and number sequence and in such a way as to prevent the addition or removal of any entries or prevent any subsequent amendments. This must also allow the Bureau to ensure proper registration and bookkeeping.
- B- The Taxable Person who wishes to issue and keep tax invoices and documents electronically must obtain prior approval of the Bureau.

Chapter 11
Tax Deduction and Adjustment

Article (57)
Input Tax Deduction

- A- The Taxable Person may deduct the Input Tax paid by or due from him in the course of performing his economic activity for the purpose of making the following supplies:
 - 1- Taxable supplies, including zero-rated supplies.
 - 2- Internal supplies.
 - 3- Supplies that are made, or prepared as if made, outside the Kingdom, provided that the Input Tax would have been deductible had they been made in the Kingdom.
- B- The following documents shall be held by the Taxable Person:

- 1- Original tax invoices for goods and services supplied to the Taxable Person, which shall contain all required information, in accordance with the provisions of the Law and these Regulations.
 - 2- Customs documents pertaining to imports made by the Taxable Person, proving that he is the importer of the goods according to the GCC Common Customs Law.
 - 3- Tax invoices issued by the taxable customer on behalf of the supplier, according to the provisions of these Regulations.
 - 4- Any other commercial documents evidencing that the Taxable Person has paid the due tax.
- C- The Taxable Person may not deduct the Input Tax in any tax period which falls more than five years after the end of the Gregorian year during which the right to deduct the Input Tax arose.
- D- The Taxable Person shall not be required to adjust the Input Tax in cases where the goods supplied to the Taxable Person have been lost, destroyed or stolen. In such events, the Taxable Person must provide evidence of such loss, destruction or theft through an official report or must establish that such destruction is attributable to the nature of the goods per se.

Article (58)

Non-Deductible Input Tax

- A- Input Tax borne by the Taxable Person for purposes other than his economic activity may not be deducted when the said tax relates to goods or services intended for personal or recreational use, such as:
- 1- Tax paid for recreational services provided to individuals at the Taxable Person, such as hospitality, accommodation, and food and beverage services that are not provided in the usual course of business.
 - 2- Tax paid to access events and recreational trips.
 - 3- Tax paid for goods and services used by staff members free of charge for personal purposes, with the exception of taxes levied pursuant to other applicable laws in place in the Kingdom.
- B- Input Tax related to vehicles provided by the Taxable Person to his employees may only be deducted proportionally to their use for business purposes. The provisions of this Paragraph shall only apply with respect to Input Tax pertaining to vehicle-related supplies, such as servicing, repair and insurance.
- The controls and conditions for vehicle-related Input Tax deductions shall be determined by a decision of the Bureau's CEO.
- C- The provisions set forth in Paragraph (B) of this Article shall not apply to the following categories of vehicles:
- 1- Vehicles rented by rental agencies.

- 2- Vehicles registered and used for emergencies, such as police cars, ambulances, fire trucks, etc.
- 3- Taxis and buses licensed by the Ministry of Transportation and Telecommunication.
- 4- Buses, trucks, cranes and any other similar vehicles which can only be used as part of the economic activity.

Article (59) **Proportional Deduction**

- A- Input Tax borne by the Taxable Person and exclusively and directly attributed to supplies that carry the right to deduct under the Law and these Regulations may be deducted in full.
- B- Input Tax borne by the Taxable Person and exclusively and directly attributed to supplies that do not carry the right to deduct under the Law and these Regulations may not be deducted.
- C- Where the Input Tax is related to goods and services used in relation to taxable supplies and non-taxable supplies, and where the Taxable Person is incapable of determining the rate of Input Tax exclusively and directly in respect of any of such supplies, the Taxable Person shall use the deduction rate for the purpose of exercising the right to deduct.
- D- For the purposes of this Article, deduction rate shall mean the ratio between the total value of supplies that carry the right to deduct (numerator) and the total value of all supplies made by the Taxable Person, including those that do not carry such right (denominator).
- E- The value of the following transactions is not included in the calculation of deduction rate:
- 1- Supplies of capital assets intended for use in the Economic Activity.
 - 2- Incidental supplies that do not represent the Taxable Person's main activity.
 - 3- Supplies that are made outside the Kingdom through a subsidiary of the Taxable Person outside the Kingdom.
 - 4- Transactions made outside the Scope of Tax.
- F- At the end of each tax period, the Taxable Person shall determine the deduction rate calculated based on the actual value of supplies made during such period.
- G- At the end of each tax year, the Taxable Person shall calculate the deduction rate based on the actual value of supplies made during such year. In the cases where the deduction rate calculated yearly shall differ from the total amount of Input Tax actually deducted during the tax year, the Taxable Person shall reconcile such difference, provided that such reconciliation shall be made during the last tax period of the relevant year or otherwise during the first tax period of the following tax year.

- H- For the purposes of adjusting the Input Tax on capital assets, tax year shall mean the period of twelve consecutive months consisting of either four tax periods (quarters) or twelve tax periods (months), as may be determined by the Bureau.
- I- The deduction rate calculated as a percentage shall be rounded to the nearest decimal.
- J- Subject to the approval of the Bureau, the Taxable Person may use other methods for calculating the deduction rate reflecting the economic activity of the Taxable Person.
- K- The Bureau may require the Taxable Person to use another method for calculating the deduction rate when the calculation method provided for in this Article does not offer a fair and reasonable reflection of his economic activity.

Article (60)
Adjustment of Input Tax on Capital Assets

- A- For the purposes of adjusting the Input Tax on capital assets, the useful life of capital assets shall be as follows:
 - 1- No less than five years for intangible assets and tangible movable assets.
 - 2- No less than ten years for immovable tangible assets.
- B- The period during which the Taxable Person may adjust the Input tax on capital assets shall be calculated as follows:
 - 1- Five years for movable, tangible capital assets and intangible capital assets, commencing on the tax year during which such capital assets were first used. Each subsequent year shall commence after the end of the previous tax year.
 - 2- Ten years for tangible immovable assets, starting from the tax year during which such capital assets were first used. Each subsequent year shall commence after the end of the previous tax year.
- C- The Taxable Person shall deduct the Input Tax in accordance with the provisions of Articles (42), (43) and (45) of the Law during the first tax year in which the capital assets are first used, according to the deduction rate expressed as a percentage.
- D- At the end of each subsequent year within the adjustment period, the Taxable Person shall calculate the deduction rate as a percentage of capital assets, in accordance with the provisions of Articles (42) and (45) of the Law.
- E- In the event of any discrepancies between the deduction rate of the first year and that of a subsequent year, the Taxable Person shall make an adjustment for such discrepancies using the following equation:
 - 1- For intangible capital assets and movable tangible capital assets, the equation shall be as follows:

(Total Input Tax incurred on the asset x 20%)

X

(Next relevant year's rate less first year's rate)

- 2- In the case of an immovable tangible capital asset, the equation shall be as follows:

(Total Input Tax incurred on the asset x 10%)

X

(Next relevant year's rate less first year's rate)

F- The Taxable Person shall declare the adjustment resulting from the application of the equation under Paragraph (E) of this Article in the last tax period of the next relevant year or otherwise in the first tax period of the next tax year.

G- Should the Taxable Person transfer the capital asset by way of sale during the adjustment period, the adjustment shall be made as follows:

- 1- If the transfer of the capital asset is subject to Tax, the Taxable Person shall make a one-time adjustment, according to the following:

- a) For intangible capital assets and movable tangible capital assets, the equation shall be as follows:

**(remaining years in the adjustment period/ 5x
total Input Tax incurred on the asset)**

X

(100% less first year's rate)

- b) For immovable tangible capital assets, the equation shall be as follows:

**(remaining years in the adjustment period/ 10x
Total Input Tax incurred on the asset)**

X

(100% less first year's rate)

- 2- In the event that the transfer of capital asset is exempted from Tax, the Taxable Person shall make a one-time adjustment, according to the following:

- a) For intangible capital assets and movable tangible capital assets, the equation shall be as follows:

**(Remaining years in the adjustment period/ 5x
Total Input Tax incurred on the asset)**

X

(0% less first year's rate)

- b) For immovable tangible capital assets, the equation shall be as follows:

**(Remaining years in the adjustment period/ 10x
Total Input Tax incurred on the asset)**

X

(0% less first year's rate)

- H- The Taxable Person shall declare the adjustment resulting from the application of the corresponding equation under Paragraph (G) of this Article in the last tax period of the tax year in which the transfer of the capital asset took place or otherwise in the first tax period of the next tax year.
- I- No adjustment needs to be made in the event of destruction or loss of the capital asset before the adjustment period has lapsed. The Taxable Person shall notify the Bureau of such occurrence prior to the end of the tax year in which such destruction or loss took place.
- J- In the event that the Taxable Person shall transfer his capital assets in connection with the assignment of his Economic Activity, the following shall apply:
- 1- The adjustment period in which the assignment takes place shall end on the day preceding the assignment date. The Taxable Person shall make the necessary adjustment for such year in the tax period in which the assignment takes place.
 - 2- The next adjustment year shall commence on the day of assignment. The adjustment for such year shall be made by the assignee at the end of the year, starting from the date of assignment, and the adjustment shall continue to be made for the remaining years in the adjustment period in the same manner.
- K- Tax on capital assets shall be adjusted when the Taxable Person enters into the tax group, according to the following:
- 1- The adjustment year shall end on the day preceding the Taxable Person's entry into the tax group. The Taxable Person shall make the adjustment for such year in the tax period in which entry into to the tax Group took place.
 - 2- The next adjustment year shall commence on the day the Taxable Person enters into the tax group. The tax group shall make the adjustment for such year at the end of the tax year commencing on the date of entry into the tax group.

Adjustments shall continue to be made for the remaining years in the adjustment period in the same manner.

- L- In the event that the Taxable Person's tax group membership ends and the Taxable Person is subject to Tax independently, the following shall apply in respect of his capital assets:
- 1- The adjustment year during which his tax group membership ends shall end on the day preceding the membership end date. The tax group shall make the necessary amendments in respect of such year in the tax period during which the end of membership took place.
 - 2- The following adjustment period shall commence on the date when the person's membership in the tax group ends. Such person shall make the necessary adjustments for such year at the end of the tax year commencing on the date of end of membership. The adjustment shall continue to be made for the remaining years in the adjustment period in the same manner.

Article (61)
Right to Deduct Pre-Registration Input Tax

- A- The Taxable Person may deduct the Input Tax borne in respect of goods and services supplied to the Taxable Person or imported by the Taxable Person prior to his registration for tax purposes, if and to the extent that:
- 1- The goods are supplied to, or imported by, the Taxable Person within a period not exceeding five years from the effective date of his registration for tax purposes and are still in his possession on the effective date of his registration for tax purposes.
 - 2- The services are supplied to the Taxable Person within a period not exceeding six months from the effective date of his registration for tax purposes.
 - 3- They are supplied to, or imported by, the Taxable Person as part of his economic activity that confers upon him the right to deduct, in accordance with the provisions of the Law and these Regulations.
- B- The Taxable Person may deduct the Input Tax borne in respect of capital assets supplied to, or imported by, the Taxable Person prior to his registration for tax purposes, to the extent that:
- 1- These capital assets have a positive net book value on the effective date of the Taxable Person's registration for tax purposes.
 - 2- The capital assets are supplied to, or imported by, the Taxable Person for the purposes of his Economic Activity which carries a right to deduct, in accordance with the provisions of the Law and these Regulations.
- C- The maximum deductible Input Tax related to a capital asset acquired or imported by the Taxable Person prior to the effective date of his registration for tax purpose shall be calculated based on the net book value of the capital asset as determined under the accounting practices of the Taxable Person.
- D- For the purpose of calculating the adjustment period applicable to capital assets acquired or imported by the Taxable Person prior to the effective date of his registration for tax purposes, the first year of the adjustment period shall be deemed to commence on the date of commencement of use of the capital asset by the Taxable Person.

Article (62)
Rules for Deducting Input Tax before Registration Date

- A- The Taxable Person shall deduct the deductible Input Tax, in accordance with the provisions of Article (61) of these Regulations on the Tax Return of the first tax period following registration.

- B- For the purposes of Paragraph (A) of this Article, the Taxable Person shall provide the Bureau with a list allowing it to determine to the deductible amount of tax in relation to relevant purchases, in addition to the following:
- 1- Inventory of merchandise and raw materials available at the Taxable Person's premises on the effective date of his registration, indicating the detailed quantity, quality and price of stock inventory and raw materials, the date of purchase of each of them and the value of Input Tax paid in relation thereto.
 - 2- Inventory of all capital assets available within the Taxable Person's premises on the effective date of his registration, detailing their quality, as well as the date of purchase of each of them and the value of tax paid in respect of each transaction separately.
 - 3- Copies of Tax Invoices issued by the supplier of goods and services.
 - 4- Customs information, in the case of import.
- C- The Bureau may take the necessary control measures to validate and verify inventory and asset-related data on a case-by-case basis. The Bureau may request the Taxable Person to review the necessary documents to verify the information provided by the Taxable Person.

Chapter 12 **Tax Payment**

Article (63) **Tax Payment Rules**

- A- The Taxable Person shall pay the net tax payable by the Taxable Person with his Tax Return for each tax period by no later than the last day of the month following the end of the relevant tax period.
- B- Where a Taxable Person does not submit his Tax return or where it has been established that the Taxable Person has miscalculated the Tax, the Taxable Person shall pay the Tax, taxation differences and administrative penalties due (if due) according to the estimates issued by the Bureau within thirty days from the date upon which the Taxable Person is notified of the estimates result or prior to the date indicated in the estimate notification.
- C- Subject to the provisions of the Law pertaining to administrative penalties and sanctions, any person who issues an invoice containing a payable amount of tax due shall pay such amount to the Bureau, irrespective of whether the transaction is non-taxable or subject to tax at zero rate or otherwise exempted from tax partially or fully and classified as a taxable transaction incorrectly.
- D- The Taxable Person shall pay the payable tax according to the reverse calculation mechanism after declaring it under his Tax Return.

Article (64)
Tax Payment Mechanism

- A- The Tax, taxation differences and administrative penalties payable to the Bureau shall be paid electronically, according to the mechanism designated by the Bureau.
- B- Upon payment of payable tax, the Taxable Person shall provide all details pertaining to his registration number and determine the Tax period in respect of which the Tax is being paid.
- C- Each Taxable Person has an individual tax account kept by the Bureau. The account shows the tax payable for each tax period, the current balance related to the total tax payable thereby, administrative penalties, charges and any other payable amounts.
- D- The details of the Taxable Person's tax account are available electronically, to allow the Taxable Person access to his account, according to the mechanism designated by the Bureau.
- E- The Taxable Person may file a request with the Bureau to pay the payable net tax in respect of a given tax period by instalments, if and to the extent that it has been established that the Taxable Person is incapable of paying the payable amount of tax in full within the period prescribed by the Law. The Bureau shall decide on the request within thirty days from its filing date and shall notify the applicant of its approval or rejection decision through the means prescribed by the Law. Should such request be approved by the Bureau, the Taxable Person shall pay the instalments within the deadlines indicated in the approval decision. In the event that the Taxable Person fails to pay any instalment within the prescribed deadlines, the remaining instalments shall become payable immediately.

Article (65)
Payment of Tax Due on Import

- A- The tax due on import shall be paid to Customs Affairs at the Ministry of Interior and shall be collected according to the procedures in place for paying and collecting customs duties.
- B- Where tax is suspended pursuant to the conditions set forth in the Law, the Tax shall become due on the date of release of the goods and shall be paid to the Customs Affairs at the Ministry of Interior and collected according to the procedures in place for paying and collecting customs duties.
- C- With respect to deferred tax on import pursuant to the provisions of the Law, the Taxable person shall include in his Tax Return for the relevant tax period the deferred tax as a due deductible tax, according to the terms and conditions provided for in the Law and these Regulations.

Chapter 13

Domestic Reverse Charge Mechanism

Article (66)

Domestic Reverse Charge Mechanism

- A- A Taxable Person who engages primarily in internal supplies or goods export transactions shall file a request with the Bureau on the form prepared for this purpose by the Bureau to apply the domestic reverse (charge) calculation mechanism to some of his goods and services purchases that are subject to tax at standard rate and satisfy the requirements referred to in Paragraph (D) of this Article.
- B- If, after ensuring all requirements are satisfied, the Bureau approves the Taxable Person's request, a certificate shall be issued to the Taxable Person conferring upon him the right to use the domestic reverse charge mechanism for his purchases.
- C- Should the Taxable Person provide a copy of the certificate issued by the Bureau to a taxable person receiving the goods or services and satisfying all requirement, the following shall be observed:
- 1- The tax on the import of such goods or services shall not be calculated by the taxable supplier.
 - 2- The Taxable Person receiving the goods or services shall calculate the tax due on such goods or services and declare it on his tax Return.
- D- The Bureau's approval of the domestic reverse charge mechanism request is conditional upon the following:
- 1- The tax due on goods or services supplied to the Taxable person shall be fully refundable by the Taxable Person as Input Tax.
 - 2- The Taxable Person shall prove that the total value of internal supplies and export transactions made by the Taxable Person exceeds (50%) of the total value of his supplies.
 - 3- The Taxable Person shall provide reasonable justifications to the Bureau proving that the net tax under his tax return will be always refundable and that the refundable amount has a significant impact on his financial situation.
- E- Where any of the conditions set forth in Paragraph (D) of this Article is no longer satisfied and, after having obtained the approval of the Bureau, the Taxable Person shall notify the Bureau within maximum thirty days from the date any requirement is no longer satisfied. In such event, the Bureau shall revoke its approval in respect of using the domestic reverse charge mechanism.
- F- In any event, the Bureau may revoke such approval by a notice to the Taxable Person indicating the effective date of such revocation.

Chapter 14

Charging at Zero Rate

Article (67)

Export of Goods to Outside the Territory of the Implementing States and Supply of Goods to, or under, a Duty Suspension Arrangement

- A- The tax at zero rate (zero rate) shall apply to the export of goods to outside the territory of the Implementing States. It shall also apply to the import of goods to, or under, a duty suspension arrangement, if and to the extent that:
- 1- The goods are actually exported to a place outside the Implementing States or supplied to, or under, a duty suspension arrangement, within ninety days from the date of supply.
 - 2- The goods are exported or supplied to, or under, a duty suspension arrangement by the Taxable Person or the Customer directly or for their account.
 - 3- These goods are not altered or used in the Kingdom or supplied to a third person in it between the date of supply and the date of transport to outside the Implementing States or to, or under, a duty suspension arrangement. This excludes the activities necessary to prepare the goods for export.
 - 4- The Taxable Person keeps the commercial and official documents evidencing transport to outside the Implementing States or to, or under, a duty suspension arrangement.
- B- Documents evidencing the export or supply of goods to or under a duty suspension arrangement include:
- 1- Documents issued by the Ministry of Interior's Customs Affairs or evidencing export or import to or under duty suspension arrangement.
 - 2- Commercial documents showing the identity of the supplier and customer, place of delivery of goods and destination, including the bill of lading, airway bill, certificate of receipt and any other relevant documents.
 - 3- Transport documents indicating the delivery or receipt of goods outside the territories of the Implementing States.
- C- Where export or supply to, or under, a duty suspension arrangement is not evidenced, the Bureau may refuse to treat the supply as being subject to tax at zero rate.

Article (68)

International Transport of Passengers and Goods and Relevant Services

- A- The zero rate shall apply in respect of the services of transport of passengers and goods from or to the Kingdom, which begin or end in the Kingdom or pass through

its territories, including relevant services and supply of relevant means of transport, in the following cases:

- 1- Transport of passengers or goods from the Kingdom to the final place of arrival outside the Kingdom.
- 2- Transport of passengers or goods from a place outside the Kingdom to the final place of arrival in the Kingdom.
- 3- Transport services within the Kingdom if such transportation is part of the supply of transport services from the Kingdom to a final place of arrival outside the Kingdom or from a place outside the Kingdom to a final place of arrival in the Kingdom.

B- In international transport, transportation shall be done using qualifying means of transport.

C- The zero rate shall apply to the supply of services and goods directly or incidentally related to the international transport of passengers and goods, including the following supplies:

- 1- Supply of goods and services for use or consumption aboard qualifying means of transport.
- 2- Loading and unloading machinery and equipment used for the transport of goods, loading of goods, unloading, transport, stacking, packing, weighing, measurement, control, and expert services (including services related to experts and commissions pertaining to export transactions and transport of goods destined for export).
- 3- Hire of containers and equipment to protect goods destined for export.
- 4- Hire of machines and equipment used for the transport of goods destined for export.
- 5- Guarding and storage of goods destined for export.
- 6- Packaging of goods intended for export.
- 7- Transactions made by clearing agents approved by the customs department and necessary for export transactions.
- 8- Visa transactions and relevant services and passenger insurance transactions.

D- The zero rate shall apply to the supply of qualifying means of transport and the supply of goods and services pertaining to their servicing, repair or transformation, including the supply of spare parts, consumables and other necessary components installed or integrated into the means of transport.

Article (69)

Primary and Preventive Healthcare Services

A- The zero rate shall apply to primary and preventive healthcare services. These services shall be classified as qualifying medical services provided by qualifying

medical specialists or qualifying medical institutions, in accordance with the applicable laws and legislations in force in the Kingdom.

B- Qualifying medical services include, but are not limited to, the following:

- 1- Public health services.
- 2- Specialty services, including surgeries.
- 3- Dental services.
- 4- Psychologic and psychiatric treatment services.
- 5- Occupational health or surgical services.
- 6- Speech therapy.
- 7- Physiotherapy provided by a qualified specialist.
- 8- Vision and hearing screening services.
- 9- Nursing care (including home nursing care).
- 10- Diagnostic services, including analyses and radiology.
- 11- Immunizations and vaccines.
- 12- Health tests and examinations conducted under a local legislation or documented policy or contractual obligation.

C- Cosmetic procedures are not considered as a qualifying medical service, unless they constitute part of a medical treatment prescribed by a qualifying medical practitioner.

D- In the implementation of this Article, qualifying medical institutions shall mean hospitals, therapeutic medical centers, medical complexes, private clinics, alternative medicine centers and all centers and facilities engaged in the practice of para medical professions licensed by the National Health Regulatory Bureau or subject to the supervision of the Ministry of Health. Qualified medical specialists shall mean the persons licensed to practice by the National Health Regulatory Bureau or any other competent medical entity in the Kingdom, namely;

- 1- Health practitioners.
- 2- Midwives.
- 3- Nurses.
- 4- Psychiatrists.
- 5- Dentists.
- 6- Opticians.
- 7- Radiologists.
- 8- Pathologists.
- 9- Paramedics.
- 10- Pharmacists.

Article (70)

Supply of Goods and Services Related to Preventive and Primary Healthcare Services

- A- The zero rate shall apply to the supply of goods and services related to the supply of preventive and primary healthcare services offered to a patient while on treatment.
- B- Goods and services are related to medical service supplies when they constitute a fundamental part of such services and are offered in relation to the supply of qualifying medical services directly to the patient. These include, but are not limited to, the following:
- 1- Medicines, painkillers, dressings and other consumable medical materials used in relation to the qualifying medical services.
 - 2- Lab services offered by qualified persons.
 - 3- Transport services to sick and injured persons.
 - 4- Food and accommodation services offered by the qualifying medical institutions to the patients.
 - 5- Deceased persons' services offered within the qualifying medical institutions.
 - 6- Teleconsultations offered by electronic means, such as telephones and video teleconsultations.
- C- The following goods and services shall be excluded from the goods and relevant services referred to in Paragraph (B) of this Article:
- 1- Supply of food and drinks to any person other than the patient.
 - 2- Parking and valet services.
 - 3- Telephone, internet and electronic services, including TV rental services.
 - 4- Accommodation for persons other than the patient.

Article (71)

Medicines and Medical Equipment

The zero rate shall apply to the supply or import of medicines and medical equipment, as determined by the concerned medical entities in the Kingdom.

Article (72)

Re-Export

- A- The zero rate shall apply to the re-export of transported goods imported temporarily to the Kingdom for repair, renovation, transformation or treatment, subject to the conditions laid down in the Unified Customs Law (Law). This includes goods related to goods imported and re-exported and those that became part thereof, and the goods that became unusable or worthless as a result of using them in relation to repairs, renovations, transformations or treatments.

B- Documents supporting the re-export of goods include:

- 1- Documents issued by the Ministry of Interior's Customs Affairs evidencing re-export.
- 2- Any commercial documents showing the identity of the supplier and customer, place of delivery of goods and destination, including the bill of lading, airway bill, certificate of receipt and any other relevant documents.
- 3- Transport documents evidencing the delivery or receipt of goods outside the GCC territories.

Article (73)

Supply of Services to a Non-Resident Customer

The zero rate shall apply to the supply of services by a taxable supplier residing in the Kingdom to a customer not residing in the territories of the Implementing States, if and to the extent that:

- 1- The services are supplied to a customer with no place of residence in any Implementing State and who was outside the Kingdom when the service was rendered.
- 2- The services relate to physical goods or real estate existing outside the territories of the Implementing States at the time when the service is rendered.
- 3- The services are rendered outside the territories of the Implementing States.
- 4- The benefit of the services rendered shall be outside the territory of the Implementing States.

Article (74)

Supply or Import of Gold, Silver and Platinum

- A- The zero rate shall apply to the supply or import of investment platinum, gold and silver with a purity of at least (99%) and tradable on global bullion markets, according to a certificate issued by the entity concerned with the inspection of precious metals and stones in the Kingdom.
- B- The zero rate shall apply to the first supply after the extraction of gold, silver and platinum for trade purposes.

Article (75)

Supply of Pearls and Precious Stones

- A- The zero rate shall apply to the supply and import of pearls and precious stones.
- B- The supplier shall obtain a certificate issued by the entity concerned with the inspection of pearls and precious stones, indicating their nature.

Article (76)
Construction of New Buildings

- A- The zero rate shall apply to the services of construction of new buildings carried out by the Taxable Person, including the supply of goods provided by the Taxable Person in the course of rendering such construction of new building services.
- B- For the purposes of this Article, a “building” shall mean residential, commercial or industrial buildings, including houses, offices, plants, workshops, retail shops, multi-story parking lots, power plants, oil refineries, LNG plants or oil fields.
- C- Building construction services include the following:
- 1- Construction works.
 - 2- Site permit services.
 - 3- Expansion of existing buildings.
 - 4- Services rendered by engineers and surveyors, and any other similar supervisory services.
- D- Building construction services do not include the following:
- 1- Demolition of existing buildings built on lands on which the new building will be erected.
 - 2- Fees of architects and interior designers.
 - 3- Renovation works.
- E- The supply of goods provided by the Taxable Person in connection with the construction of new buildings include those used, installed or integrated in the building or its site, including the following:
- 1- Construction materials
 - 2- Materials required for the construction of raised floors for server computer rooms.
 - 3- Equipment and machines that are permanently installed as part of a building and cannot be removed without causing damage to the building, or machines and equipment.
 - 4- Goods supplied for the purpose of conducting the necessary civil engineering works to develop the building, including:
 - a) Sewage systems.
 - b) Pipes.
 - c) Roads and pathways required to use and exploit the building.
 - d) Parking lots used by the building’s occupants and visitors.
 - 5- Goods supplied to supply the building with water and communication services.
 - 6- Photovoltaic cells and other devices designed for use in the generation of power and hot water for the building.
- F- The supply of goods provided in connection with the construction of new buildings shall not include the supply of equipment and machines that are not permanently

installed as part of the building and that can be removed without causing damage to the building or equipment or machines, including:

- 1- Furniture not fixed to the building.
- 2- Goods used for landscaping purposes.
- 3- Swimming pools.
- 4- Decorative lighting.
- 5- Paintings, murals and other artworks.
- 6- Carpets.
- 7- Wall partitions.

G- A Taxable Person who supplies services subject to tax at zero rate and other works subject to a different tax treatment in the course of performing a given contract shall fractionalize the contract price to determine the value of each part of the contract that is subject to a different tax treatment, provided that it shall not be less than the fair market value of the supplied goods and services.

H- The zero rate shall not apply to goods and services supplied after construction is completed.

Article (77)

Education Services and Goods and Services Related Thereto

A- The tax shall apply at zero rate to the supply of education services and the goods and services related thereto for nurseries, pre-primary education, primary education, secondary education and higher education.

B- The supply of education services and the goods and services related thereto shall be considered as subject to tax at zero rate if they were provided by a school or an educational institution licensed by the competent entity in the Kingdom and offered to students who joined such school or educational institution.

C- Education services shall not include the following:

- 1- Professional education.
- 2- Vocational training, unless such training is provided by a multi-arts college licensed by the competent entity in the Kingdom.

D- The goods and services related to education services shall include the goods and services related directly to the supply of mandatory education services, including the following:

- 1- Subscription fees, application fees or any type of administrative fees.
- 2- Printed and digital course materials related directly to the curricula.
- 3- Students' accommodation provided by the educational institution to the registered students, provided that such accommodation was built or adapted specifically to be used by students.
- 4- Activities and trips organized by the educational institution for the students, if directly related to the specified curricula.

E- The following goods and services shall not be considered as related to education services:

- 1- School uniforms.
- 2- Food and beverages provided by the educational institution.
- 3- Stationery.
- 4- Activities and trips organized by educational institutions for recreational purposes.
- 5- Electronic devices supplied by an educational institution.

Article (78) **Local Transport**

A- The tax shall apply at zero rate to the supply of transport services of goods and passengers by land, sea or air from one place to another inside the Kingdom.

B- The tax at zero rate shall not apply to the following:

- 1- Transport services provided by a person who does not meet the regulatory requirements or who is not licensed by the competent entities to provide such services.
- 2- Car rental without a driver.
- 3- Transport services for sightseeing or recreational purposes.
- 4- Food delivery services provided by the person supplying the food.
- 5- Transport services for the basic supply of goods or services taxable at the standard rate, and not priced separately from the supply of the goods.

Article (79) **Oil, Oil Derivatives and Gas**

A- The tax at zero rate shall apply to the following:

- 1- Import and supply of processed or unprocessed oil, gas and other hydrocarbons.
- 2- Granting the right to use, explore or exploit any part in the Kingdom to search for, extract or produce oil, gas or other hydrocarbons.
- 3- Supply of oil and gas exploration services.
- 4- Supply of services related to oil and gas fields, including design, drilling, installation of drilling rigs, extraction, recovery, separation, evaluation, feasibility analysis, tests, seismic surveys, repair and maintenance services.
- 5- Supply of specialized professional services, when such services are necessary for the exploration or exploitation of actual and potential oil and gas sites.
- 6- Supply of oil refining or gas processing services, including reconversion to liquefied natural gas.
- 7- Distribution or transport of oil, gas or other hydrocarbons.

- 8- Storage of oil, gas or other hydrocarbons.
 - 9- Import or supply of consumables used directly and exclusively for the purpose of carrying out the supply stated in Subparagraphs (1) to (8) of Paragraph (A) of this Article.
 - 10- Import, purchase or rental of equipment used directly and exclusively for the purpose of carrying out the supply stated in Subparagraphs (1) to (8) of Paragraph (A) of this Article.
- B- The import and supply of goods produced from oil, gas or other hydrocarbons, such as fertilizers and plastics, shall not be subject to tax at zero rate.

Article (80) **Supply and Import of Specific Foodstuffs**

The tax at zero rate shall apply to the supply and import of foodstuffs, according to the following conditions:

- 1- The goods shall not be supplied by a restaurant, cafe or the like.
- 2- The goods shall not be supplied by caterers.

Chapter 15 **Exemptions**

Article (81) **Supply of Financial Services**

- A- The supply of financial services specified in Paragraph (B) of this Article shall be exempt from tax, regardless of the form of Consideration due thereon, except for express payments for such services, such as fees, commissions or commercial discounts.
- B- Financial services refer to services related to cash transactions, including, without being limited to, the following:
- 1- Depositing money in current accounts, savings accounts or deposit accounts.
 - 2- Granting and transferring loans, advances and credit.
 - 3- Issuing or cancelling cheques, debit cards and credit cards.
 - 4- Issuing, transferring or receiving any money, financial bonds, banknotes or money orders or any transaction involving the same.
 - 5- Supplying or issuing financial derivatives or deferred contracts or the arrangements necessary for the same.
 - 6- Supplying or issuing shares, stock, bonds and securities related thereto.

- 7- Transactions related to Automated Teller Machines (ATM), except for the supply, installation or maintenance thereof or the supply of an operating software for the same.
 - 8- Currency conversion, whether through the exchange of banknotes or any related matters.
 - 9- Supplying or transferring financial instruments, Sukuk, exchanges, options or any deferred financial contracts.
 - 10- Issuing, assigning, renewing, amending, renting or transferring the ownership of debentures or securities (whether listed or not), credit contracts or the like.
 - 11- Providing or transferring ownership of a life insurance contract or re-insurance contract.
 - 12- Providing insurance coverage or annual premiums under any investment scheme.
 - 13- Providing, acquiring, amending or cancelling a guarantee, compensation or insurance related to the performance of the obligations arising from partners, credits, securities, debentures or the like.
 - 14- Any Islamic financial products provided under Sharia'a-approved contracts, similar in terms of the intended objective to traditional financial products and achieving materially the same effects.
 - 15- Commissions on brokerage services or under Mudaraba contracts or agency contracts.
- C- The following financial services shall be exempted, regardless of the form of Consideration due thereon:
- 1- Issuing, allocating and transferring ownership of securities and debentures.
 - 2- Concluding and transferring ownership of life insurance contracts and life re-insurance contracts.
- D- Services provided by investment funds shall be exempt from tax if they are related to the supply or issuance of financial derivatives or deferred contracts or the supply and issuance of shares, stock, bonds and securities related thereto, as well as the arrangements necessary for the same.
- E- Any Islamic financial products shall be provided according to a written contract related to finance supply in a way compliant with the Islamic Sharia'a, showing the same intent and aiming to achieve the same result as non-Islamic financial products with the same treatment applied to similar non-Islamic financial services, for the purpose of applying the tax exemption to financial services.
- F- The provisions of this Article shall not prejudice the provisions of Subparagraph (7) of Paragraph (1) of Article (53) of the Law in regard to the supply of financial services by a taxable supplier residing in the Kingdom in favor of a customer not residing in the territory of the Implementing States and benefiting from the service outside the territory of the Implementing States.

Article (82)
Sale and Lease of Real Estates

- A- For the purposes of implementing the provisions of Article (55) of the Law, the following acts shall not be considered as sale or lease of real estate:
- 1- Accommodation in hotels.
 - 2- Supply of parking lots for a fee, depending on the duration of use, provided that such period is not more than one month.
 - 3- Lease of equipped office space where the customer shall not have the right to use a certain space exclusively.
 - 4- Lease of event halls, exhibitions or a similar establishment.
 - 5- The services of management, utilities, telecommunications, internet and television shall be calculated separately in addition to the rent of the real estate.
- B- Furniture, fixtures and equipment not connected to the land or building and that may be removed without damaging the real estate shall not be treated as real estate for the purposes of Article (55) of the Law.
- C- If the rented residential real estate is furnished or semi-furnished, the rent Consideration shall be treated in whole as Consideration for the supply of the real estate, provided that no separate fees are charged for the use or lease of furniture, fixtures and equipment.

Article (83)
Import Exempt from Tax

- A- According to the rules and conditions set forth in the GCC Common Customs Law, the import of goods exempt from customs duties shall be exempted from tax:
- 1- Import of personal effects and used household appliances brought by nationals residing abroad and by foreigners coming to reside in the Kingdom for the first time, provided that the said personal effects or household appliances:
 - a) Accompany the person coming to the Kingdom, are part of his property and not related to goods intended for trade.
 - b) Are for personal or household use, such as used furniture or household appliances.
 - 2- Import of gifts accompanying travelers.
 - 3- Import of goods returned to the Kingdom after the export thereof. The importer must submit documents and statements proving expressly that such goods were exported after implementation of the Law.

Article (84)
Diplomatic and Military Exemptions

- A- According to the rules and conditions set forth in the GCC Common Customs Law, goods imported by military forces, internal security forces and security agencies operating in the Kingdom shall be exempted from tax, provided that the import was for the purpose of performing their tasks. Goods imported under diplomatic or consular arrangements shall also be exempted from tax, provided that they are imported for the purpose of performing tasks of the diplomatic or consular bodies in the Kingdom.
- B- With the exception of the provisions of the preceding Paragraph in this Article, the supply of goods exempted pursuant to the provisions of this Article shall be subject to tax upon their resale or disposal in the Kingdom.

Article (85)
Supplies to People with Special Needs

- A- According to the rules and conditions set forth in the GCC Common Customs Law, the import of supplies and equipment used by people with special needs and those used by charitable associations and hospitals for the same purposes and provided to people with special needs, shall be exempted from tax.
- B- The importer must submit all documents and statements needed to prove that the conditions stated in the preceding Paragraph of this Article are met, provided that such documents are issued or certified by the competent entities in the Kingdom.

Chapter 16
Tax Refund

Article (86)
Tax Refund by the Taxable Person

- A- The Taxable Person shall have the right to request refund of the surplus tax value in any of the following cases:
- 1- In case of a net deductible tax surplus, pursuant to the tax return according to the provisions of the Law and Regulations. The Taxable Person may carry forward such surplus in his tax account to the subsequent tax period.
 - 2- When the Taxable Person pays an amount exceeding the net due tax.
 - 3- In case of a net refundable tax surplus when the Taxable Person is de-registered, upon the Bureau's approval of the de-registration application.

- B- The Bureau may offset the net tax surplus and any tax or administrative fine due from the Taxable Person under the provisions of the Law or any other tax law, until exhaustion of the surplus.
- C- The Taxable Person may apply for a tax refund from the Bureau in the cases set forth in Paragraph (A) of this Article, within five years from the end of the year during which such cases occurred.
- D- The Bureau shall decide on the refund application within sixty days from the date of submittal of the application. It may audit and review the accounts of the Taxable Person in order to verify the validity of the refund application and shall notify the applicant of its decision to approve or reject the application.
- E- Upon approval of the refund application, the Bureau shall return the refundable amounts by means of bank transfers to the applicant's bank account, within thirty days from the date of issuance of the decision to approve the refund application.

Article (87)

Refund of the Tax Paid by Individuals in an Implementing State

- A- The Bureau shall have the right to refund the tax paid by individuals in an Implementing State for goods acquired by them, taking the following into consideration:
 - 1- The individuals must reside in the Kingdom and not registered therein for tax purposes.
 - 2- The acquired goods are admitted from the Implementing State to the Kingdom.
 - 3- The value of the acquired goods exceeds one thousand dinars.
- B- The tax shall be adjusted according to the automatic transfer mechanism of customs duties applied in the framework of the GCC Customs Union or according to any other mechanism to be agreed-upon between the Member States.
- C- In the event where no proof of payment of the tax in the other Member State is submitted, the Bureau shall have the right to impose the tax on such goods upon their entry into the Kingdom.

Article (88)

Tax Refund for Foreign Governments, International Organizations, and Diplomatic, Consular and Military Bodies and Missions

- A- The Bureau may refund the tax paid on the supply of goods and services in the Kingdom to foreign governments, international organizations, and diplomatic, consular and military bodies and missions, when the following conditions are met:
 - 1- The foreign establishment shall not be registered nor obligated to register for tax purposes in the Kingdom [or] any other Member State.

- 2- The tax subject of the refund application shall have been borne for work purposes.
 - 3- The tax subject of the refund application shall be deductible according to the provisions of the Law and Regulations.
 - 4- The number of vehicles for which tax refund is requested shall not exceed one vehicle per diplomatic mission, consular body or international organization.
 - 5- Adopting the principle of reciprocity based on a statement issued by the Ministry of Foreign Affairs.
- B- The refund application shall be submitted using the form prepared for this purpose by the Bureau.
- C- The Bureau may request copies of tax invoices or any additional information, in order to verify the validity of the refund application, and the applicant shall submit the required information within thirty days from the date of submittal of the refund application.
- In all cases, no refund application shall be submitted for a tax amount of less than one hundred dinars.
- D- The Bureau shall render a decision regarding the refund application within sixty days from the date of submittal of the application, after verifying the validity of the application. It shall notify the applicant of its decision to approve or reject the application.
- E- Upon approval of the refund application, the Bureau shall return the amount covered by the refund application by means of bank transfers to the applicant's bank account, within thirty days from the date of approval of the refund application.

Article (89) **Tax Refund for Tourists**

- A- The Bureau, in accordance with the determined mechanism, may allow tourists to apply for a refund of the tax paid inside the Kingdom on the goods transported outside the territory of the Implementing States, if the following conditions are met:
- 1- The goods are supplied during the presence of the tourist inside the Kingdom.
 - 2- The goods are obtained for personal use.
 - 3- The goods are supplied by a supplier approved for this purpose. The Bureau shall issue a list of the names of all the suppliers approved for the implementation of the refund mechanism.
 - 4- The tourist shall leave the Kingdom within two months from the date of supply, with the purchased goods.
- B- The tax refund application of the tourist shall include the following:
- 1- Proof of payment of tax, such as a tax invoice or any similar document as specified by the Law and Regulations.

- 2- Description of the goods purchased in the Kingdom and covered by the refund application.
- 3- Copy of the passport and travel ticket.

Article (90)
Tax Refund for Non-Resident Persons

A- The Bureau may refund the tax paid in the Kingdom to non-resident persons based on an application submitted using the form prepared for this purpose. This applies to the following persons:

- 1- Taxable Persons residing in an Implementing State.
- 2- Non-residents in the territory of any Implementing State, when the following conditions are met:
 - A) Refrain from supplying goods or services rendering them obligated to pay the tax in the Kingdom or any Implementing State during the period of the refund application.
 - B) Be registered for VAT purposes or any other similar tax in their country of residence.
 - C) The tax shall be borne by the non-resident person for the purposes of his economic activity.

B- The refund application shall be accompanied by all supporting documents within three months from the end of the year during which the tax is due.

C- The Bureau must render a decision regarding the refund application and must notify the applicant of the decision to approve or reject the application, within three months from the date of submittal of the application.

D- The amounts that the Bureau accepts to refund shall be paid according to the mechanism specified by the Bureau, provided that the mechanism agreed-upon between the concerned States in regard to dealing with refund applications submitted by Taxable Persons residing in any of the other Implementing States is implemented.

E- The refund application must include, at least, the following information:

- 1- Name and address of the refund applicant.
- 2- Description of his activities.
- 3- Registration details of the refund applicant at the competent entity in his country of residence.
- 4- Reasons for bearing the costs covered by the refund application in the Kingdom.
- 5- Description of the costs subject of the tax refund application.

Chapter 17

Judicial Officers

Article (91)

Powers of Judicial Officers

Judicial Officers may, in order to perform their duties set forth in Article (59) of the Law, take the following actions:

- A- Enter the headquarters of the Taxable Person or any other place of business, including his factories, warehouses, stores, wholesale or retail stores, establishments and vessels, for inspection and control for tax purposes. They may request assistance from security officers, if necessary.
- B- Access any means of transport used for the transport of the taxable goods.
- C- Examine books and records and examine documents and other (printed or electronic) files and request copies thereof, obtain information necessary for the purpose of controlling the due tax and verifying compliance of the Taxable Person.
- D- Take or request a sample of any goods present inside any means of transport or any place used for the storage or transport of taxable goods.
- E- Take all measures to gather necessary evidence to examine the registrant's compliance with the provisions of the Law and Regulations, including interrogating any person concerning any violation related to the implementation of the provisions of the Law and Regulations.
- F- Control infractions violations and preparing necessary reports for the same in the presence of the registrant or his representative when possible. The said actions may be taken in the absence of the registrant or its representative, provided that he is subsequently notified of the actions taken in his absence.
- G- The report shall include the actions taken, and in particular the following:
 - 1- Date, time and place of opening and closing the report.
 - 2- Name and capacity of the report writer and particulars of the order issued assigning him to do such task.
 - 3- Name and capacity of the person against which the actions were taken, whether the registrant or its representative, if any.
 - 4- Result of inspection of the place where the goods are deposited or where the taxable service is provided.
 - 5- Documents indicating the sale prices, quantities and sources of the goods.
 - 6- Description of the violation.
 - 7- Actions taken by the Judicial Officers.
 - 8- Signature of the registrant or his representative on the report.

Chapter 18

Net Tax Estimation

Article (92)

Decision of Net Tax Estimation

- A- The Bureau shall issue its decision of estimation of the net tax if it is proved that the tax was not properly calculated by the Taxable Person. The decision of tax estimation and re-assessment shall include at least the following:
- 1- Reasons for estimation and the facts, information and legal grounds for assessment.
 - 2- Net tax value and the tax differences due.
 - 3- Date of payment of the due tax after the estimation of the Bureau.
- B- The Bureau shall notify the Taxable Person of its decision issued on the estimation of the net value, specifying the date on which the tax is paid.

Article (93)

Re-estimation of the Net Tax for Periods Already Examined

The Bureau shall not examine nor re-estimate the net tax related to a tax period already examined, except upon discovering new information that were not available at the time of previous examination and estimation, which necessitates re-estimation.

Article (94)

Means of Notification of the Taxable Person of Tax Decisions

- A- The Bureau shall notify the Taxable Person of decisions issued by it and related to his tax affairs, using one of the following means:
- 1- Mail to the address registered at the Bureau.
 - 2- E-mail to the e-mail address registered at the Bureau.
 - 3- Any other means specified by the Bureau.
- B- The address for sending notifications to the Taxable Person shall be the Taxable Person's headquarters, place of residence or any place registered as an address at the Bureau.
- C- If the Taxable Person appointed a tax representative or a tax agent, a copy of the notification shall be sent to the tax representative or tax agent, as the case may be.
- D- The date of sending the notification by the Bureau to the Taxable Person or his tax representative shall be considered as the date of receipt thereof.

Chapter 19 **General Provisions**

Article (95) **Committee for Examination of Tax Grievances and Objections**

- A- The Committee for Examination of Tax Grievances and Objections shall select at its first meeting, from among its members, a Vice-President to replace the President in case of absence or impediment. The Secretariat of the Committee shall be assigned to an employee appointed by the Bureau for such purpose. He shall coordinate with the concerned Departments at the Bureau to prepare for the Committee's meetings, coordinate among its members and prepare the minutes of meetings.
- B- The President or Vice-President of the Committee shall refrain from attending sessions where an objection or grievance filed by a relative to any of them, up to the fourth degree, is being examined. The CEO shall select a person to replace the person who was compelled to recuse himself. If the quorum is not met without such person, the Committee shall convene without him.
- C- The Committee shall notify the registrant who filed the grievance or objection of the date of the session specified to examine the grievance or objection, at least ten days before such date and through the methods prescribed by Law. It may request the registrant to submit all statements or documents deemed necessary and the registrant who filed the grievance or objection shall appear before the Committee by itself or through an agent, otherwise the Committee shall start the procedures in its absence at light of the documents made available to it.
- D- The sessions of the Committee shall be private and its meetings shall be held upon a call to convene issued by the President or Vice-President. The meetings shall only be considered valid in the presence of the majority of its members, including the President or Vice-President. The Committee shall issue its reasoned recommendations with the majority of the votes of those present. In case of a tie, the President shall have the casting vote.
- E- The Committee may refer in its meetings to experts and specialists from the Ministry of Finance, the Bureau or any other government entity that it deems appropriate, without having a vote in the deliberations.
- F- The acceptance of the grievance or objection filed by the Taxable Person before the Committee for Examination of Tax Grievances and Objections according to the terms and conditions stated in Article (66) of the Law shall be subject to the following conditions:
- 1- Payment of the due tax in case the objection is related to a tax procedure that was not accepted.

- 2- Payment of the administrative fine in case the grievance is related to the decision of imposition of an administrative fine.
 - 3- Payment of the prescribed fees.
- G- The objection or grievance shall contain at least the following information:
- 1- Name of the person filing the objection or grievance, address of his place of business or postal address, and Tax Registration Number (TRN).
 - 2- Summary of the application, reasons of the objection or grievance and the legal grounds.
 - 3- Tax period related to the objection or grievance.
 - 4- Documents, statements and other information supporting the objection or grievance.
 - 5- E-mail address of the tax representative or tax agent of the person filing the objection or grievance, if any.
- H- The Committee shall keep the following records:
- 1- Record of tax objections and grievances containing the tax objections and grievances according to the date of their receipt by the Committee, along with the particulars of each objection or grievance.
 - 2- Record of the sessions containing the tax objections and grievances presented to the Committee in each session as well as the decisions and recommendations taken by the Committee in each of them.
 - 3- Any other records required by the nature of work of the Committee.

The records shall be prepared by the Technical Secretariat of the Committee.

Article (96) **Appointment of the Tax Representative**

- A- The non-resident person obligated to register in the Kingdom may appoint a tax representative thereat, licensed by the Bureau, through an application to be submitted to the Bureau using the form prepared for such purpose. The tax representative must meet the conditions set forth in Article (98) of these Regulations and the Bureau shall render a decision regarding the appointment application within thirty days from the date of submittal thereof.
- B- The tax representative shall be jointly liable with the Taxable Person for all the tax obligations of the latter and shall replace him in his relationship with the Bureau, effective as of the date of approval of the Bureau upon his appointment as tax representative.
- C- The Bureau shall have the right to pursue the tax representative by legal means to collect the tax due from the non-resident person.
- D- Upon termination of the tax representation due to the suspension of the business of the non-resident person inside the Kingdom, the appointment of another tax representative, the expiry of the representation period or due to any other reason,

the tax representative shall remain bound by the obligations stated in the Law concerning the transactions carried out during the period of his legal representation until the expiry date thereof.

Article (97)
Appointment of the Tax Agent

- A- The resident Taxable Person may appoint a tax agent licensed by the Bureau to act in his name and on his behalf concerning his tax affairs. The tax agent or the principal Taxable Person shall notify the Bureau of the appointment within thirty days from the date thereof.
- B- The principal Taxable Person shall be personally liable before the Bureau for all his tax obligations despite appointing a tax agent on his behalf.

Article (98)
Conditions of Appointment of the Tax Representative and Tax Agent

- A- The applicant for a license of tax representative or tax agent must meet the following conditions:
- 1- Reside in the Kingdom.
 - 2- Be of good conduct and good reputation, not previously convicted with a freedom-restricting penalty in a crime involving moral turpitude or dishonesty, unless he was rehabilitated.
 - 3- Hold at least an appropriate university qualification or an accounting or professional legal certificate, certified and approved by the Ministry of Education, in the cases where the license applicant is a physical person.
 - 4- Conduct his business under a valid Commercial Register, in the cases where the license applicant is a physical person.
 - 5- Pay the prescribed fee to the Bureau.
 - 6- Be appointed by virtue of an official power of attorney to act on his behalf concerning all the tax obligations in the Kingdom.
- B- The tax representative and tax agent must:
- 1- Keep the information received from the Taxable Person confidential.
 - 2- Refrain from planning or participating in acts violating the Law or Regulations.
- C- In case the Bureau accepts to license the tax representative, the latter shall be granted a special TRN as a tax representative, different than his own TRN as a Taxable Person. In case the Bureau rejects the application, it shall notify the applicant of the rejection of his application, providing it with the reasons of rejection.

D- The Taxable Person shall notify the Bureau of the dismissal or end of the task of the tax agent or representative within thirty days from the date of dismissal or end of task. The Bureau shall cease to deal with the tax agent or representative accordingly and the latter shall notify the Bureau of the suspension of his agency or representation.

Article (99) Joint Liability

A- In case of change in the legal form of the legal person, the new legal person shall replace the former legal person in all his previous and new rights and obligations towards the Bureau, including the obligation to pay the due tax and any due administrative fines.

In the event where the legal person is replaced by more than one legal person, all legal persons shall be considered jointly liable for the payment of the due tax and the administrative fines.

B- Subject to the provisions of Article (11) of the Law, in case the Taxable Person waives his business to another person, both parties shall be considered as jointly liable for the payment of the due tax and any administrative fines due during the year in which the waiver occurred, and for any imprescriptible amounts due for the previous years.

C- The joint partners shall be jointly liable for the tax and administrative fines due as well as other obligations imposed on the company.

Article (100) Confidentiality

A- The Bureau's staff and all those responsible for enforcing the provisions of the Law and these Regulations undertake not to disclose any information that they have received or been made aware of due to their positions, during or after their service, except in the following cases:

- 1- The disclosure request is issued by court order or pursuant to the provisions of the Law, the Regulations or any other law in effect in the Kingdom.
- 2- Disclosure to another employee at the Bureau in his official capacity or to a government entity in the Kingdom or to a court of tax Bureau in a foreign country, pursuant to an agreement signed by the Kingdom.
- 3- Written approval from the Taxable Person authorizing disclosure.

B- The Bureau's staff must comply with the following:

- 1- Disclose only the information needed for the purpose of the disclosure.
- 2- Ensure that any documents are retrieved from the public authorities in the Kingdom within a suitable time period.

- C- The Bureau's staff may not conduct nor participate in any tax procedures related to the Taxable Person in the following cases:
- 1- Kinship up to the fourth degree between the employee and the Taxable Person.
 - 2- Any association or common interest between the employee and the Taxable Person or between any of his relatives up to the fourth degree.

Article (101)
Recording and Keeping Accounting Records and Books

- A- The Taxable Person must record and keep accounting and transaction records for tax purposes. These records include:
- 1- Accounting books related to the activities of the Taxable Person (all operations listed by chronological order and serial number).
 - 2- Budget and profit and loss statements.
 - 3- Records of salaries and wages.
 - 4- Fixed asset records.
 - 5- Stock records and account (including quantities and values) at the end of any relevant tax period.
 - 6- Copy of tax invoices and credit/debit notes issued by the Taxable Person, as well as original invoices received by him.
 - 7- All customs documents related to import and export transactions carried out by the Taxable Person.
 - 8- Additional records specified by the Bureau.
- B- The Taxable Person must keep his accounting records and books in such a way as to avoid their destruction and allow their review.
- C- The tax representative must keep the records set forth in Paragraph (A) of this Article.
- D- The tax agent may keep the records set forth in Paragraph (A) of this Article.
- E- The Bureau may, when it deems it necessary, request from the Taxable Person to record and keep additional records specified in a notification sent to the Taxable Person.

Article (102)
Recording and Keeping Accounting Records and Books Electronically

- A- The Taxable Person may keep the accounting records and books electronically, provided that the following conditions are met:
- 1- Ease of access and extraction of the accounting records and books from the computer system, at the Bureau's request.

- 2- Possibility of keeping the documents and other files which support the accounting records and books electronically or in hard copy.
 - 3- Keeping the accounting records and books in a secure place where they cannot be altered or manipulated.
- B- The Bureau may review the electronic system used by the Taxable Person to ensure his adequacy for implementing the provisions of Law and Regulations.

Article (103)
Period for Keeping Accounting Records and Books

- A- The Taxable Person must keep all accounting records and books for a period of five years, as of the end of the tax period to which they relate.
- B- Records related to capital asset must be kept for a period of five years as of the end of the tax period during which the adjustment period related to these assets end.
- C- Records related to real estate must be kept and recorded for a period of fifteen years as of the end of the tax period to which they relate.
- D- The Bureau may, before the end of the periods set forth in this Article, notify the Taxable Person of the need to keep the records for an additional period not exceeding five years.
- E- Should the person cease to be a Taxable Person due to transfer of ownership of the economic activity to another party or due to merger with another party, he shall remain obligated to keep the records related to the period preceding the transfer of ownership or merger, according to the periods set forth in this Article.
- F- Should the Taxable Person become insolvent or bankrupt, his legal representative must keep his records for a period of no less than twelve months as of the end of the insolvency or bankruptcy procedures.

Article (104)
Recording and Keeping Accounting Records and Books by Third Parties

The Taxable Person may appoint a third party to record and keep the accounting records and books, in accordance with the provisions of the Law and Regulations. In all cases, the Taxable Person shall be responsible therefor.

Article (105)
Language of Accounting Records and Books

Accounting records and books, as well as other documents which must be kept and recorded, shall be kept and recorded in accordance with the provision of the Law and Regulations in Arabic or English.

Article (106)
Calculation of Periods

- A- The Taxable Person must submit his tax returns and pay his taxes due to the Bureau and must initiate tax applications and procedures within the legal periods specified in the Law and Regulations.
- B- When calculating periods, the date of notification shall not be included.
- C- Should the last day of the period fall on a holiday, the period shall be extended to the next work day.
- D- The Gregorian calendar shall be used for all the deadlines stipulated in the Law and Regulations.

Chapter 20
Transitional Provisions

Article (107)
Supplies Taxable After Implementation of the Law

- A- The tax shall be due on supplies of goods and services and on the import of goods made after the date of implementation of the Law.
- B- For the purposes of implementing Article (75) of the Law, the supply date shall be considered on or after the date of implementation of the Law when one of the following cases occurs on or after the date of implementation of the Law:
 - 1- The transport of goods has commenced, if they are transported without the supplier's supervision.
 - 2- The goods are placed at the disposal of the customer.
 - 3- The assembly or installation of goods is completed, in regard to supplies included in assembly or installation.
 - 4- The service is completed.

Article (108)
Contracts Not Included in the Tax and Signed Prior to Implementation of the Law

For the purposes of implementing Article (76 of the Law), Consideration shall be considered as inclusive of tax. The tax shall be calculated according to the following formula:

$$\text{Tax} = \text{Consideration} \times (\text{tax rate}) / (100\% + \text{tax rate})$$

Article (109)
Tax Period Durations During the Transitional Phase

With the exception of the provisions of Paragraph (A) of Article (48) of these Regulations, tax periods during the transitional phase for the purpose of implementing the provisions of the Law during the first year starting on the 1st of January 2019 and ending on the 31st of December 2019, as follows:

- A- In regard to Taxable Persons whose registration is valid on the date of implementation of the Law and whose annual supplies exceed five million dinars, all their tax periods shall be calculated based on a quarter of the Gregorian calendar, starting on the 1st of January 2019.
- B- In regard to Taxable Persons whose registration is valid on the date of implementation of the Law and whose annual supplies are not below the voluntary registration threshold and does not exceed five million dinars, their tax periods shall be calculated as follows:
 - 1- From the 1st of January 2019 until the 30th of June 2019.
 - 2- From the 1st of July 2019 until the 30th of September 2019.
 - 3- From the 1st of October 2019 until the 31st of December 2019.
- C- In regard to Taxable persons whose registration is valid after the date of implementation of the Law and before the 1st of July 2019, their first tax period shall commence on the date of their registration and end on the 30th of June 2019, regardless of the amount of their annual supplies. Their subsequent tax periods in 2019 shall be calculated as follows:
 - 1- From the 1st of July 2019 until the 30th of September 2019.
 - 2- From the 1st of October 2019 until the 31st of December 2019.
- D- In regard to Taxable Persons whose registration is valid on or after the 1st of July 2019 and before the 1st of October 2019, their first tax period shall commence on the date of their registration and end on the 30th of December 2019, regardless of the amount of their annual supplies. Their subsequent tax periods in 2019 shall be from the 1st of October 2019 until the 31st of December 2019.
- E- In regard to Taxable Persons whose registration is valid on or after the 1st of October 2019 and before the 31st of December 2019, their first tax period shall commence on the date of their registration and end on the 31st of December 2019, regardless of the amount of their annual supplies.

Article (110)
Payment of Tax Due on Imports During the Transitional Period

The tax due on imports of goods to the Kingdom during the transitional period, in the first year of implementation of the Law, starting on the 1st of January 2019 and ending on the 31st of December 2019, regardless of the value of their annual supplies.

- 1- Payment of the tax due on imported goods for the purposes of economic activity shall be deferred. The taxable importer must declare the deferred tax in his tax return covering the tax period during which the import occurred.
- 2- With the exception of the provisions of Subparagraph (1) of this Article, the tax due on imports shall be paid in accordance with the procedures, systems and conditions set by the Bureau.

Article (111)
Treatment of Non-Implementing States

The Bureau shall declare that any GCC member state shall be considered as an Implementing State for tax purposes. Should no such statement be issued by the Bureau, any member State shall be treated as a state outside the scope of the GCC for the purpose of implementing the tax.

Chapter 21
Final Provisions

Article (112)
Exceptions to applicable provisions

The provisions of chapters 17, 18, 19 and 20 of this Regulation shall not apply to the military forces and the security agencies operating in the Kingdom, additionally any other provisions of this Regulation shall not prejudice the requirements of confidentiality in the affairs of the said agencies.

Article (113)
Delegation of Prerogatives

The Bureau's CEO shall be empowered to render decisions to impose the administrative fine, bring criminal proceedings for tax evasion crimes pursuant to Article (63) of the Law and reach conciliation in regard to such crimes.

Article (114)
Tax Explanatory Guides and Guidelines

The Bureau's CEO shall issue the explanatory guides, guidelines and explanations needed to implement the provisions of the Law and its Regulations. The Bureau shall comply with them and the Taxable Person shall use them as a guide and reference.



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