VAT Return Filing Manual

30 June, 2019

The National Bureau for Revenue (‘NBR’) has issued a VAT Return Filing Manual on Thursday 27th June 2019, which sets out an overview of the VAT rules and procedures in Bahrain in relation to the VAT return filing process.

The purpose of the manual is to provide VAT payers with the necessary guidance to help them navigate the NBR online portal and forms for VAT return filing, payment submission and obtaining refunds.

You may reach out to your respective Project Manager should you need any clarifications with regard the manual attached.

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1. MANUAL OVERVIEW

The purpose of this Manual is to provide VAT payers with:

• An overview of the VAT rules and procedures in Bahrain in relation to the VAT return process; and
• The necessary guidance to help them navigate the National Bureau for Revenue (NBR) online portal and forms for VAT return filing, payment submission and obtaining refunds.

This Manual is intended to provide general information only and does not represent exhaustive or legally binding guidelines. For additional information, kindly contact your VAT Relationship Manager (RM) or refer to “VAT Guidelines” on the NBR website using the following link: https://www nbr.gov.bh/vat_guideline. You can also contact NBR’s Contact Centre via email or the VAT hotline, details of which can be found under “Contact us” on the NBR website.
2. WHAT IS A VAT RETURN?

A VAT return is the official document submitted to NBR summarizing the total output VAT due and input VAT recoverable for a given VAT period.

**OUTPUT VAT**

The VAT amount charged by a VAT payer on supplies (sales) of goods or services subject to VAT (including deemed supplies and those subject to the reverse charge mechanism); this should then be paid back to NBR.

**INPUT VAT**

The VAT incurred by a VAT payer on any goods or services subject to VAT purchased or imported for the purpose of their business.

Output VAT: VAT collected on sales
Input VAT: VAT paid on all purchases

Kindly refer to Section 12.1 of the VAT General Guide for additional information on output VAT, recoverable input VAT and the calculation of a VAT payer’s net VAT position.
3. WHO SHOULD FILE A VAT RETURN?

Every VAT payer registered for VAT purposes in Bahrain is required to assess their net VAT position for a given VAT period; this information should then be reported on a periodic basis in a VAT return.

Even if a VAT payer has not made any purchases, imports or supplies during a given VAT period, they are required to submit a VAT return if registered for VAT with NBR.

The VAT return should only be submitted by the person subject to VAT or, if applicable, another person who has been authorized by NBR to act on the VAT payer’s behalf (i.e. a registered VAT Agent or VAT Representative).
4. WHEN SHOULD A VAT RETURN BE SUBMITTED?

The volume of a VAT payer’s annual supplies subject to VAT determines when they are required to register for VAT and begin filing returns, as well as the frequency of those filing obligations.

**VAT PERIOD**

The time in which economic activities (i.e. sales and purchases) are conducted, and for which VAT payers are required to keep a record of all their VAT activities and report them in the appropriate filing period.

**FILING PERIOD**

The month following the end of each VAT period, during which a VAT payer is required to submit their VAT return and pay any liabilities to NBR.

A VAT payer would be required to:

- Report the output VAT due and input VAT recoverable for that VAT period to NBR;
- Pay output VAT due to NBR if in a debit position; and
- Claim recoverable input VAT from NBR or carry forward the excess for subsequent VAT periods if in a credit position.

**FILING/PAYMENT DUE DATE**

The last day of the filing period month. If a VAT payer submits their returns or has unpaid dues after the due date, they will begin to incur late filing and/or payment penalties.

NBR will send the VAT payer reminders during the filing period to help avoid such penalties. However, it remains the responsibility of each VAT payer to comply with the VAT rules and regulations. Please note that if this day falls on an official holiday, the VAT payer is required to file on the next working day.
4.1. VAT returns during the transitional period

To facilitate the compliance process during the first year of VAT, VAT periods in the year 2019 will be different from those in subsequent years. Please refer to Section 19.2 of the VAT General Guide to understand which VAT periods will apply when submitting VAT returns for 2019.

After December 31, 2019, these transitional VAT periods will no longer be applicable and VAT payers will be required to follow the VAT periods prescribed below.

4.2. VAT returns after December 31, 2019

If the value of a VAT payer’s annual supplies exceeds BHD 3 million, they will have monthly VAT periods corresponding to the Gregorian calendar months. Otherwise, they will have VAT periods corresponding to Gregorian calendar quarters.

**Monthly Filing (Annual supplies > 3 Million BHD)**

<table>
<thead>
<tr>
<th>Vat period</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>Aug</th>
<th>Sept</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filling Period</td>
<td>Feb</td>
<td>Mar</td>
<td>Apr</td>
<td>May</td>
<td>June</td>
<td>July</td>
<td>Aug</td>
<td>Sept</td>
<td>Oct</td>
<td>Nov</td>
<td>Dec</td>
<td>Jan</td>
</tr>
<tr>
<td>Example Filling Deadline for 2020</td>
<td>Feb 29</td>
<td>Mar 31</td>
<td>Apr 30</td>
<td>May 31</td>
<td>June 30</td>
<td>July 31</td>
<td>Aug 31</td>
<td>Sept 30</td>
<td>Oct 31</td>
<td>Nov 30</td>
<td>Dec 31</td>
<td>Jan 31</td>
</tr>
</tbody>
</table>

**Quarterly Filing (Annual supplies ≤ 3 Million BHD)**

<table>
<thead>
<tr>
<th>Vat period</th>
<th>Jan-Mar</th>
<th>Apr-June</th>
<th>July-Sept</th>
<th>Oct-Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filling Period</td>
<td>Apr</td>
<td>July</td>
<td>Oct</td>
<td>Jan</td>
</tr>
<tr>
<td>Example Filling Deadline for 2020</td>
<td>Apr 30</td>
<td>July 31</td>
<td>Oct 31</td>
<td>Jan 31</td>
</tr>
</tbody>
</table>

The above VAT periods shall apply, unless:

- A VAT payer is notified by NBR to use an adjusted VAT period (e.g. a shift from quarterly to monthly VAT periods). In this case, they will be notified of the change within three months prior to the effective date of change.
- A VAT payer, whose annual supplies do not exceed BHD 3 million, but requests an amendment to their VAT periods by increasing their filing frequency from quarterly to monthly. If NBR accepts the request, the VAT payer will be notified of the date on which the change will go into effect.
5. HOW SHOULD A VAT RETURN FORM BE SUBMITTED?

All VAT returns should be submitted online using the NBR portal. Please refer to the steps below when filing a VAT return.

Accessing the VAT return form

Access the Login page on the NBR website using the following link: https://www.nbr.gov.bh/. Please note that the portal should be accessed via Google Chrome for optimal utilization.

Log in to the portal using your designated User ID and Password (used during registration).
Access your outstanding filing obligations by clicking on “VAT Returns” on the homepage. The number displayed at the bottom of this push button (i.e. “1 not filed”) represents your outstanding filing obligations to date.

Filter your “VAT Return Forms” by selecting “Not Filed” from the drop-down menu at the top right corner of the screen. To initiate the return, select the appropriate VAT return form from the list of outstanding filing obligations.

**Filling in the VAT return form**

After reviewing the conditions of submitting your VAT return form, you must confirm that you agree with the instructions; only then can you move forward with the form. There is also a second (optional)
How should a VAT return form be submitted?

Check box which you may choose if you would like to deduct input VAT on goods purchased prior to the time you registered. Please remember to save your progress by clicking the “Save Draft” button at the bottom right corner.

You should then review and, where necessary, amend your VAT payer and return details before continuing with the form. If you need to make any adjustments to these details, please proceed to “Update VAT Payer Details” on the homepage of the portal. If unable to make the necessary changes to your details via the portal, please contact NBR for assistance through one of the contact channels stated on the NBR website.
How should a VAT return form be submitted?

Fill in the “VAT Return Form” section using the appropriate amounts applicable to the return period. For additional guidance, click on the tooltips (question marks) and a hover box will appear to further explain the line items.

Note that the VAT amount is auto calculated and is based on the classification highlighted in the tooltips. If the VAT treatment of these values does not match those in your accounting books, please revise your classifications and/or consult with your VAT advisor.

Please refer to the FAQs in Section 9 of this Manual for additional information regarding the VAT return and/or contact your VAT RM or NBR’s Contact Centre.
After filling your VAT return, you will be redirected to the “Additional Information” section (optional). Here you can submit supplementary information (e.g. invoices, payment information or customs declarations) to NBR. If deemed necessary, NBR reserves the right to request additional information.

Note that if you are submitting a modification of your VAT return, you may be required to upload relevant documents.

**Submitting the VAT return form**

Once the return form is completed and you have agreed to the declaration, you will be able to review and submit your form. Note that if your draft form is not submitted within 45 days, it will be automatically erased from the portal.
How should a VAT return form be submitted?

Once the form is submitted, you will be redirected to a page confirming the successful submission of your form. There you can view your submission and access your “Confirmation receipt,” an acknowledgement letter of successful submission. You should also expect to receive an SMS and email confirming your submission.

Kindly note that if you have filed a debit return you should also receive a bill breaking down your liability. If you have excess credit from a previous period, and that credit was used to offset your filed debit (in full or in part), you should also expect to receive an offsetting letter under “My documents” on the portal.
How should a VAT return form be submitted?

Confirmation receipt of your VAT return.

If a VAT payer’s output VAT exceeds their input VAT, they are in a net VAT debit/payable position and must pay the excess output VAT to NBR (i.e. line #17 of the VAT Return Form section will be a positive value). Please refer to Section 6 of this Manual for additional information.

If a VAT payer’s input VAT exceeds their output VAT, they are in a net VAT credit/refundable position and are entitled to be reimbursed by NBR (i.e. line #17 of the VAT Return Form section will be a negative value). Please refer to Section 7 of this Manual for additional information.
6. WHAT SHOULD A VAT PAYER DO IF IN A DEBIT/PAYABLE POSITION?

If a VAT payer’s output VAT exceeds their input VAT, they are in a net VAT debit/payable position and must pay the excess output VAT to NBR. Note that payments can only be made using Benefit’s “Fawateer” service.

There are three ways in which a VAT payer can settle their dues to NBR:

**ONLINE AND MOBILE BANKING**

A VAT payer should access their online bank portal or mobile app and input the required information.

If unsure of the amount owed to NBR, the VAT payer will have the option to enquire about the bill amount online before payment.

For more information on the online banking method, VAT payers should reach out to their respective banks.

**BENEFITPAY MOBILE APPLICATION**

A VAT payer can also make their payments through the BenefitPay application by downloading it on their smartphone. The app allows the VAT payer to settle payments electronically without the use of cash or a physical card.

If unsure of the amount owed to NBR, the VAT payer will have the option to enquire about the bill amount online before payment.

For more information on BenefitPay and participating banks, VAT payers can refer to the official Benefit Company website. Please note that this app is intended for individuals and not corporations.

**BANK BRANCH**

A VAT payer also has the option to pay the amount owed to NBR at a bank branch.

The VAT payer must either submit a standard Fawateer form to their branch or submit a written request signed by their authorized signatory. This is dependent on the VAT payer’s bank.

For more information, VAT payers can reach out to their respective bank for availability and location.
What should a VAT payer do if in a debit/payable position?

In any case, the following information (found on a VAT payer’s bill as shown in the example below) must be included in the payment:

- VAT bill number
- VAT account number
- Payment amount due

Kindly note that if a VAT payer inputs incorrect details (i.e. VAT bill number or VAT account number) or an amount which is greater than the amount due, the transaction will be rejected.

Once the payment is submitted, the VAT payer will receive a notice of successful payment via SMS and email. An official letter of receipt can also be found under “My Documents” on the NBR portal.

For all the above methods, the amount owed can be paid in full or in part. If the amount owed was paid in full, the VAT payer will receive an updated bill of amount zero. If the amount owed was partially paid, the VAT payer will receive a new bill on the NBR portal with the remaining amount owed.

If a VAT payer faces any issues with the above payment methods (including foreign VAT payers without access to these channels), they should contact NBR through their dedicated RM or through the Contact Centre.
7. WHAT SHOULD A VAT PAYER DO IF IN A CREDIT/REFUND POSITION?

If a VAT payer’s input VAT exceeds their output VAT, they are in a net VAT credit/refundable position and are entitled to be reimbursed by NBR.

Some VAT payers will be in a credit/refundable position on an ongoing basis, often when most of their economic activities are VAT zero-rated. Other VAT payers might only occasionally be in this position; for example, when they incur significant capital expenditure in a particular VAT period.

On the return form, if the “Net value due” (line #17 of the VAT Return Form section) is a negative value, the option for “Refund information” will appear on the “Summary” section.

A VAT payer will then have the below options:

1. Yes – Request a refund of this excess from NBR (the VAT payer will also be required to specify the receiving IBAN), or;

2. No – Carry forward this excess and use it as a credit to offset VAT liabilities in future VAT periods.

A VAT payer can submit a refund request as necessary to claim back any excess VAT that they previously chose to carry forward.

Also note that NBR has the right to offset excess recoverable input VAT against any administrative fines or VAT due until the excess is depleted.
8. FILING SCENARIO EXAMPLES

Please refer to the following examples for a better understanding of how purchase and sale values can be recorded in the “VAT Return Form” section of the return filing form.

8.1. Example 1: Bahraini Shop

The following VAT scenario concerns Bahraini Shop, a retail store selling only standard-rated goods to domestic customers. The Shop uses only domestically-supplied goods as expenses.

1. Bahraini Shop is a retail store selling various household items, all of which are subject to the standard VAT rate of 5%
   - The Shop buys products from a wholesaler for BHD 2,000
   - The Shop pays BHD 100 of VAT on the purchase

2. Bahraini Shop then sells the household items for BHD 3,000 to its customers
   - The Shop collects BHD 150 of VAT on the sale

3. Bahraini Shop submits the VAT return to NBR and pays the VAT due
Completed “VAT Return Form” section of Bahrain Shop’s return filing form on the NBR portal:

Bahraini shop sells the products for BHD 3,000 to customers

This is calculated as 5% of BHD 3,000

Bahraini shop buys products from wholesaler for BHD 2,000

This is calculated as 5% of BHD 2,000

This is calculated by subtracting the two VAT amounts, 150 - 100
8.2. Example 2: Bahraini Mining Firm

The following VAT scenario concerns Bahraini Mining Firm, a firm which sells goods domestically and abroad. It has both imported and domestically-supplied goods as expenses. It is also eligible for a refund due to a high proportion of exported sales.

1. During the VAT period, Bahraini Mining Firm buys:
   - BHD 1.2 MM worth of mining equipment sourced locally from domestic suppliers
   - BHD 2 MM worth of mining tools sourced abroad from a US supplier
   - All mining equipment and tools bought are standard rated

2. In the same period the Bahraini Mining Firm sold:
   - 80 tonnes of minerals to be delivered in Bahrain (domestic sales); average price of BHD 20,000 per tonne
   - 100 tonnes of minerals to be delivered outside Bahrain to a Portuguese buyer (sales at export); average price of BHD 25,000 per tonne
   - Minerals sold are standard rated in Bahrain
   - Bahraini Mining Firm collected VAT of BHD 80,000 from their customers as installments

3. The Bahraini Mining Firm returned BHD 300,000 worth of material that were acquired locally from a domestic supplier, on which VAT was paid in the previous reporting period

4. Bahraini Mining Firm submits the VAT return and pays the VAT due
Completed “VAT Return Form” section of Bahrain Mining Firm’s return filing form on the NBR portal:

- Firm sells BHD 1,600,000 of minerals (80 tonnes) domestically.
- BHD 2,500,000 of minerals (100 tonnes) sold at export to a customer in Portugal.
- BHD 300,000 of defective mining equipment returned to a domestic supplier (relating to purchases made in previous period).
- BHD 1,200,000 worth of mining equipment is purchased domestically.
- BHD 2,000,000 worth of imported goods from the USA.
8.3. Example 3: Bahraini Construction Company

The following VAT scenario concerns Bahraini Construction Company, a company which provides services to domestic customers and has only domestically supplied goods as expenses. The Company also has an adjustment resulting in an increase of sales from a previous period, as well as a correction due to an internal error.

1. During the VAT period, Bahraini Construction Company buys BHD 50,000 worth of building materials from a domestic supplier
   - A total of BHD 2,500 VAT is paid

2. In the same period the Company finishes a building at a price of BHD 100,000
   - During the previous period:
     - The price was unknown
     - 50% of the work sold was performed
     - The Company received a deposit of BHD 20,000 from its client
     - The customer pays the outstanding liability of BHD 80,000 in the current period
     - VAT of BHD 4,000 is collected on its domestic sales in the current period

3. The Company made an error in a previous VAT return, causing them to underpay BHD 300 of VAT

4. The Company submits the VAT return and pays the VAT due
Completed “VAT Return Form” section of Bahrain Construction Company’s return filing form on the NBR portal:

- Completed “VAT Return Form” section of Bahrain Construction Company’s return filing form on the NBR portal:

  - BHD 80,000 = total value for the supply 100,000 minus the 20,000 paid as an advance payment in previous period
  - BHD 50,000 worth of building materials purchased locally from a domestic supplier
  - Error in previous return caused the Company to underpay BHD 300 VAT. Since this is between BHD ±5,000, it can be declared in the corrections line of this period's return
9. FREQUENTLY ASKED QUESTIONS (FAQS)

Which return form do I have to file?
VAT returns will be available to the VAT payer to file in the "VAT Returns" section tagged with the due date of each.

Can I file a zero return?
In periods where no activity subject to VAT has taken place, a VAT return should still be filed even if zero transactions are reported. This so-called ‘Nil’ return is still subject to the standard filing deadlines.

What is the purpose of drop down above returns list?
To allow searching for a return by its filing status.

How can I amend the VAT returns that are submitted?
Submitted VAT Returns are available for amendment under the following path on the NBR Portal.
VAT Payer Login > VAT returns > Filter for Billed returns > Open relevant VAT return > Click on ‘Amend’ on the bottom right

Can I view or download the attachments of a submitted VAT return?
Yes; by clicking on the attachment filename Under “My Documents” on the homepage.

What is the VAT return reference number?
It is an identifier (a number composed of 12 digits shown at the top of the return) for NBR correspondence related to that VAT return.

What is the basic information page at the beginning of each VAT return; how may I change it?
This is the VAT Payer profile information. This can be changed using the “Update VAT Payer Details” function on the homepage.