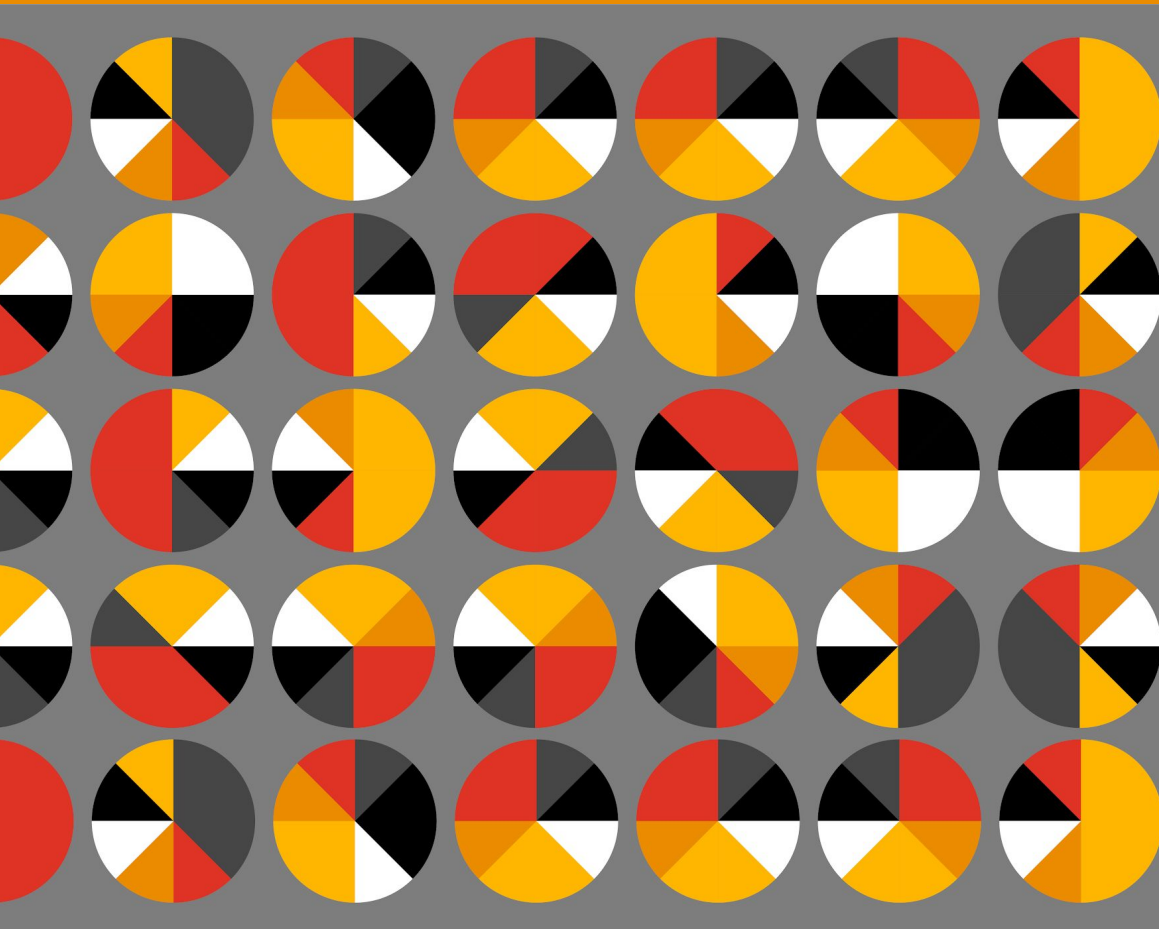


Bahrain: NBR releases updated Imports and Exports VAT Guide

May 2019



In brief

Following the release of the Imports and Exports VAT Guide in February 2019, the National Bureau for Revenue (NBR) has released an update of the guide on their website this week.

There are two major additions in the updated guide in relation to imports by non-resident suppliers and the VAT period during which import VAT paid to the Customs Affairs Department can be claimed back by a person registered for VAT.

In detail

Following the introduction of VAT on 1 January 2019, the NBR issued an Imports and Exports Guide earlier this year which provided additional information and guidance on the VAT implications when importing and exporting goods and services to/from Bahrain.

This Guide has now been updated and contains two important additions which we set out in brief below.

Imports by non-resident suppliers

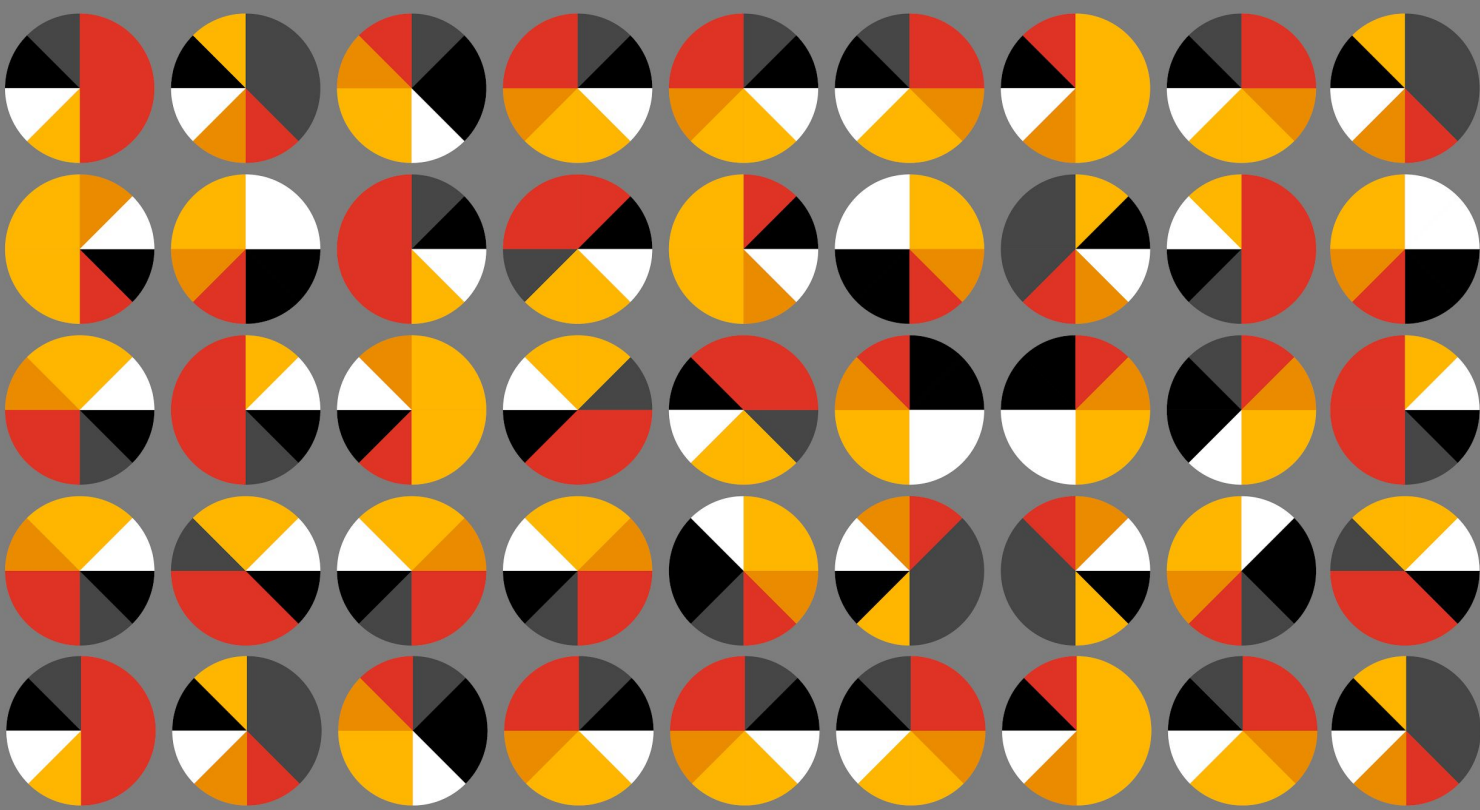
The most significant update in the Guide is in relation to imports by non-resident suppliers. In particular, this considers the scenario where a non-resident supplier is required to bring goods into Bahrain from outside the territory of the Implementing States for the purpose of supplying them as part of a supply of goods with installation or as part of a construction service carried out in Bahrain.

In such cases, the ownership and risks associated with the goods will be with the non-resident supplier at the time of import into Bahrain and will only transfer from the non-resident supplier to his customer at the time the installation / construction is completed.

As per the normal rules, import VAT will be payable at the time of import of any goods unless a VAT exemption at import applies.

The updated Guide confirms that where the customer is a VAT registered person resident in Bahrain, he may import the goods under his CR number and VAT Account Number. Any import VAT charged by customs will be recoverable in full to the extent the non-resident supplier's subsequent supply of the goods (with installation or as part of a construction service) is not VAT exempt. This will apply regardless of the taxable customer's usual input VAT recovery position.

The VAT registered customer must be able to prove and evidence (e.g. through a supply agreement or purchase order) that the goods are imported for the purpose of a taxable supply (at 5% or 0%) that will be made by a non-resident supplier.



Furthermore, unless VAT at the zero-rate applies, the VAT registered customer will also continue to be liable to self account for VAT under the reverse charge mechanism on the supply of the goods with installation or on the construction services, including on the value of the goods, made by the non-resident supplier (in accordance with the relevant tax due date rules applicable to the supply).

This is a particularly welcome move for many non-resident suppliers who are required to import goods into Bahrain for installation or construction projects as to date, the import was generally made by their resident customers who were liable to pay import VAT with an uncertainty as to whether they would be entitled to claim it back. It is now confirmed that the VAT paid at import by VAT registered resident customers of non-resident suppliers can be recovered by these customers, subject to some conditions being met.

The VAT period during which import VAT paid can be claimed back by a person registered for VAT

The updated guide confirms that import VAT can be recovered as “input VAT” in the taxable person’s tax return for the tax period during which the payment of VAT to Bahrain Customs Affairs was made. Therefore, a person registered for VAT and importing goods must ensure that any import VAT has been paid to Customs prior to claiming this on their VAT return.

You can access the updated Imports and Exports VAT Guide through the link below:

https://www.nbr.gov.bh/vat_guideline

The takeaway

The Imports and Exports VAT Guide is one of the first guides to be updated by the NBR and it is expected that other guides may also be updated over the coming months.

Businesses should continue to monitor updates from the NBR to ensure that they are compliant with their VAT obligations.

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Let's Talk

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