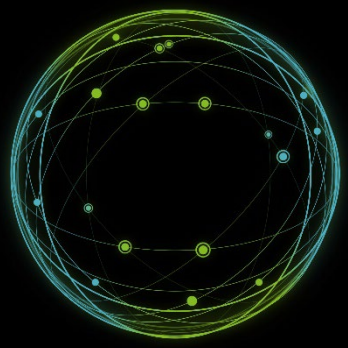
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International Tax

Bahrain Highlights 2026

Updated February 2026



Recent developments

For the latest tax developments relating to Bahrain, see Deloitte tax@hand.

Investment basics

Currency: Bahraini Dinar (BHD)

Foreign exchange control: There are no foreign exchange controls.

Accounting principles/financial statements: IFRS applies. Financial statements must be filed annually.

Principal business entities: These are the limited liability company (WLL), single person company (SPC), a branch of a foreign company, a partnership, a "simple commandite" company, and a holding company.

Corporate taxation

Residence: Residence is not defined. A company engaged in oil, gas, or petroleum activities in Bahrain is subject to tax, regardless of where the company is incorporated.

Basis: Tax is imposed only on the taxable income of oil, gas, and petroleum companies engaged in exploration, extraction, production, and refining activities in Bahrain.

Bahrain has announced it intends to introduce a general corporate income tax regime, which would be effective as from 1 January 2027, for entities that meet either of the following two criteria: (i) annual revenue of at least BHD 1 million (approximately USD 2.7 million), or (ii) annual net profit of at least BHD 200,000 (approximately USD 530,000). The proposed corporate income tax rate would be 10%.

Taxable income: Oil, gas, and petroleum companies are assessed tax on their net profits from taxable activities in Bahrain, calculated as business income less business expenses.

Rate

General

The tax rate is 46% on taxable income.

Surtax

There is no surtax.

Alternative minimum tax

There is no alternative minimum tax.

Global minimum tax (Pillar Two)

Bahrain has adopted a domestic top-up tax (sometimes referred to as a DMTT), applicable for accounting periods beginning on or after 1 January 2025. The DMTT is generally in line with the global anti-base erosion (GloBE) or "Pillar Two" model rules published by the OECD/G20 Inclusive Framework on BEPS that are designed to ensure a global minimum level of taxation of 15% for multinational enterprise groups with annual consolidated revenue of at least EUR 750 million. The OECD's central record of legislation with transitional qualified status for global minimum tax purposes includes Bahrain's DMTT as a qualified domestic minimum top-up tax (QDMTT) that meets QDMTT safe harbor standards as from 1 January 2025.

Taxation of dividends: There is no tax on dividends.

Capital gains: There is no tax on capital gains.

Losses: Losses may be carried forward indefinitely. The carryback of losses is not permitted.

Foreign tax relief: There is no foreign tax relief.

Participation exemption: There is no participation exemption.

Holding company regime: There is no holding company regime.

Incentives: There are no tax incentives.

Compliance for corporations

Tax year: The tax year is the calendar year or the year specified in the company's articles of association.

Consolidated returns: Taxpayers may not file consolidated returns.

Filing and payment: Taxpayers are required to file an estimated income tax return on or before the 15th day of the third month of the tax year. Tax must be paid in 12 equal installments, with the first installment payable on the 15th day of the fourth month of the tax year.

Penalties: A penalty of 1% of the tax liability is due for each 30 days that the return or payment of tax is outstanding.

Rulings: Rulings may not be requested.

Individual taxation

There is no individual income tax.

Withholding tax

There are no withholding taxes.

Bahrain has announced it intends to introduce withholding tax on certain cross-border payments to corporate entities on Bahrain-source income. The rate would be 0% for dividend payments, and 5% for interest, royalty, and service payments.

Anti-avoidance rules

Transfer pricing: There is no transfer pricing legislation. However, related party transactions should be made at arm's length to mitigate any risk of transfer pricing issues arising in the reciprocal jurisdiction. There are country-by country reporting rules.

Interest deduction limitations: There are no interest deduction limitation rules.

Controlled foreign companies: There are no controlled foreign company rules.

Anti-hybrid rules: There are no anti-hybrid rules.

Economic substance requirements: Economic substance rules in Bahrain align with those issued by other jurisdictions with a similar tax environment, i.e., "no or only nominal tax jurisdictions." The Bahraini legislation is based on the three common key pillars that a resident entity (a local company or branch of a foreign company) undertaking a relevant activity must satisfy to demonstrate economic substance: (i) the company should be directed and managed from Bahrain, (ii) "core income generating activities" should be undertaken in Bahrain, and (iii) the company should have an adequate number of qualified employees, office space, and annual expenditure in Bahrain.

Disclosure requirements: Companies are subject to compliance obligations, including the filing of annual notifications and returns. Noncompliance with any of the legislative provisions may lead to monetary penalties as well as suspension from the commercial register.

Exit tax: There is no exit tax.

General anti-avoidance rule: There is no general anti-avoidance rule.

Value added tax

Rates	
Standard rate	10%
Reduced rate	0%

Taxable transactions: VAT applies to supplies of goods and services.

Rates: The standard rate is 10% and applies to most goods and services. Certain goods and services are zero rated, including exports of goods, healthcare services, medicines/medical goods, construction services, and educational services. A limited number of supplies are VAT exempt, including supplies of real estate and financial services.

Registration: Businesses with an annual VAT taxable turnover exceeding or expected to exceed BHD 37,500 must register for VAT within 30 days of the date when the threshold is exceeded or expected to be exceeded. Taxable persons may voluntarily register for VAT if the annual VAT taxable turnover and/or annual expenses subject to VAT in Bahrain exceed or is expected to exceed BHD 18,750.

Nonresident businesses supplying goods or services in Bahrain to non-VAT-registered customers must register for VAT within 30 days from the date of the first taxable supply regardless of the value of the goods or services supplied (i.e., there is no minimum threshold before registration is required).

Filing and payment: Tax returns must be submitted using the National Bureau for Revenue's online portal. The submission and payments are due by the last day of the month following the end of the tax period. Payments may be made through the eGovernment National Portal using debit or credit cards, or via the Fawateer payment services available at bank branches, e-banking, or the BenefitPay application.

Taxable persons with annual VAT taxable turnover exceeding BHD 3 million must file monthly tax returns; all other taxable persons must file quarterly tax returns. Taxable persons that are residents of Bahrain with less than BHD 100,000 in annual VAT taxable turnover may request to file annually.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social contributions and payroll taxes: For Bahraini nationals, the employer's social insurance contribution is 15% and the employee's contribution is 8%, which covers old age, disability, death, and unemployment. The employer's share will increase by one percentage point each year between 2024 and 2028, bringing the total percentage of the employer's share to 20% in 2028.

For expatriate employees, the employer's social insurance contribution is 3%, which covers employment injuries. Expatriate employees contribute 1%, which covers unemployment. The maximum monthly earnings subject to contributions are capped at BHD 4,000. The employer remits social security contributions (both employer and employee portions) monthly. Penalties ranging from BHD 100 to BHD 500 apply for failure to provide income information and corresponding contributions, which may be doubled for repeated failures.

Upon the termination of their contract, expatriate workers are entitled to a payment equivalent to one half of one month's wages for each year of service for the first three years and to one month's wages for each subsequent year, prorated for part years.

Capital duty: There is no capital duty.

Real property tax: There is no real property tax.

Transfer tax: There is no transfer tax.

Stamp duty: Stamp duty is levied on transfers and/or registration of real estate at a rate of 2% of the property value. The rate is discounted to 1.7% if the duty is paid within 60 days following the transaction date.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Other

Levy on hotels and restaurants

A 10% levy is imposed on the gross turnover of hotels and first-grade restaurants. Typically, the charge is passed on by hotels and restaurants to customers via their bills.

Municipality tax

A 10% municipality tax is levied on the rental of commercial property and residential property occupied by expatriates.

Tax treaties: Bahrain has concluded approximately 50 tax treaties. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS MLI) entered into force for Bahrain on 1 June 2022.

Tax authorities: Ministry of Finance and National Bureau for Revenue

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