



# Navigating the anticipated VAT rate increase in Bahrain

Ensure your business is compliant by 1 January 2022

As per our understanding, the Kingdom of Bahrain is planning to double the standard rate of Value Added Tax (VAT) from 5% to 10% with effect from 1 January 2022. While the National Bureau for Revenue (NBR) has yet to make an official announcement, the proposed rate increase is part of the economic improvement plans following the impact of Covid-19 on the economy and the Fiscal Balance Program.

## How could this change impact your business?

Businesses whose sales are partially or fully VAT exempt, will experience an increase in costs as a direct effect of the rate increase. Nevertheless, the rate increase will impact all industry sectors in Bahrain and not just the Financial Services, Insurance and Real Estate sectors.

Taxpayers should review existing contracts that provide for continuous or periodic supplies of goods/services, and consider the required documentation changes that should be effected before 1 January 2022. For example, businesses will need to be clear on the correct rate of VAT to charge on contracts and supplies.

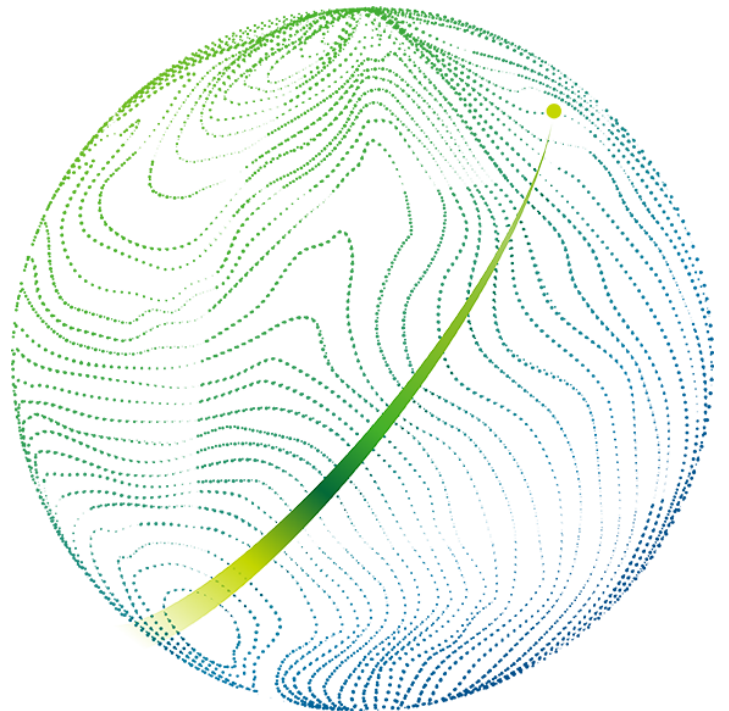
The rate increase will also impact cash-flow for businesses due to the timing difference between the payment and recovery of VAT, and cash flow planning will take on renewed significance. Similarly, businesses should review their internal systems and processes to reflect the increased VAT rate.

We recommend taxpayers start to measure the impact of the increased VAT rate on their cash flow, operations and supply chain.

## How can Deloitte help ?

Deloitte has developed a range of services to support businesses through this change given that we have already undergone the same journey in the Kingdom of Saudi Arabia. Hereafter is an overview of these offerings.

We would also be pleased to discuss the likely impact and issues your business might face leading up to this change.



## Standard service

### VAT transitional rule implementation

- Review of your contracts and other VAT related documents.
- Suggest contract wording.
- Determine the correct VAT rate for your various supplies.

## Enhanced services

### Transaction mapping

- Map your various types of transactions with the correct VAT rate and propose tax codes.

### Business and systems requirements

- Review your business requirements and undertake a gap analysis.
- Provide advisory support from technical VAT and systems perspectives.

### Healthcheck - VAT return review

- Review of prior VAT returns declaration and its VAT returns workings.
- Review of sales reconciliation between the trial balance and output sales declared in VAT returns.
- Review a selected sample of supporting documents such as invoices, bank statements and credit and debit notes.

### Healthcheck - Process review

- Support in reviewing tax codes used and how they apply to transactions.
- Review processes relating to the accounts payable (AP) and account receivable (AR) manuals.
- Review of the procurement and sales cycle, including vendor and client set-up and purchase / sales order generation.

### Other ad-hoc advisory support

- Support with NBR queries, reassessments, and objections.
- Support with other technical enquiries, such as VAT determination or interpretation of the legislation.
- Email / Letter to communicate with relevant stakeholders that are impacted by the VAT rate increase.
- On-site training / online training on the rate change.

## Why Deloitte?

Deloitte has the relevant experience and proven track record of successfully delivering value add services to all major business sectors in the Kingdom of Saudi Arabia during the VAT rate increase last year.

Our team of experts, located in Bahrain, have the relevant experience to assist you with this transition. Deloitte is committed to providing you with local expertise on the ground to ensure your business effectively navigates the VAT rate increase, while maintaining full compliance with the VAT legislation in Bahrain.

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