

## BAHRAIN TAX UPDATE - SEPTEMBER 2024

### THE DOMESTIC MINIMUM TOP-UP TAX LAW (DMTT)

The Kingdom of Bahrain, as a member of the Organization for Economic Cooperation and Development (OECD) and aligned with the OECD's Base Erosion Profit Sharing (BEPS) Pillar Two Inclusive Framework introduced last 01 September 2024 the DMTT Law as a Decree-Law No. (11) of 2024 implementing a Tax on Multinational Enterprises (MNEs) located in Bahrain. The DMTT Law will take effect on 01 January 2025 applying the global minimum tax of 15% on Constituent Entities (CEs) of MNEs located in Bahrain that meets the threshold requirements.

### WHO ARE AFFECTED BY THE DMTT LAW

DMTT law only applies to MNEs. An MNE is a group that consists of entities located in more than one jurisdiction, either as a branch, subsidiaries, joint ventures or other form of presence like at least one permanent establishment in another jurisdiction.

### WHAT IS THE REVENUE THRESHOLD

The tax will be imposed on MNE groups with total consolidated annual revenues equal to or exceeding EUR750 million for at least two of the last four fiscal years.

### REGISTRATION, ANNUAL TAX RETURN AND TAX PAYMENT

MNEs will need to designate a Filing CE in Bahrain who shall register with the National Bureau for Revenue (NBR) in accordance with the rules, conditions and controls prescribed by the Law. The Filing CE will also be responsible for other tax administration matters such as filing of annual tax returns, paying the tax due, if any and submitting other required notifications and correspondences with the NBR.

### AUDIT

NBR may conduct Tax Audits to check Tax Returns accuracy and ensure legal compliance.



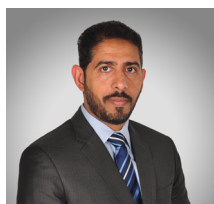
## PENALTIES FOR NON-COMPLIANCE

- Failure to register on time: penalties up to BHD100,000
- Late payment: penalty of 1% per month
- Failure to update data: penalties up to BHD50,000
- Submitting inaccurate information in the Tax Return that results in the under-reporting of the Tax Due can lead to a penalty not exceeding 30% of the Tax amount that should have been disclosed
- Imprisonment for up to 5 years plus fines up to 3 times the tax amount of tax due for tax evasion violations

## THE EXECUTIVE REGULATIONS OF THE LAW

The Executive Regulations for the implementation and enforcement of the DMTT Law is yet to be released by the NBR after Cabinet approval.

## GET IN TOUCH



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