



Bahrain & GCC Tax News

3 May 2023

Bahrain

Japanese Parliament approves Investment Protection Agreement (IPA) with Bahrain

On 27 April 2023, the Japanese House of Representatives (lower house of parliament) approved an IPA with Bahrain, which was signed on 23 June 2022. The IPA is now pending approval of the Japanese House of Councillors (upper house of parliament).

Corporate Income Tax (CIT) on large Multinational Enterprises (MNE)

With the Global Minimum Tax (GMT) rules set to take effect from the beginning of 2024, the question for many Bahrain businesses is what Bahrain will do.

Countries that only have a limited CIT or a CIT below the GMT of 15% will need to make some key decisions:

- Implement the Income Inclusion Rule (IIR) and CIT on all businesses; or
- Implement the IIR and CIT on select businesses.

If Bahrain does nothing, profits generated by companies in Bahrain could be subject to tax in other jurisdictions. In essence, Bahrain will lose out on taxing rights and revenue. For example:

- The Ultimate Parent Entity (UPE) located in Bahrain may still end up paying top-up tax in another jurisdiction on the profits generated locally;
- A UPE in a country that has implemented the IIR with subsidiaries in Bahrain would include and pay the top-up tax in respect to the low taxed Bahrain subsidiaries – Bahrain would then have conceded the tax revenue that may have been generated from profits of the Bahrain subsidiaries to another jurisdiction.

Therefore, given the recent [comment](#) made by the Minister for Sustainable Development at the 2023 World Economic Forum, Bahrain businesses could expect the introduction of CIT, at least in the first instance, on MNEs with annual consolidated revenues exceeding BHD 342 million from financial years commencing 1 January 2024.

This means that a Bahrain-headquartered MNE or a Bahrain subsidiary/branch of a foreign MNE could start paying CIT in Bahrain from FY 2025 onwards (for FY 2024 filing).

The second phase could include a broader CIT on other businesses as well. Whilst no formal announcement has been made yet, we recommend businesses conduct at least a preliminary analysis of the impact the introduction of a CIT will have on them.

You can also read our [FAQs](#) released in August 2021 on the BEPS Inclusive Framework Agreement for a refresher on the GMT.

Kingdom of Saudi Arabia (KSA)

Zakat, Tax and Customs Authority (ZATCA) announces criteria for e-invoicing integration fourth wave

ZATCA has recently announced the fourth wave for implementation of integration phase of e-invoicing in KSA will include taxpayers with taxable revenues exceeding SAR 150 million during 2021 or 2022.

Taxpayers meeting this criteria will be required to integrate their e-invoicing solutions with ZATCA's FATOORA Platform from 1 November 2023.

Click [here](#) to view the press release.

ZATCA reminds taxpayers to benefit from amnesty scheme before 31 May

ZATCA has recently reminded taxpayers to take advantage of ZATCA's cancellation of fines and financial penalties initiative before the deadline of 31 May 2023.

Click [here](#) to view the press release.

United Arab Emirates (UAE)

Ministry of Finance (MoF) issues ministerial decisions regarding UAE Corporate Income Tax (CIT)

The MoF has recently published the following decisions for the implementation of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses:

- [Ministerial Decision No. 82 of 2023](#) on the determination of categories of taxable persons required to prepare and maintain audited financial statements.
- [Ministerial Decision No. 83 of 2023](#) on situations where the presence of natural persons in the UAE could or could not give rise to a permanent establishment for the non-resident person.

UAE and Cambodia issue joint statement on Comprehensive Economic Partnership Agreement (CEPA)

According to a press release dated 27 April 2023, UAE and Cambodia have signed a joint statement confirming the successful conclusion of negotiations for a CEPA between the 2 nations.

Qatar

Protocol to Income Tax Treaty between Qatar and Guernsey comes into force

On 8 March 2023, the amending protocol to the Guernsey – Qatar Income Tax Treaty (2013) which was signed on 21 June 2022, entered into force.

For a detailed discussion on how the above updates may impact your business, [contact us](#).

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