

Bahrain issues VAT invoicing requirements

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Executive summary

Bahrain's Executive Regulations for Value Added Tax (VAT) (the Regulations) have been released in Arabic and English,¹ These can be accessed via the National Bureau for Taxation website (link to [original version](#)). The Regulations contain the tax invoicing requirements, which should be implemented by businesses operating in Bahrain.

Key highlights include:

- ▶ Tax invoices must be issued in respect of all supplies of goods and services and for all rates (standard rated, zero-rated, and exempt)
- ▶ Invoices can be either issued in Arabic or English (there is no compulsory requirement to include Arabic)
- ▶ Tax invoices do not need to include the customer's VAT registration number
- ▶ Approval is required from the National Bureau for Taxation (NBT) to issue tax invoices electronically
- ▶ Bank statements meeting certain criteria may replace full or simplified tax invoices, notably not requiring a description of goods or services to be included, or the total amount due including VAT

Detailed discussion

When is a tax invoice required to be issued?

Registered taxpayers are required to issue a tax invoice in respect of all supplies of goods and services made in Bahrain for VAT purposes. This therefore appears to include standard rated, zero-rated, and exempt supplies (this differs from the requirements in Saudi Arabia and the United Arab Emirates). It also applies to deemed supplies and supplies to nonresidents.

As per Bahrain's VAT Law, tax invoices must be issued by the 15th day of the month following the month in which the supply took place.

What format must tax invoices be in?

It is important to note that the Regulations include a provision to state that approval must be obtained from the NBT in order to issue invoices electronically. This would suggest that until this approval has been granted, all invoices must be issued in hard copy. This includes zero-rated tax invoices issued to nonresidents, which may technically require businesses to courier tax invoices to customers where such approval has not been obtained. As noted above, tax invoices can be issued either in Arabic or English.

There are three different types of tax invoice which may be issued by taxpayers in certain situations.

Tax invoice type	When it may be issued
Full tax invoice	Always, unless other formats permitted
Simplified tax invoice	May be issued where: <ul style="list-style-type: none"> ▶ The customer is not registered for VAT purposes in Bahrain; or ▶ If the customer is registered and the total consideration does not exceed BHD500.
Bank statement	May be issued by banks to their customers

Tax invoice contents

The detailed content requirements for each type of tax invoice are included in the appendix of this document.

Where multiple supplies are made to the same customer within a period not exceeding one month, a summary tax invoice including (more than one supply) can be issued rather than a separate tax invoice for each individual supply.

Tax invoices must be unique (hence the requirement for the sequential invoice number) and where a copy of the tax invoice is issued, the words "duplicate of original" need to clearly be stated.

Credit and debit notes

Where a VAT amount charged in a tax invoice requires a downward or an upward adjustment, then a credit or a debit note needs to be issued respectively to correct the VAT amount in the tax invoice. The provisions state that credit or debit notes need to be issued during the tax period in which the event triggering the VAT adjustment arises, which may leave businesses with a limited time in case such event arises towards the end of the tax period.

The requirements for the credit or debit note are shown in the appendix of this document.

Record keeping

Separate to the standard requirements for record keeping, there is a specific requirement to maintain a photocopy of all tax invoices issued for a period of five years from the end of the calendar year during which the tax invoice issued (e.g., a photocopy of a tax invoice issued on 1 January 2019 must be maintain until 31 December 2025). This differs from the standard record keeping requirements which are generally from the end of the tax period.

Self-billing

A VAT registered customer may issue a tax invoice on behalf of the taxable supplier, subject to fulfilling the below conditions:

- ▶ There is a written agreement between the parties for the issuance of tax invoices by the customer
- ▶ The supplier undertakes not to issue any tax invoices in respect of the supplies made
- ▶ A mechanism is put in place to enable the supplier to approve each tax invoice issued by the customer on his behalf
- ▶ The tax invoice clearly shows that it is issued by the customer on behalf of the supplier
- ▶ The customer maintains a copy of each tax invoice he issues on behalf of the supplier
- ▶ The tax invoice meets the conditions and requirements stated in the Law and the Regulations relating to tax invoices

Currency of the invoice

Where a foreign currency is stated on the tax invoice, the amounts must be converted to Bahraini Dinars. The conversion should be based on the exchange rate approved by the Central Bank of Bahrain at the date the supply was made. The exchange rate needs to be shown on the tax invoice.

Rounding

Where the tax calculated on a supply includes fraction of Fils, the supplier may round the amount to the nearest Fils (i.e., three decimal places) in accordance with mathematical rounding.

Endnote

1. The contents of this document are based on the bilingual version of the Bahrain Executive Regulations for VAT. In case of a conflict between the original version (Arabic) and any translation, the Arabic version will prevail. Our comments are therefore subject to change.

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Appendix: Tax invoice requirements

The following is our interpretation of the tax invoice requirements listed in the Regulations. We understand that where applicable, these requirements should be required on a granular level (i.e., line by line basis) rather than on an invoice level.

Invoice type	Information required
Full tax invoice	The words "Tax Invoice" clearly displayed
	Supplier's name
	Supplier's address
	Supplier's VAT number
	Customer's name
	Customer's address
	Date of issuance of the tax invoice
	Date of supply or date of payment (if these differ from the date of issuance)
	Sequential invoice number
	Description of the goods or services supplied
	Quantity of goods supplied
	Unit price, exclusive of VAT, in BHD
	Value of supply, before discounts, in BHD
	Value of discounts, if any, in BHD
	Value of supply, after discounts and exclusive of VAT, in BHD
	VAT rate applied
	Amount of VAT charged in BHD ⁱ
	Total amount due on the supply, inclusive of VAT, in BHD
	Prevailing exchange rate (as approved by the Central Bank of Bahrain) where a currency other than BHD is used
	Explicit reference that the tax is calculated based on the profit margin, in cases where the profit margin mechanism is applied for calculating the due tax ⁱⁱ
Explicit reference to the exclusion or exemption of the transaction from VAT ⁱⁱⁱ	
Simplified tax invoice	Supplier's name
	Supplier's address
	Supplier's VAT number
	Date of issuance of the simplified tax invoice
	Description of the goods and services supplied
	Total amount due on the supply, inclusive of VAT, in BHD
	VAT rate applied
	Amount of VAT charged in BHD (see endnote i)

Invoice type	Information required
Bank statement	Bank's name
	Bank's address
	Bank's VAT number
	Customer's name
	Customer's address
	Date of issuance of the bank statement
	VAT rate applicable on each supply
	Amount of VAT in respect of each supply
Debit/Credit note	The words "Debit Note" or "Credit Note" clearly displayed
	Supplier's name
	Supplier's address
	Supplier's VAT number
	Customer's name
	Customer's address
	Sequential number of the credit/debit note
	Date of issuance
	The number of the original tax invoice for which the VAT amount needs to be corrected
	The adjustment value of the supply and the VAT amount (i.e. the increment or deduction amount) in BHD

Endnotes

- i. Where the VAT amount contains fractions of Fils, it is allowed to round the VAT amount to the nearest Fils based on the mathematical rounding rules (i.e. to the nearest three decimal points).
- ii. Specific mechanism for second hand goods that requires approval from the NBT.
- iii. We understand that this means you need to explicitly differentiate between supplies which are exempt and out of scope, as this would not otherwise be clear from the VAT rate applied.

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