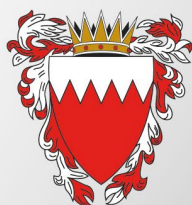


KINGDOM OF BAHRAIN

DMTT ADMINISTRATIVE GUIDE

MAY 2025

VERSION 1.0



الْجُمْهُارُ الْوَطَنِيُّ لِلْإِيرَاقَاتِ
National Bureau for Revenue

Preface

This guide sets out general principles relating to the administrative aspects of the Domestic Minimum Top-up Tax (DMTT).

This guide is intended to provide general information only and contains the current views of the National Bureau for Revenue (NBR) on the application of the DMTT Law and Executive Regulations. The content of this guide is not intended to be exhaustive and does not cover every matter that would need to be considered by a Multinational Enterprise Group when assessing the impact of the DMTT. This guide should be read in conjunction with the DMTT Law and Executive Regulations.

The Multinational Enterprise Group may also refer to the Model Rules, Administrative Guidance and Commentary issued by the Organisation for Economic Cooperation and Development (OECD) to date for any additional information.

This guide is not a legally binding document and does not commit the NBR or any other person, including a Multinational Enterprise Group, in respect of any transaction or treatment. This guide does not provide binding interpretative directions and is not a substitute for obtaining competent advice from a qualified professional.

The rules related to DMTT in Bahrain are set out in the DMTT Law and Executive Regulations which are available on the NBR's website, www.nbr.gov.bh.

Contents

| | | |
|-----------|---|-----------|
| 1. | Introduction | 1 |
| 1.1. | Background..... | 1 |
| 1.2. | Purpose of This Guide | 1 |
| 2. | Registration | 2 |
| 2.1. | Introduction | 2 |
| 2.2. | Registration Obligations | 2 |
| 2.3. | Registration Documentation | 4 |
| 2.3.1. | Changes in information | 4 |
| 2.4. | Excluded Entities | 5 |
| 3. | Deregistration | 6 |
| 3.1. | Mandatory Deregistration | 6 |
| 3.2. | Timing and Method for Deregistration | 6 |
| 3.3. | Deregistration by the NBR | 7 |
| 4. | Filing Constituent Entity | 8 |
| 4.1. | Introduction | 8 |
| 4.2. | Appointing a Filing Constituent Entity | 8 |
| 4.3. | Responsibilities of a Filing Constituent Entity | 9 |
| 4.4. | Changing a Filing Constituent Entity | 9 |
| 5. | Elections | 10 |
| 5.1. | Introduction | 10 |
| 5.2. | Overview of Elections Provided Under the DMTT framework | 10 |
| 5.2.1. | Five-Year Elections | 10 |
| 5.2.2. | Annual Elections | 10 |
| 5.3. | Making and Revoking an Election | 11 |
| 6. | Payment of Tax | 13 |
| 6.1. | Introduction | 13 |
| 6.1.1. | Determining Advance Payments Periods | 13 |
| 6.1.2. | Due dates for advance tax payments | 14 |
| 6.2. | How to Calculate the Advance Tax Payment | 15 |
| 6.2.1. | Introduction | 15 |
| 6.2.2. | Prior Year Method | 15 |
| 6.2.3. | Current year method | 16 |
| 6.3. | Documenting Advance Tax Payments | 16 |
| 6.4. | Payment of the Balance of Tax Due | 17 |

| | | |
|------------|--|-----------|
| 7. | Currency Considerations | 18 |
| 7.1. | Introduction | 18 |
| 7.2. | Currency Conversion for Tax Computation | 18 |
| 7.3. | Currency for Reporting and Paying Tax | 19 |
| 7.4. | Conversion of Amounts Expressed in Euro | 20 |
| 7.5. | Reliable Sources for Foreign Exchange Rates | 21 |
| 7.6. | Documentation Requirements..... | 21 |
| 8. | Tax Refunds..... | 22 |
| 8.1. | Eligibility Criteria | 22 |
| 8.2. | Refund Procedure..... | 22 |
| 9. | Joint Liability | 25 |
| 9.1. | Constituent Entities and Joint Ventures / Joint Venture Subsidiaries | 25 |
| 9.2. | Entities Joining or Leaving a Multinational Enterprise Group..... | 26 |
| 10. | Retention of Records | 27 |
| 10.1. | General Requirements | 27 |
| 10.2. | Record Keeping Periods | 28 |
| 10.3. | Manner of Retaining Records..... | 29 |
| 11. | Revenue Test Notification | 30 |
| 12. | Calculation of Deadlines..... | 31 |
| 13. | DMTT Audits | 32 |
| 13.1. | Definition..... | 32 |
| 13.2. | Where and When an Audit Takes Place..... | 32 |
| 13.3. | Knowing that a DMTT Audit is Taking Place | 32 |
| 13.4. | NBR Powers During a Tax Audit..... | 33 |
| 13.5. | Results of an Audit..... | 33 |
| 14. | Assessment of Tax Due..... | 34 |
| 15. | Tax Dispute Resolution | 35 |
| 15.1. | Introduction | 35 |
| 15.2. | Independent review by the NBR..... | 35 |
| 15.3. | Objection to the Tax Objections Committee | 36 |
| 15.4. | Appeal to Competent Court..... | 37 |
| 16. | Tax Agents..... | 38 |
| 16.1. | Introduction | 38 |
| 16.2. | Becoming an Authorised Tax Agent..... | 38 |
| 17. | Fines and Penalties..... | 39 |

1. Introduction

1.1. Background

In 2018, the Kingdom of Bahrain (“Bahrain”) joined the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS). The OECD introduced Pillar 2 as part of its BEPS 2.0 project to establish a global minimum tax rate to ensure that multinationals are taxed at a minimum level in all jurisdictions in which they operate. The agreed minimum tax rate is 15%.

As a member of the Inclusive Framework, Bahrain issued Decree-Law No. 11 of 2024 on 1 September 2024 which introduces the global minimum tax (in the form of a domestic minimum top-up tax (“DMTT”)) for Multinational Enterprises (the “DMTT Law”) which took effect from 1 January 2025. In addition, on 11 December 2024 Bahrain issued Decision No. 172 of 2024 Issuance of the Executive Regulations for Decree-Law No. 11 of 2024 Regarding the Implementation of Tax on Multinational Enterprises (the “Regulations”).

1.2. Purpose of This Guide

The purpose of this guide (“Guide”) is to provide guidance on the administrative aspects of the DMTT Law, i.e. how Entities that fall within its scope or are excluded from scope should comply with their DMTT obligations. This includes registration and deregistration, appointment of a Filing Constituent Entity, making certain elections, paying Tax and recordkeeping obligations. The NBR will issue guidance in respect to Tax Returns at a subsequent stage.

2. Registration

2.1. Introduction

This section provides guidance on registration requirements including indicating the entities required to register, the scope of mandatory information and documents to be submitted during registration and the registration deadlines.

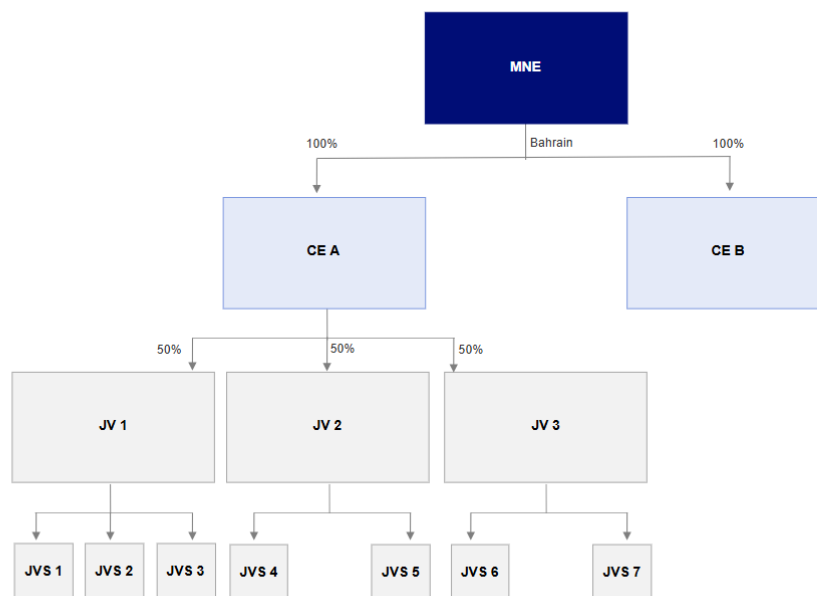
2.2. Registration Obligations

Registration obligations are imposed on the Filing Constituent Entities that are appointed respectively by:

1. The Constituent Entities located in Bahrain that are members of Multinational Enterprise Group and meet the Revenue Test. The Filing Constituent Entity must be one of these Constituent Entities.
2. The Joint Venture and its Subsidiaries that are located in Bahrain where the Ultimate Parent Entity of the Joint Venture or Joint Venture Subsidiary is an Ultimate Parent Entity of the Multinational Enterprise Group that meets the Revenue Test. The Filing Constituent Entity must be the Joint Venture or one of the Joint Venture Subsidiaries.

The Filing Constituent Entity should apply for registration on NBR website following the procedures set out in the DMTT Registration Manual on the NBR website.

Example 1



A Multinational Enterprise Group (MNE) has two Constituent Entities in Bahrain, CE A and CE B. CE A has three Joint Ventures, each with Joint Venture Subsidiaries. In these circumstances, the two Constituent Entities will need to appoint one of them as a Filing Constituent Entity that will be responsible for their DMTT obligations. JV1 and its Joint Venture Subsidiaries will need to appoint one of them to be a Filing Constituent Entity. JV2 and its Joint Venture Subsidiaries will need to appoint one of them to be a Filing Constituent Entity. JV3 and its Joint Venture Subsidiaries will need to appoint one of them to be a Filing Constituent Entities.

This will mean that, for the Entities in the above diagram, there will be four Filing Constituent Entities.

The deadline for registration is 120 days from the beginning of the Fiscal Year in respect of which the Constituent Entities or the Joint Venture or its Subsidiaries located in Bahrain come within the scope of the DMTT Law.

The deadline of 30 January 2025 is only applied to Multinational Enterprise Groups which had a Fiscal Year ending on 31 December 2024 and which met the Revenue Test for two out of the four Fiscal Years immediately preceding calendar year 2025. A 120-day deadline applies to Multinational Enterprise Groups who do not have a Fiscal Year ending on 31 December 2024.

Example 2

Alpha is a Multinational Enterprise Group with an accounting year end of 31 December. It has two Bahrain located Constituent Entities. The annual revenue of Alpha for the years ended 31 December 2021 and 31 December 2023 exceeded EUR 750 million.

As Alpha has a 31 December 2024 year end and meets the Revenue Test for two of the four Fiscal Years immediately preceding 1 January 2025, its Bahrain located Constituent Entities are in scope of the DMTT on 1 January 2025 and are required to appoint a Filing Constituent Entity which will register for DMTT on behalf of Alpha's Bahrain located Constituent Entities no later than 30 January 2025.

Example 3

Beta is a Multinational Enterprise Group with an accounting year end of 30 June. It has three Bahrain located Constituent Entities. The annual revenue of Beta for the years ended 30 June 2024 and 30 June 2022 exceeded EUR 750 million.

As Beta did not have an accounting year ending on 31 December 2024, it does not have to register for DMTT by the 30 January 2025 deadline. Its Bahrain located Constituent Entities will be in scope of the DMTT Law for the Fiscal Year starting on 1 July 2025 and ending on 31 June 2026. The Bahrain located Constituent Entities will be required to appoint a Filing Constituent Entity which will register for DMTT on their behalf no later than 120 days from 1 July 2025.

2.3. Registration Documentation

As a part of the registration process, the Filing Constituent Entity will need to provide relevant supporting documents and information on all of the following:

1. The Ultimate Parent Entity of the Multinational Enterprise Group, including the jurisdiction in which it is located.
2. The ownership structure of the Multinational Enterprise Group.
3. The Fiscal Year of the Ultimate Parent Entity of the Multinational Enterprise Group.
4. The Constituent Entities, Joint Ventures and Joint Venture Subsidiaries of the Multinational Enterprise Group. A separate registration application should be made for Joint Ventures and their Joint Venture Subsidiaries.
5. Financial information of the Multinational Enterprise Group for the four Fiscal Years preceding the Fiscal Year for which the registration application is being made, including details substantiating that the Revenue Test has been met, where applicable.
6. A written consent stating which entity is appointed to be a Filing Constituent Entity on behalf of all other entities in the group.
7. Any other relevant information as required by the NBR.

Once the registration application is approved, the NBR will issue a registration certificate to the Filing Constituent Entity. The registration will take effect from the first day of the Fiscal Year in which the registration application should have been submitted.

A Filing Constituent Entity which has registered for DMTT is called a “Registrant”.

For details of the registration process, please refer to the DMTT Registration Manual on the NBR website (www.nbr.gov.bh).

2.3.1. Changes in information

The Filing Constituent Entity must update the NBR within 30 days of any changes to its registration details, except for certain Financial Information of the Multinational Enterprise Group submitted as part of the registration process. For example, if a Bahraini-located Constituent Entity changes its legal name or ownership structure, the update must be submitted within the prescribed 30-day timeframe. This requirement does not apply if a change in the Fiscal Year of the Ultimate Parent Entity has already been reported through the appropriate procedure under the applicable DMTT provisions.

2.4. Excluded Entities

As provided in the DMTT Law and Regulations, the NBR may require any Excluded Entity of a Multinational Enterprise Group which meets the Revenue Test to register for DMTT purposes. The NBR may contact such Entities and request them to register for DMTT purposes. An Excluded Entity which has not been contacted by the NBR in this regard is not required to submit a registration application.

An Excluded Entity which is part of a Multinational Enterprise Group is required to register in its own capacity and may not rely on the Filing Constituent Entity of the Multinational Enterprise Group (if any) to register on its behalf.

An Excluded Entity which is registered remains excluded from the liability to pay DMTT and submit a Tax Return but is required to submit a declaration to the NBR.

Regardless of their registration status, Excluded Entities are required to adhere to record retention obligations (refer to Section 11).

3. Deregistration

3.1. Mandatory Deregistration

A Registrant is required to submit a deregistration application for DMTT purposes when specific conditions indicated in the DMTT Law are met. The following examples illustrate situations where a Registrant is deemed to be out of scope of the DMTT Law and is required to deregister:

1. The Multinational Enterprise Group has not met the Revenue Test for five consecutive Fiscal Years, and the Registrant has submitted a Revenue Test notification to the NBR as described in Section 12 of this Guide for each of those Fiscal Years.
2. The Registrant's Multinational Enterprise Group no longer has Constituent Entities, Joint Ventures or Joint Venture Subsidiaries located in Bahrain due to liquidation, dissolution or for any other reason. This essentially means that there are no Constituent Entities of a Multinational Enterprise Group that could be in scope of the DMTT Law.
3. The Registrant is a member of a Group that is no longer a Multinational Enterprise Group, as defined in the DMTT Law. This could happen if the Group terminates its operations in more than one jurisdiction and becomes a domestic Group.

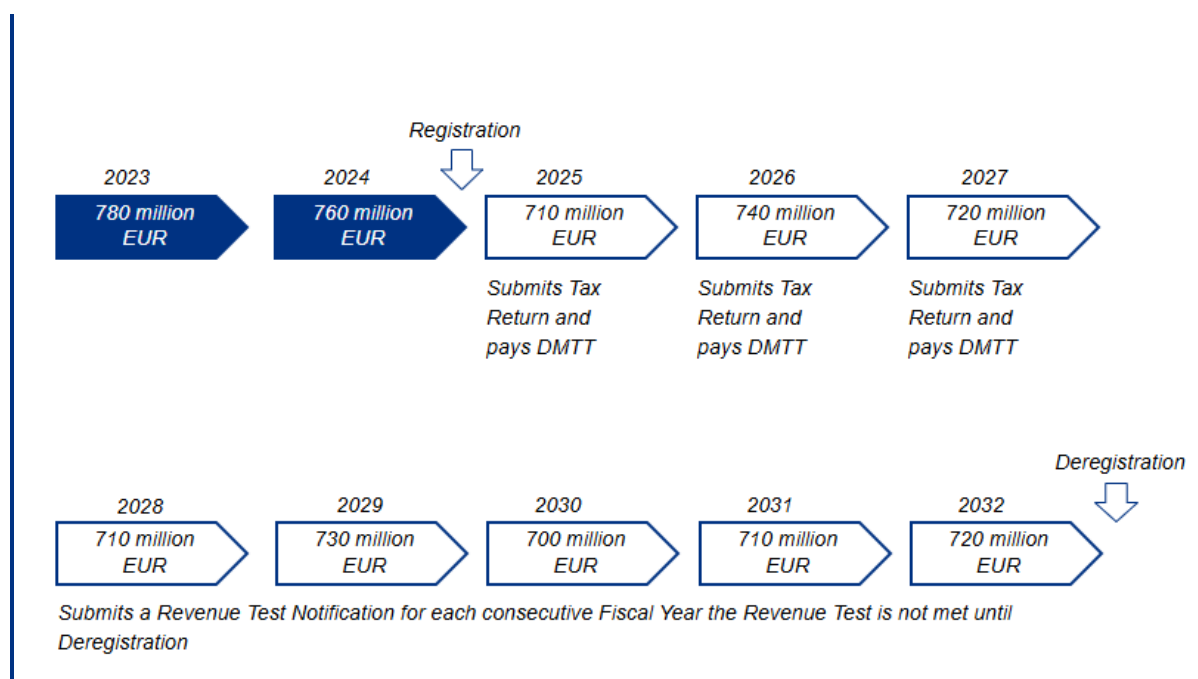
The above list is non-exhaustive as the Registrant is required to submit a deregistration application in any other circumstances where the Registrant falls outside the scope of the Law.

3.2. Timing and Method for Deregistration

Where the Multinational Enterprise Group does not meet the Revenue Test for five consecutive Fiscal Years, a Registrant, being a member of that Group should deregister. The application for deregistration should be submitted to the NBR no later than 30 days after submitting the last annual Revenue Test notification informing the NBR that the Revenue Test was not met for the period of five consecutive Fiscal Years. The details of the Revenue Test notification are described in Section 12 of this Guide.

Example

Gamma Limited is the Filling Constituent Entity of the Gamma Multinational Enterprise Group. Gamma Multinational Enterprise Group met the Revenue Test for two out of four Fiscal Years immediately preceding 2025, but did not meet the Revenue Test for five consecutive Fiscal Years starting from Fiscal Year 2028. Gamma Limited was required to submit a Revenue Test notification for each of the five consecutive Fiscal Years and deregister within 30 days starting from the date of submitting the Revenue Test notification for Fiscal Year 2032.



In all the other circumstances indicated in the DMTT Law and its Regulations, a Registrant is required to deregister within 30 days from the date when the circumstances result in the Filing Constituent Entity no longer being within the scope of the DMTT occur.

As part of deregistration, the Registrant should explain the reasons why the Registrant is required to deregister and should provide evidence to support this. The NBR may ask the Registrant for additional documentation to evaluate the application. When the NBR approves the deregistration application, it will issue a deregistration notice to the Filing Constituent Entity that confirms the effective date of deregistration. Issuing this notice does not affect any responsibilities that the Filing Constituent Entity had before the deregistration date, including record retention and other compliance obligations (e.g. any requirement to submit a Tax Return).

3.3. Deregistration by the NBR

If the Registrant fails to submit a deregistration application, the NBR may deregister that Registrant, based on the information available to it, when any of the situations referred to in section 3.1 of this Guide are applicable. The NBR will issue a deregistration notice to the Registrant to confirm the deregistration and its effective date.

4. Filing Constituent Entity

4.1. Introduction

Under the DMTT Law, the Filing Constituent Entity located in Bahrain is responsible for the DMTT compliance obligations that include registration, filing the Tax Return, payment of tax, making elections and submitting notifications.

Bahrain located Constituent Entities of a Multinational Enterprise Group which meets the Revenue Test must appoint an Entity among them to act as the Filing Constituent Entity.

Similarly, a Joint Venture and its Joint Venture Subsidiaries located in Bahrain must appoint an Entity among them to act as the Filing Constituent Entity where their Ownership Interests are held, whether directly or indirectly, by an Ultimate Parent Entity of Multinational Enterprise Group that meets the Revenue Test.

Example

The Delta Multinational Enterprise Group has three Bahrain located Constituent Entities – two Bahrain incorporated LLCs and a Permanent Establishment of a UK Entity. It also has a Joint Venture which owns three Joint Venture Subsidiaries, all of which are located in Bahrain. The Delta Group meets the Revenue Test.

The Bahrain located Constituent Entities must appoint a Filing Constituent Entity which will register for DMTT purposes, file Tax Returns and pay the Tax Due. Separately, the Joint Venture and Joint Venture Subsidiaries must (separately to the Constituent Entities) appoint a Filing Constituent Entity to register for DMTT purposes.

4.2. Appointing a Filing Constituent Entity

The appointment is made by notifying the NBR through the registration process. The Filing Constituent Entity must:

1. Be a Bahrain located Constituent Entity of the Multinational Enterprise Group, or, for a Joint Venture and its Joint Venture Subsidiaries, one of the Entities (i.e. the Joint Venture or one of its subsidiaries) that is located in Bahrain.
2. Possess the administrative capacity to maintain records, submit Tax Returns and handle all tax administration matters.

An Excluded Entity may **not** be appointed as a Filing Constituent Entity.

As evidence of the appointment process, a Filing Constituent Entity must provide to the NBR written consent from all relevant Entities located in Bahrain which have appointed it as a Filing Constituent Entity. This written consent may be in a form determined by the Entities themselves. For example, it could comprise a separate authorisation letter from each Entity, or one letter signed by an authorised signatory of each Entity. The authorisation could take the form of a board minute of an Entity.

4.3. Responsibilities of a Filing Constituent Entity

In general, a Filing Constituent Entity is responsible for:

- Registering itself for DMTT purposes.
- Calculating DMTT liabilities.
- Preparing and submitting the DMTT return and providing all required documentation.
- Making DMTT payments (advance tax payments and final tax payments).
- Making appropriate elections indicated in DMTT Law.
- Maintaining accurate records of elections, declarations and financial accounts related to DMTT compliance.

4.4. Changing a Filing Constituent Entity

The Filing Constituent Entity **must** be changed where it ceases business operations in Bahrain, leaves the Multinational Enterprise Group (e.g. as a result of an acquisition) or is no longer treated as located in Bahrain in accordance with the rules covering location of Entities.

The Filing Constituent Entity may also notify the NBR of a change to the Filing Constituent Entity for any reason. Any such change must be notified to the NBR, together with the relevant consent documentation for the new Filing Constituent Entity. Additionally, any changes to the Filing Constituent Entity, such as a change in location or ownership, must be promptly reported to the NBR within the prescribed timelines.

5. Elections

5.1. Introduction

The DMTT Law and the Regulations set out certain elections applicable to Bahrain located Constituent Entities, Joint Ventures and Joint Venture Subsidiaries. These elections are either Five-Year Elections or Annual Elections. A general overview of the elections under the DMTT framework is set out below.

5.2. Overview of Elections Provided Under the DMTT framework

5.2.1. Five-Year Elections

The following elections apply for a minimum period of five Fiscal Years beginning from the first day of the Fiscal Year for which the election is made:

- Election to not treat an Entity as an Excluded Entity
- Election for Stock-based Compensation
- Foreign exchange hedge election
- Election to apply the realisation method for gains or losses
- Election to recognise dividends from Portfolio Shareholdings
- Equity Investment Inclusion election
- Consolidation Adjustment election
- Investment Entity or Insurance Investment Entity Tax Transparency election
- Taxable Distribution Method election
- Election to use either the Presentation Currency of the Consolidated Financial Statements of the Ultimate Parent Entity or Bahraini Dinar

A Five-Year Election remains in force for the Fiscal Years following the Five-Year Election in place for the Five fiscal years until a notice of revocation is made as described in section 5.3.

5.2.2. Annual Elections

The following Annual Elections apply solely to the Fiscal Year for which they are made:

- Election not to apply Substance-based Income Exclusion
- Election for the De Minimis Exclusion

- Election to adjust gains from the disposal of immovable property located in Bahrain
- Debt release Election
- Unclaimed Accrual Election
- Loss Election
- An election in relation to a decrease in Covered Taxes
- Excess Negative Tax Expense election

5.3. Making and Revoking an Election

The obligation to make and revoke Elections is imposed on the Filing Constituent Entity. An Election must be made in the manner regulated by DMTT Law and its Regulations. A Filing Constituent Entity should notify NBR on the prescribed form about every election.

A Five-Year Election applies for a minimum period of five Fiscal Years beginning from the first day of the first Fiscal Year out of five for which the Election is made. This election is valid for five consecutive years and is renewed automatically unless the Filing Constituent Entity revokes the Election.

A revocation of an Election can only come into effect only on the expiration of the five-year period. This means that, even if notice is submitted during the five-year period, the revocation will only take effect will take place after expiration of that period. Where a Filing Constituent Entity decides to revoke its Five-Year Election after the five-year period has ended, a revocation shall be valid for a period of five years, starting from the start of the year in which the revocation comes into effect.

Example

ABC Co. is the Filing Constituent Entity for Bahrain located Constituent Entities of XYZ Group, a Multinational Enterprise Group. ABC Co. makes a Five-Year Election for the realisation method for gains and losses starting in Fiscal Year 2026. In 2030, due to a significant change in its organisational structure, the Group decides to revoke the election at the end of the five-year period. It submits revocation notice in FY 2030. Thus, the five-year period covers consecutive years: 2026-2030. The revocation applies starting from the end of Fiscal Year 2030. The Group may not make a new election for the realisation method until the completion of four Fiscal Years following the revocation year. This means that new Election for five-year period can be applied from 2036 at the earliest.

| 2026 | 2027 - 2029 | 2030 | 2031 | 2032-2035 | 2036 |
|--|--------------------------------------|---|--|-------------------------------------|---|
| ABC Co. makes a Five-Year Election for the realisation method for gains and losses | The Election continues uninterrupted | ABC Co. submits a revocation notice. The revocation applies starting from the end of 2030 | The revocation year, the election is no longer in effect | The Election is no longer in effect | The Earliest year ABC Co. may make a new Five-Year Election |

An Annual Election applies only for the Fiscal Year in respect of which it is made. It cannot be revoked. An Annual Election should be made for each Fiscal Year in the manner specified by the NBR. An Annual Election does not automatically roll forward from one Fiscal Year to the next.

6. Payment of Tax

6.1. Introduction

This section provides guidance on Tax payment obligations including calculation methods, election rules and payment periods for advanced tax payments and payment of the balance of Tax Due. It also explains payment in instalments.

A Filing Constituent Entity is required to make advance tax payments during the Fiscal Year and the payment of the balance of Tax Due should be registered on an NBR bank account no later than the legally binding date for payment of Tax Due.

6.1.1. Determining Advance Payments Periods

A Filing Constituent Entity is required to make an advance tax payment for each three-month period or part of a three-month period during the Fiscal Year in respect of which the Tax liability arises. Such three-month periods or part of a three-month period are called Advance Payment Periods.

To determine the Advance Payment Periods, the Fiscal Year is divided into consecutive three-month intervals, starting from the first day of the Fiscal Year. If the total number of months in a Fiscal Year cannot be evenly divided into three-month periods, the final Advance Payment Period will be shorter than the preceding periods. This final period will cover the remaining time left in the Fiscal Year.

Where the Fiscal Year is shorter than three months, no advance tax payment is required for that Fiscal Year.

Example 1

Alpha Limited is the Filing Constituent Entity for Bahrain located Constituent Entities of a Multinational Enterprise Group. The Ultimate Parent Entity of the Group has a 12-month Fiscal Year running from 1 April to 31 March. For the Fiscal Year beginning 1 April 2026, the Advance Payment Periods are as follows:

| | |
|--------------------------------------|--|
| <i>First Advance Payment Period</i> | <i>1 April to 30 June 2026</i> |
| <i>Second Advance Payment Period</i> | <i>1 July to 30 September 2026</i> |
| <i>Third Advance Payment Period</i> | <i>1 October to 31 December 2026</i> |
| <i>Fourth Advance Payment Period</i> | <i>1 January 2027 to 31 March 2027</i> |

Example 2

Beta Limited is the Filing Constituent Entity for Bahrain located Constituent Entities of a Multinational Enterprise Group. The Ultimate Parent Entity of the Group has a Fiscal Year which starts on 1 April 2026 and is eight months in duration, i.e. ending on 30 November 2026.

The Advance Payment Periods for the Fiscal Year ended 30 November 2026 are as follows:

| | |
|--------------------------------------|---|
| <i>First Advance Payment Period</i> | <i>1 April to 30 June 2026</i> |
| <i>Second Advance Payment Period</i> | <i>1 July to 30 September 2026</i> |
| <i>Third Advance Payment Period</i> | <i>1 October to 30 November 2026 (two months)</i> |

Example 3

Gamma Limited is the Filing Constituent Entity for Bahrain located Constituent Entities of a Multinational Enterprise Group. The Ultimate Parent Entity of the Group has a 14-month Fiscal Year running from April 1 to May 31. For the Fiscal Year beginning 1 April 2026, the Advance Payment Periods are as follows:

| | |
|--------------------------------------|---|
| <i>First Advance Payment Period</i> | <i>1 April to 30 June 2026</i> |
| <i>Second Advance Payment Period</i> | <i>1 July to 30 September 2026</i> |
| <i>Third Advance Payment Period</i> | <i>1 October to 31 December 2026</i> |
| <i>Fourth Advance Payment Period</i> | <i>1 January 2027 to 31 March 2027</i> |
| <i>Fifth Advance Payment Period</i> | <i>1 April 2027 to 31 May 2027 (two months)</i> |

6.1.2. Due dates for advance tax payments

A Filing Constituent Entity should make each advance tax payment no later than 60 days after the end of each Advance Payment Period.

Example

Alpha Limited is the Filing Constituent Entity of Bahrain located Constituent Entities of a Multinational Enterprise Group. The Fiscal Year for the Group begins on 1 January and ends on 31 December. The due dates for the advance tax payments for the Fiscal Year starting 1 January 2033, are as follows:

| <i>Advance Payment Period</i> | <i>Due date for payment</i> |
|--|-----------------------------|
| <i>1 January 2033 to 31 March 2033</i> | <i>30 May 2033</i> |
| <i>1 April 2033 to 30 June 2033</i> | <i>29 August 2033</i> |
| <i>1 July to 30 September 2033</i> | <i>29 November 2033</i> |
| <i>1 October to 31 December 2033</i> | <i>1 March 2034</i> |

Special rules apply to the Transition Year at the time the Law comes into effect. For this specific year, the **first** advance tax payment is deferred. Instead of being due 60 days after

the end of the first Advance Payment Period, it is payable on the due date for the second advance tax payment of the same Fiscal Year.

Example

If the Transition Year for Alpha Limited from the previous example is 2025, it will be required to pay the Tax Due for the first Advance Payment Period (1 January to 31 March 2025) no later than 29 August 2025 (the date for the second advance tax payment).

6.2. How to Calculate the Advance Tax Payment

6.2.1. Introduction

The Filing Constituent Entity is required to elect one of two methods for calculating advance tax payments for a Fiscal Year. These methods are the Prior Year Method or the Current Year Method. The election must be made in the manner prescribed by the NBR on the due date of payment of the first advance tax payment for the Fiscal Year. Once made, the election cannot be revoked or changed by the Filing Constituent Entity for the Fiscal Year.

For the Transition Year at the time the Law comes into effect, the Filing Constituent Entity can make the election on the due date of payment of the second advance tax payment for that Fiscal Year.

6.2.2. Prior Year Method

Under the Prior Year Method, advance tax payments are based on a reasonable estimate of the Tax for the prior Fiscal Year. Each advance tax payment is determined using the formula $A \div B \times C$ where:

- A. Is a reasonable estimate of the Tax for the prior Fiscal Year for the Bahrain located Constituent Entities (or Joint Ventures and Joint Venture Subsidiaries as the case may be) of a Multinational Enterprise.

For the Transition Year, the reasonable estimation of the Tax is calculated as if those Entities had fallen within the scope of the Law during the prior Fiscal Year.

- B. Is the number of days in the prior Fiscal Year.
- C. Is the number of days in the Advance Payment Period for which the relevant advance tax payment is due.

Example

Beta Limited, the Filing Constituent Entity for Bahrain located Constituent Entities of the Delta Group (a Multinational Enterprise Group meeting the Revenue Test for all applicable Fiscal Years), operates on a Fiscal Year from 1 January to 31 December. The Tax for the prior Fiscal Year was BHD 365,000. The Fiscal Year has 365 days, and the first advance tax payment period has 90 days (1 January to 31 March).

The advance tax payment for the first Advance Payment Period is $365,000 \div 365 \times 90 = \text{BHD } 90,000$.

6.2.3. Current year method

The Current Year Method bases advance tax payments on a reasonable estimate of the Tax that would be due for the current Fiscal Year to date. Each advance tax payment is determined using the formula A - B where:

- A. Is a reasonable estimate of the Tax that would be due for the period starting from the first day of the Fiscal Year to the end of the relevant Advance Payment Period, as if this period was a complete Fiscal Year.
- B. Is the sum of all advance tax payments previously made, if any, for the current Fiscal Year.

Example

Gamma Limited, the Filing Constituent Entity for Bahrain located Constituent Entities of the Omega Multinational Enterprise Group, operates on a Fiscal Year from 1 January to 31 December. For the first Advance Payment Period (1 January to 31 March), the estimated Tax Due is BHD 150,000. The estimated Tax Due for the six months ending 30 June is 400,000. The amounts of the first two advance tax payments are as follows:

- *First advance tax payment: $150,000 - 0 = \text{BHD } 150,000$.*
- *Second advance tax payment: $400,000 - 150,000 = \text{BHD } 250,000$.*

6.3. Documenting Advance Tax Payments

A Filing Constituent Entity must maintain documentation to evidence how each advance tax payment was computed. This would include detailed workings of the reasonable estimate of the Tax for the previous Fiscal Year or current Fiscal Year to date, as the case may be. A record should be kept of all financial records and any assumptions used in the calculations.

The documentation relating to the calculation of advance tax payments must be readily accessible and presented to the NBR upon request.

6.4. Payment of the Balance of Tax Due

The balance of the Tax Due for a Reporting Fiscal Year is the actual tax liability for that year less the total advance tax payments made during that year. This balance must be paid no later than the legally binding date for payment of Tax Due.

If the total advance tax payments made during a Reporting Fiscal Year exceed the Tax Due, the Filing Constituent Entity may be eligible for a tax refund. See section 9 for further information on tax refunds.

Example

Sigma Limited, the Filing Constituent Entity for the Bahrain located Constituent Entities of the Sigma Multinational Enterprise Group which meets the Revenue Test for all applicable Fiscal Years, operates on a Fiscal Year from 1 January to 31 December. The total advance tax payments made for the Fiscal Year 2025 amount to BHD 900,000.

The Tax Return submitted for the 2025 Fiscal Year shows the Tax for that year to be BHD 1,000,000. This leaves a balance of Tax Due of BHD 100,000 (i.e. BHD 1,000,000 – BHD 900,000).

7. Currency Considerations

7.1. Introduction

This section provides guidance on DMTT currency conversion provisions applicable to Entities located in Bahrain. There are different rules for currency conversion for computing Tax and payment of Tax. Other rules apply for the conversion of amounts expressed in Euro in the DMTT Law and Regulations. This section also includes guidance on sources of currency exchange rates.

7.2. Currency Conversion for Tax Computation

Where all Bahrain located Constituent Entities of a Multinational Enterprise Group use the Bahraini Dinar as a currency in which they present their financial statements, the Tax computation should be carried out in the same currency. When this is the case, no election is allowed to be made to use a different currency.

Example 1

Alfa Group, a Multinational Enterprise Group prepares its Consolidated Financial Statements in accordance with IFRS using US Dollars. The Group has three Constituent Entities located in Bahrain which present their financial statements in Bahraini Dinars. Despite the Ultimate Parent Entity's Consolidated Financial Statements being presented in US Dollars, the computation of Tax for all Bahrain located Constituent Entities located in Bahrain should be in Bahraini Dinars.

When one or more Constituent Entities or Joint Ventures / Joint Venture Subsidiaries located in Bahrain present their financial statements in a currency other than Bahraini Dinar, the Filing Constituent Entity should make a currency election to compute the Tax in Bahraini Dinars or the currency of the Consolidated Financial Statements of the Ultimate Parent Entity.

This election is a Five-Year Election and applies to all Constituent Entities or Joint Ventures / Joint Venture Subsidiaries located in Bahrain of the same Multinational Enterprise Group for the Fiscal Year for which the Election is made and for all subsequent Fiscal Years until it is revoked by the Filing Constituent Entity. Detailed guidance on the rules relating to elections is set out in section 5 of this Guide.

Example 2

Beta Group, a Multinational Enterprise Group prepares its Consolidated Financial Statements in accordance with IFRS using US Dollars. The Group has four Constituent Entities located in Bahrain, one of which uses Euro as the currency for presenting the financial statements. The others use Bahraini Dinar. The Filing Constituent Entity must make a Five-Year Election to compute the Tax in either Bahraini Dinar or US Dollars (i.e. the currency used for Consolidated Financial Statements of the Ultimate Parent Entity).

When computing Tax, amounts denominated in currencies other than Bahraini Dinar or used for presentation purposes in the Consolidated Financial Statements of the Ultimate Parent Entity must be converted into the appropriate currency in accordance with accounting rules

under an Acceptable Financial Accounting Standard or an Authorised Accounting Financial Standard used by the Multinational Enterprise Group.

The currency conversion method chosen by a Filing Constituent Entity for calculating all amounts relevant to the computation of Tax, must remain consistent across the five-year period.

Example 3

Gamma is a Multinational Enterprise Group headquartered in the United States. The Presentation Currency of the Consolidated Financial Statements of the Ultimate Parent Entity is US Dollars. One of the Bahraini Constituent Entities that is a member of Gamma also uses US Dollars for the presentation of its financial statements.

Since one of the Constituent Entities located in Bahrain does not use the Bahraini Dinar for presentation purposes, the Filing Constituent Entity located in Bahrain has elected to compute Tax in US Dollars. Since Gamma prepares its Consolidated Financial Statements in accordance with IFRS, the amounts for Tax computation purposes must be converted into US Dollars using the rules prescribed under IFRS.

7.3. Currency for Reporting and Paying Tax

The only acceptable currency for reporting and Tax payment purposes is Bahraini Dinars. Thus, the amounts that result from applying the Tax computation rules must be converted into Bahraini Dinars, where the amounts are in another currency. The conversion into Bahraini Dinars must be based on the average foreign exchange rate for the relevant Fiscal Year, as determined by rates provided by the Central Bank of Bahrain or another reliable foreign exchange source set out in section 8.5 of this Guide.

Example 3

Delta Group, a Multinational Enterprise Group prepares its Consolidated Financial Statements in British Pounds (GBP). The Ultimate Parent Entity and its Constituent Entities prepare their Financial Statements in accordance with IFRS. The Ultimate Parent Entity has an accounting year corresponding to the Gregorian calendar year.

The Group has two Constituent Entities located in Bahrain. The Filing Constituent Entity in Bahrain computes its DMTT liability in GBP since it is the currency in which the Consolidated Financial Statements are presented. In 2025, the Tax Due for the Bahraini Constituent Entities is calculated as GBP 1,000,000. The amount of Tax computed in GBP must be converted into Bahraini Dinars for reporting and payment purposes.

The average exchange rate for the Fiscal Year 2025, as determined using the rates provided by the Central Bank of Bahrain, is 1 GBP = 0.470 BHD. The total Tax Due of GBP 1,000,000 converted into BHD using this exchange rate is BHD 470,000 (GBP 1,000,000 x 0.470). The converted amount of BHD 470,000 should be reported in the Tax Return and paid to the NBR.

7.4. Conversion of Amounts Expressed in Euro

Certain thresholds are expressed in Euro in the DMTT Law and Regulations including the Revenue Test, De Minimis Exclusion, Simplified Computation Safe Harbour, Transitional Country-by-Country Reporting Safe Harbour and the Exclusion for Initial Phase of International Activity.

When members of a Multinational Enterprise Group use a currency for presenting the Financial Statements other than Euro, they must convert the relevant amounts from their presentation currency to Euro to apply these thresholds.

The exchange rate to be used is the average monthly foreign exchange rate for December of the calendar year immediately preceding the Fiscal Year in respect of which the conversion is required. The exchange rate used must be derived from the Central Bank of Bahrain (CBB) or another reliable source for foreign exchange rates.

This monthly average rate is calculated by taking the average of the daily exchange rates for each day of December as displayed in the example below.

Example

Delta Group, a Multinational Enterprise Group headquartered in the United States, prepares and presents its Consolidated Financial Statements in US Dollars and has a 31 December year-end. Delta Group has a Constituent Entity located in Bahrain named Topaz. Assume all rates below are taken from the CBB.

The annual revenue of the Group as presented in the Consolidated Financial Statements for the relevant Fiscal Years and the Average Monthly Exchange Rate for December of the calendar year immediately preceding the relevant Fiscal Year is as follows:

| <i>Fiscal Year</i> | <i>Consolidated Revenue (USD)</i> | <i>Average Monthly Exchange Rate for December of the calendar year immediately preceding the Fiscal Year</i> | <i>Revenue (EUR)</i> |
|--------------------|-----------------------------------|--|----------------------|
| 2021 | 834,556,897 | (Calendar year 2020) \$1 = 0.88 EUR | 734,410,069 |
| 2022 | 826,978,698 | (Calendar year 2021) \$1 = 0.941 EUR | 778,186,955 |
| 2023 | 810,879,986 | (Calendar year 2022) \$1 = 0.92 EUR | 746,009,587 |
| 2024 | 934,579,439 | (Calendar year 2023) \$1 = 0.90 EUR | 841,121,495 |

In this example, Delta Group's annual revenue exceeds the EUR 750 million threshold in 2022 and 2024 (EUR 778,186,955 and EUR 841,121,495, respectively).

7.5. Reliable Sources for Foreign Exchange Rates

The NBR has published examples of approved reliable sources of foreign exchange rates that a Filing Constituent Entity may choose when applicable other than the rates published by the Central Bank of Bahrain. These include but are not limited to the following sources: Thomson Reuters, Oanda, XE.com, Bloomberg and the exchange rate published by a licenced Bahraini bank.

The same source for exchange rates must be applied **consistently** throughout the Fiscal Year. Using rates from multiple sources, even if the sources are all acceptable by the NBR, is not permitted.

7.6. Documentation Requirements

A Filing Constituent Entity Filing must maintain records documenting the reason why a currency conversion method was chosen as described in section 8 of this Guide. It must also retain records of the rates used (including the source) and the mechanism applied to currency conversion.

8. Tax Refunds

8.1. Eligibility Criteria

A Filing Constituent Entity may be eligible for a Tax Refund. Tax Refunds are processed by the NBR following the submission of a refund request in any of the following circumstances:

1. Excess Payment of Tax Due

This occurs when the Filing Constituent Entity has made payments (including advance tax payments) that exceed the Tax Due for a given Fiscal Year.

2. Amendment of Tax Return

If a Filing Constituent Entity amends a Tax Return after the Tax has been paid based on the amount per the original return, and the amendment results in a lower Tax, the overpaid Tax may be eligible for refund.

3. Not meeting the Revenue Test

If a Filing Constituent Entity has made one or more advance tax payments for a given Fiscal Year but subsequently does not meet the Revenue Test for that Fiscal Year, the amount of the advance tax payments may be eligible to be refunded. To qualify for the refund the Filing Constituent Entity must submit a Revenue Test notification to the NBR by the due date. Further guidance on the Revenue Test notification can be found in section 12 of this Guide.

Example

Alpha is the Filing Constituent Entity for Bahrain located Constituent Entities of the Alpha Multinational Enterprise Group. Alpha's Fiscal Year corresponds with the Gregorian calendar year. Alpha Group met the Revenue Test for all relevant years.

The Filing Constituent Entity located in Bahrain made advance tax payments totalling BHD 100,000 for the Fiscal Year 2026. After the Consolidated Financial Statements for the Group are completed and Tax has been computed for the Fiscal Year 2026, Alpha determines that the actual Tax Due is BHD 80,000, resulting in an overpayment of BHD 20,000. Alpha submits a refund request to NBR along with the justification and supporting documentation, including the bank statements confirming the actual payment of advance tax payments.

8.2. Refund Procedure

The Filing Constituent Entity should make a refund request using a form prescribed for this purpose by the NBR. Supporting documentation substantiating the fact that Tax was overpaid should also be submitted.

A claim for a refund must be submitted within five years of the date of payment of the Tax. Claims submitted beyond this period will not be considered unless interrupted by circumstances that suspend the Statute of Limitations.

Following the lodgement of a refund claim by a Filing Constituent Entity, the NBR has 90 days to review the request and issue a decision. The NBR will evaluate the accuracy of the claim based on the information provided but also considering the other data and information made available to the NBR. A Filing Constituent Entity should expect the decision to be issued by the NBR no later than 90 days unless the NBR deems additional time is necessary to issue the decision. For example, when the NBR initiates a Tax Audit for a Fiscal Year, the processing of the refund request related to that Fiscal Year may be postponed until the conclusion of the Tax Audit.

Rather than submitting a refund request, a Filing Constituent Entity may request that the excess Tax is brought forward and applied to offset Tax Due in subsequent Fiscal Years.

Example 1

Beta is the Filing Constituent Entity of Bahrain located Constituent Entities of the Beta Multinational Enterprise Group. The Fiscal Year of Beta is calendar year. The Tax Return is submitted for the Fiscal Year 2026, showing Tax Due of BHD 150,000. Beta subsequently identified a reporting error in the declared income for the Fiscal Year. The corrected calculations show Tax Due of BHD 130,000, meaning Beta overpaid BHD 20,000.

Beta submits an amended Tax Return along with a refund request, supported by documentation detailing the error.

As the refund request is submitted within five-years from the date of the payment, NBR reviews and validates the claim. The request is approved by NBR and its decision is issued.

The NBR has the right to postpone making a decision on a Tax refund request when any amounts are disputed under DMTT Law or where the Filing Constituent Entity has outstanding obligations to the NBR such as unpaid Tax or fines.

Example 2

Gamma is the Filing Constituent Entity for Bahrain located Constituent Entities of the Gamma Multinational Enterprise Group. The Fiscal Year is the Gregorian calendar year. Gamma submitted a refund request for BHD 150,000 following the identification of overpaid Tax for the Fiscal Year 2027. The company provided supporting documentation and complied with the submission requirements.

At the time the refund request was made Gamma was involved in a dispute related to the Fiscal Year 2026 involving an assessment of BHD 250,000 for additional Tax Due. This dispute was subject to the objection process.

Gamma failed to make an advance tax payment for the first Advance Payment Period of the Fiscal Year 2029.

On the basis of the ongoing objection and the failure to make an advance tax payment, NBR exercised its right to postpone its decision on Gamma's refund request and notified Gamma accordingly.

Where a Filing Constituent Entity has paid Tax in excess of the Tax Due, the NBR may offset the excess against other obligations, such as Tax Due for other Fiscal Years or administrative fines due by the Filing Constituent Entity. After the offset is applied, the remaining excess Tax may be refunded to the Filing Constituent Entity.

Example 3

Delta is the Filing Constituent Entity for Bahrain located Constituent Entities of the Delta Multinational Enterprise Group. The Fiscal Year is the Gregorian calendar year. On March 2029, Delta determined that its actual Tax Due for the Fiscal Year is BHD 350,000, but BHD 375,000 had been made in advance tax payments, resulting in an overpayment of Tax of BHD 25,000.

Delta also had two unpaid administrative fines:

- *BHD 10,000 for the late submission of its 2027 Tax Return.*
- *BHD 5,000 for the late payment of the advance tax payment in Fiscal Year 2028.*

In these circumstances, NBR set BHD 15,000 of the overpayment of Tax against the outstanding fines and refunded the remaining BHD 10,000 in excess Tax.

9. Joint Liability

9.1. Constituent Entities and Joint Ventures / Joint Venture Subsidiaries

The DMTT Law provides for joint liability for Tax and administrative fines:

- Constituent Entities that are part of the same Multinational Enterprise Group share joint liability for Tax Due and any administrative fines imposed on the Filing Constituent Entity.
- Joint Ventures and its Joint Venture subsidiaries are jointly liable for Tax Due and administrative fines imposed on the Filing Constituent Entity.

The joint liability provisions apply to all Constituent Entities and Joint Ventures / Joint Venture subsidiaries, as the case may be, of a Multinational Enterprise Group. Hence, the NBR can seek payment of Tax or an administrative fine due by a Filing Constituent Entity located in Bahrain from a non-Bahraini located Constituent Entity or Joint Venture / Joint Venture Subsidiary (as the case may be) of the same Multinational Enterprise Group.

Example

Orange LLC is the Filing Constituent Entity for Grape LLC and Banana LLC. All three Entities are located in Bahrain and are Constituent Entities of a Multinational Enterprise Group which meets the Revenue Test for all relevant Fiscal Years.

Orange LLC fails to make advance tax payments of Tax and has not filed a DMTT Return for the Fiscal Year 2025. The NBR issued an assessment of the Tax Due and applied administrative fines to Orange LLC. Orange LLC has not paid the Tax Due or the administrative fines. In these circumstances, Grape LLC and Banana LLC and all other Constituent Entities of the same Multinational Enterprise Group are jointly liable for the Tax and administrative fines.

Where an Entity is a Flow-through Entity but is not a legal person, any person other than a natural person who holds an Ownership Interest in the Entity is jointly liable for the payment of Tax and administrative fines.

Example

A general partnership is liable to DMTT in Bahrain for a Fiscal Year. The partnership is owned 60% by Imagine LLC, a Bahraini Entity and 20% each by two individuals. In the event that the partnership fails to pay its DMTT liability and administrative fines, Imagine LLC is jointly liable for the tax and administrative fines.

9.2. Entities Joining or Leaving a Multinational Enterprise Group

Where a Bahrain located Entity becomes a part of a Multinational Enterprise Group that meets the Revenue Test, that Entity becomes jointly liable for Tax liabilities and administrative fines with the Filing Constituent Entity of the Multinational Enterprise Group. The joint liability comprises the tax liabilities and the administrative fines relevant to those tax liabilities that are due for the whole Fiscal Year during which it joined the Group.

Where a Constituent Entity located in Bahrain changes its location to another jurisdiction or otherwise ceases to be part of a Multinational Enterprise Group, it remains jointly liable for relevant tax liabilities due in respect of Fiscal Years during which such Entity was a member of the Multinational Enterprise Group. This includes tax liabilities for the Fiscal Year during which the Entity changed its location or ceased to become a member of the Group.

Example

Zeta LLC is the Filing Constituent Entity for Bahrain located Constituent Entities of Delta Multinational Enterprise Group which has met the Revenue Test. The Fiscal Year of Delta is the Gregorian calendar year.

In March 2025, Omega LLC, which is Bahrain located, was acquired by a member of the Delta group. Prior to that time, Omega LLC was not a member of any other Group. From the date of acquisition, Omega LLC is treated as a Constituent Entity of the Delta Multinational Enterprise Group.

Omega LLC is jointly liable with the other Constituent Entities of the Delta Multinational Enterprise Group. The joint liability covers Tax and administrative fines due by the Filing Constituent Entity for the whole 2025 Fiscal Year.

10. Retention of Records

10.1. General Requirements

All Constituent Entities, Joint Ventures and Joint Venture Subsidiaries of a Multinational Enterprise Group which are located in Bahrain are required to comply with the record keeping requirements prescribed in the DMTT Law and Regulations. The obligation to provide the NBR with records lies, in the first instance, with the Filing Constituent Entity. However, each Bahrain located member of the Multinational Enterprise Group including Joint Ventures and their Joint Venture Subsidiaries in Bahrain is required to retain records in the prescribed manner and to make these records available to the Filing Constituent Entity upon request.

An Entity may appoint a third party to retain records on its behalf. However, the Entity remains fully liable for their maintenance and accuracy and may be subject to Administrative Fines for any non-compliance.

The types of records and documents that must be kept, whether in paper or electronic form, include:

- Balance sheet and profit and loss accounts.
- Records of wages and salaries.
- Records of fixed assets.
- Inventory records and accounts.
- Supporting documentation for accounting entries and Tax Returns. These documents include:
 - Correspondence, invoices, licenses and contracts.
 - Documents containing the details of any calculation made in accordance with the provisions of the DMTT Law and Regulations including the basis and method of the calculation.

All records and documents must be maintained in the manner described in section 11.3 of this Guide. Other than the documents and records listed above, the NBR may request additional records and documents as part of its risk assessment and audit procedures, which may include but not limited to:

- Budget and management reports.
- Cash-flow statements.
- Accounting ledgers and journals.
- Bank statements.

- Loan statements.
- Transfer Pricing Documentation (i.e. Master File / Local File and supporting records including inter-company agreements and invoices).
- Articles and memoranda of association.
- Capital expenditure and depreciation schedules.
- External and internal audit reports.
- Records relating to Deferred Tax Assets and Deferred Tax Liabilities, including reconciliations and adjustment records.
- Shareholders' agreements.

The following Excluded Entities are also required to maintain records and documents as set out above:

1. Pension Funds.
2. An Investment Fund that is an Ultimate Parent Entity.
3. A real estate investment vehicle that is an Ultimate Parent Entity.
4. An Entity, other than a pension service entity, where at least 95% of the value of the Entity is directly or indirectly owned by one or more Excluded Entities referred to in 1, 2 and 3 above, provided that the Entity operates exclusively or almost exclusively to own assets or invest funds on behalf of Excluded Entities and it engages exclusively in activities ancillary to those performed by Excluded Entities.
5. An Entity, other than a pension service entity, where at least 85% of the value of the Entity is directly or indirectly owned by one or more Excluded Entities referred to in 1, 2 and 3 above, provided that most of the Entity's income is primarily derived from gains or losses on shares or equity interests excluded from the computation of Constituent Entity Income or Loss.

10.2. Record Keeping Periods

All Entities, including Excluded Entities described above, are required to keep and maintain specific records for a period of **five years** following the end of the Fiscal Year to which they relate.

Records related to real estate and capital assets must be retained for a longer period of **ten years** following the end of the Fiscal Year to which they relate.

Prior to the expiration of the five or ten year periods, the NBR may notify an Entity to retain its records for an additional period not exceeding five years.

10.3. Manner of Retaining Records

The records described in section 11.1 above must be maintained in one of the following ways:

- (1) Retaining the original physical document.
- (2) Retaining a copy of the original document, provided that the copy is accurate and legible. This is acceptable only if there are valid reasons for not maintaining the original physical document.

The Regulations allow for records to be retained electronically, provided that the following conditions are met:

1. The records are easily accessible; and
2. The records are securely maintained in a manner that prevents tampering or manipulation.

Entities may generally retain records in any language once the NBR is provided with a legal translation upon request and within the prescribed period. However, the following records must be maintained in either Arabic or English:

1. Financial statements.
2. Balance sheet and profit and loss accounts.
3. Records of wages and salaries.
4. Records of fixed assets.
5. Inventory records and accounts.

Example

Delta Multinational Enterprise Group operates in various countries and has two Bahrain located Constituent Entities: Beta LLC and Gamma LLC. Beta LLC is the Filing Constituent Entity.

Both Beta LLC and Gamma LLC prepare their financial records (e.g. balance sheet and profit and loss accounts) in French, as per the accounting practice of their parent company, Delta Inc. However, under the DMTT Law and its Regulations in Bahrain, both Bahrain located Constituent Entities need to maintain a translation of their financial statements, balance sheets, profit and loss accounts, records of wages and salaries and inventory records and accounts in either English or Arabic. If requested by the NBR, other records and documents in French will need to be translated into Arabic or English.

11. Revenue Test Notification

When a Multinational Enterprise Group does not meet the Revenue Test for a Fiscal Year (i.e. the annual revenue of the Group for at least two of the preceding four Fiscal Years does not equal or exceed EUR 750 million), the Filing Constituent Entity located in Bahrain is not liable to pay DMTT for that Fiscal Year.

Under these circumstances, a Filing Constituent Entity that is already registered for DMTT is required to submit a notification to the NBR for the Fiscal Year in which it did not meet the Revenue Test.

Example 1

Beta LLC is the Filing Constituent Entity for Bahrain located Constituent Entities of the Multinational Enterprise Group "Beta". The Fiscal Year is the Gregorian calendar year. The revenue of the Multinational Enterprise Group exceeded EUR 750 million in two out of the four Fiscal Years immediately preceding 2025. Beta LLC registered for DMTT purposes and submitted a Tax Return and paid the applicable Tax for Fiscal Year 2025.

In 2025, the Multinational Enterprise Group's annual revenue did not exceed EUR 750 million. Therefore, Beta LLC was required to submit a Revenue Test notification to the NBR.

In 2026 and 2027, the Multinational Enterprise Group recorded revenues in excess of EUR 750 million every year. Accordingly, Beta LLC submitted a Tax Return and paid DMTT for Fiscal Year 2028.

Example 2

Theta LLC is located in Bahrain and is a member of the Omega Multinational Enterprise Group. It is the only Bahrain located Constituent Entity of the Group. For the 2025 Fiscal Year, Theta is not within the scope of DMTT as the Group's annual revenues did not exceed EUR 750 million prior to 2025. Therefore, a Filing Constituent Entity was not appointed and no application for DMTT registration was submitted.

A Revenue Test notification is not required to be submitted by or on behalf of Theta LLC as it is not within the scope of DMTT.

12. Calculation of Deadlines

The DMTT Law and Regulations set out specific deadlines to ensure reasonable compliance with DMTT requirements. If such deadlines are not met, penalties and other enforcement measures will be imposed.

For DMTT purposes, all references to days and months in the DMTT Law and Regulations are construed as calendar days and months. Timelines are calculated using the Gregorian calendar.

When calculating deadlines, the day on which the notification is sent, or on which the triggering event occurs, is excluded from the specified timeframe.

Example

A liquidator is appointed on 1 March to manage the affairs of the Filing Constituent Entity. The liquidator is required to submit a notification of their appointment no later than 30 days following appointment. The 30-day period starts on 2 March, resulting in a deadline of 31 March.

Where deadlines are specified in months, the timeline expires on the corresponding day of the last month. Therefore, for an event which occurs on 15 March with a deadline of one month, the deadline will be 15 April. If there is no corresponding day in the final month, the deadline ends on the last day of that month. For instance, if a timeline begins on 31 January with a duration of one month, it will expire on 28 February (or 29 February in a leap year), as February does not have a 30th day.

If a deadline falls on an official holiday or a weekend in Bahrain, it is automatically extended to the next working day. For example, if the deadline for submitting a Tax Return falls on a Friday, which is the weekend in Bahrain, the deadline will be extended to the next working day (usually Sunday).

Example

Beta LLC is the Filing Constituent Entity of Bahrain located Constituent Entities of the Theta Multinational Enterprise Group. The accounting period for Consolidated Financial Statement purposes is the Gregorian calendar year from January to December. Thus, the Fiscal Year is the Gregorian calendar year. The Group meets the Revenue Test for the 2027 Fiscal Year.

For the 2027 Fiscal Year, Beta LLC is required to submit a Tax Return no later than 1 April 2028. As the deadline for the Tax Return submission falls on a Saturday (during a weekend), it is extended to the next working day. Accordingly, the timeline for Beta LLC to submit the Tax Return is 2 April 2028.

13. DMTT Audits

13.1. Definition

A DMTT audit is the procedure whereby the NBR will assess the general compliance level of Bahrain located Constituent Entities and Joint Ventures / Joint Venture Subsidiaries with the DMTT Law and Regulations and whether the amounts of Tax declared and paid by the relevant Filing Constituent Entity are correct. An NBR assessment or audit can cover one or more Fiscal Years.

During an audit, the NBR will examine the records and documents that a Constituent Entity or Joint Venture / Joint Venture Subsidiary is required to maintain.

Typically, the NBR will liaise with the Filing Constituent Entity appointed by the Bahrain located Constituent Entities or Joint Venture / Joint Venture subsidiaries as the case may be. However, the NBR has the right to seek information and records from any Bahrain located Entity. Any person subject to an audit, or its Tax Agent, is required to provide all appropriate assistance and support to the NBR's employees to enable them to perform their duties.

When the audit is complete, if the NBR has determined that an additional amount of DMTT is payable, the NBR will issue an assessment seeking payment of the additional amounts of Tax.

13.2. Where and When an Audit Takes Place

The NBR may conduct an audit at the premises of any Bahrain located Constituent Entities and Joint Ventures / Joint Venture Subsidiaries or any other premises where the person subject to the audit conducts business, stores goods or keeps records.

13.3. Knowing that a DMTT Audit is Taking Place

When conducting a Tax audit, the NBR will notify the person subject to the Tax audit that an audit will be conducted for certain Fiscal Years.

An Entity may receive a request from the NBR for information and documents to be provided for the purpose of the audit and providing a specific deadline for sharing these documents with the NBR.

The NBR may also conduct an audit at the premises of an Entity located in Bahrain for which it may notify the Entity in advance. The notice provided by the NBR to the Entity in relation to the intention to carry out an on-site audit may include the expected start date, location of the audit and the records that the Entity should make available for review. This should allow sufficient time for the Entity to prepare the relevant records for review and ensure that relevant employees are available during the audit period.

13.4. NBR Powers During a Tax Audit

The purpose of an audit is to check the overall completeness, accuracy, compliance and election requirements of the Entity's Tax Return. In performing its duty, the NBR may:

- Examine and review records and documents.
- Inspect and record the assets located at the premises of Entities located in Bahrain.
- Notify any person to provide documents, data, or information, whether related to themselves or to another person, as deemed appropriate by the Bureau.
- Retain a copy or image of the records, accounting books, financial statements, invoices and all documents and records, related to the relevant Tax audit period.
- Place a visible mark on the original documents, records and assets indicating that they were examined and audited.
- Retain the original copy of the records or documents for the period deemed appropriate by the Bureau for the purpose of the Tax audit.

13.5. Results of an Audit

Where an audit evidences non-compliance with the DMTT legislation, an assessment decision will be notified to the Entity. The decision must include the following:

- The reference number and date of the notification of audit results;
- Name of the person which was subject to the Tax audit;
- Identification number for Tax purposes (if available);
- The reasons for the assessment, facts, information and the legal basis;
- The amount of net Tax Due or excess amount to be refunded, administrative fines and penalties where applicable; and
- The date of payment for the Tax Due and any administrative and penalties.

The NBR will notify the Entity of the decision by e-mail and post. The date of receipt of the assessment is considered the date on which the NBR sent it to the person subject to the Tax audit or his Tax Agent.

14. Assessment of Tax Due

When the Filing Constituent Entity submits a Tax Return, it makes a self-assessment of the Tax Due. This self-assessment is updated if a Filing Constituent Entity submits an amended Tax Return.

The NBR may re-assess the Tax Due following a Tax Audit if it is found that a Tax Return or amended Tax Return submitted by the Filing Constituent Entity contains an error. The NBR may also re-assess the Tax Due if adequate information is not provided to support the Tax Return.

Where a Filing Constituent Entity does not submit a Tax Return by the legally prescribed deadline, the NBR may issue an estimated assessment of Tax Due.

The assessment or reassessment of Tax Due will be notified to the Filing Constituent Entity and will include the following details:

- The name of the Filing Constituent Entity;
- The identification number for Tax purposes;
- Date of the assessment/reassessment decision;
- Amount of Tax Due to the NBR after assessment/reassessment; and
- The date of payment for the Tax Due and any administrative and penalties.

The NBR may not re-assess the Tax relating to a Fiscal Year that has already been assessed, unless there is discovery of new information that was not available at that time and this information requires a new assessment.

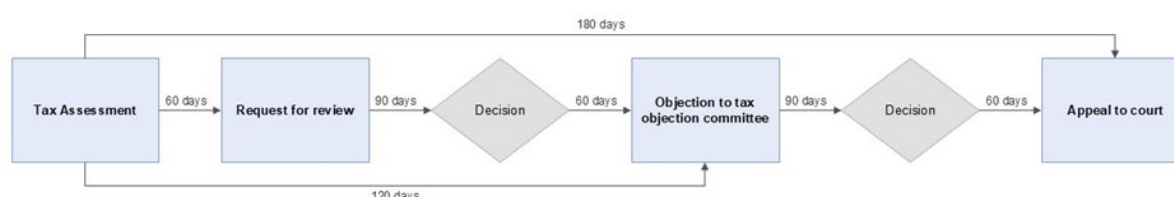
An Entity that disagrees with the assessment or reassessment decision has a right to dispute the decision via the tax dispute resolution process outlined in the section below. The assessment or reassessment decision issued by the NBR will outline the rights available to the Entity in addition to the right to dispute the NBR's decision.

15. Tax Dispute Resolution

15.1. Introduction

An overview of the process to challenge a decision or procedure (including an assessment) of the NBR is as follows:

- The person against whom the decision or procedure is made may seek an independent review by the NBR. Alternatively, they may make an objection against the decision or procedure to the Tax Objections Committee or may appeal to a competent court in Bahrain.
- The person may object to the outcome of an independent review by referring it to the Tax Objections Committee. Alternatively, the person may appeal the outcome of that independent review to a competent court in Bahrain.
- Following a decision by the Tax Objections Committee, the person may appeal the decision to a competent court in Bahrain.



Once the process is initiated at a certain level (e.g. independent review by the NBR, Tax Objections Committee), a person may not submit a grievance to the previous level. For instance, a person may decide to submit an appeal to the competent court without submitting an objection to the Tax Objection Committee. That person may no longer seek an independent review by the NBR and may not raise an objection to the Tax Objections Committee.

15.2. Independent review by the NBR

If an Entity has an objection to a decision or procedure issued by the NBR (including an assessment of Tax), it may request the NBR for an independent review of the decision or procedure by sending a request via the NBR portal. A request must be made within 60 days of the decision or procedure.

The request for the review must contain all of the following information:

- The decision or procedure subject to review request, the date of its issuance and its reference number where available.
- Name of the review request applicant, their work address, email address and identification number for tax purposes.
- Summary of the review request, its reasons and the legal basis.

- The supporting documents and documentation, records, and other information substantiating the review request.

The independent review will consider all the information available to the NBR on the matter and the relevant provisions of the DMTT Law and Regulations. As part of conducting the review, the NBR may seek additional information from the person who applied for the review.

Within 90 days of submitting a request for the independent review, the NBR will provide a decision on the request or may extend the period for its review by another 90 days.

If an Entity does not receive a response from the NBR within 90 days of making a request for review, it should consider his request for review as rejected.

An Entity is not required to pay the disputed Tax amount in order to request a review.

15.3. Objection to the Tax Objections Committee

Once an Entity receives a decision or procedure from the NBR, it may object to the Tax Objections Committee within sixty days of the decision or procedure. This decision or procedure may include the decision made by the NBR following an independent review or an implicit rejection of the request for independent review discussed in Section 16.

A person may, therefore, choose to either request an independent review of a decision or procedure or may object directly to the Tax Objections Committee. The person may, after receiving the results of an independent review, object to the conclusion of the independent review to the Tax Objections Committee.

The date of notification of the NBR's decision is the date on which the NBR sent it to the Entity or its Tax Agent.

The objection submitted to the Tax Objections Committee must include, at the minimum, the following information:

- The NBR's decision or procedure subject to the objection or the decision of the independent review, together with the issue date and the reference number where available.
- The name of the objector, the work address, email address, and the tax identification number.
- A summary of the objection, its reasons and the legal basis.
- Supporting documents and documentation, records and other information for the objection.

The Tax Objections Committee will notify the objector of the hearing date of the objection at least five days beforehand if the Committee deems it necessary to hear the objector or his representative in person.

The Tax Objections Committee will issue its recommendation on the objection to the Minister or his delegate, within ninety days from the date of the submission of the objection. The Minister or his delegate will then have to approve, amend or cancel the recommendation within thirty days from the receipt of the recommendation. The person objecting will then be notified of the result by the Tax Objections Committee. Where the objector does not receive any communication within the prescribed period, the objection shall be considered rejected.

A person may appeal against a decision of the Tax Objections Committee to a competent court in Bahrain within sixty days from the date of notification of a rejection of his objection or the date in which the objection is deemed as rejected.

15.4. Appeal to Competent Court

A person against whom a decision or procedure by the NBR is made may appeal directly to a competent court in Bahrain. There is no requirement for that person to have sought an independent review or to have made an objection to the Tax Objections Committee before appealing to such a court.

A person who has received a decision from the NBR following a request for an independent review may appeal that decision directly to a competent court in Bahrain.

A person who has received a final decision from the Tax Objections Committee or an implicit rejection of his objection may appeal that decision to a competent court in Bahrain.

16. Tax Agents

16.1. Introduction

In order to help Entities comply with their DMTT obligations, Bahrain's DMTT Law provides for the concept of Tax Agents. A Tax agent is a third party who helps the Filing Constituent Entity in fulfilling its DMTT obligations such as:

- Preparing and submitting DMTT returns to the NBR on behalf of an Entity.
- Making enquiries to the NBR on behalf of an Entity.
- Submitting reconsideration requests and filing DMTT appeals to the NBR on behalf of the Entity.

A person intending to act as a Tax Agent on behalf of an Entity payer must be authorised by the NBR as a Tax Agent. The Entity may then appoint that person as its Tax Agent.

16.2. Becoming an Authorised Tax Agent

A person wishing to be an authorised Tax Agent must apply through the NBR portal. Either a natural or legal person can apply for authorisation. In either case, the person must demonstrate that he meets the conditions to be a Tax Agent set out in the Executive Regulations:

- The person must be a resident in Bahrain;
- The person must be a person of good conduct and reputation and must never have been sentenced to a restriction of freedom in a crime against honour;
- A natural person must hold a university degree, accounting or legal qualification which has been certified and approved by the Ministry of Education; and
- A legal person must carry on the proposed Tax Agent services under a valid and current commercial registration.

Once authorised, the Tax Agent will receive a certificate and a registration number. The authorisation as a Tax Agent is valid for three years but can be renewed subject to meeting the relevant conditions.

17. Fines and Penalties

This section covers the various administrative fines and penalties which may be imposed by the NBR for non-compliance with the DMTT Law and Regulations. Administrative fines generally apply for the failure to adhere to administrative obligations imposed under the DMTT Law (e.g. not submitting a Tax Return). Penalties and criminal sanctions will apply to tax evasion.

Entities of a Multinational Enterprise Group are held jointly and severally liable for these fines and penalties as described in section 10 of this Guide. Further, as explained in section 16 of this Guide, Entities have a right to dispute any decision which imposes such fines and penalties.

Below is a list of offences and corresponding administrative fines:

| Offences | Administrative Fines |
|--|---|
| Failure to apply for tax registration within the prescribed period or providing incorrect registration information. | Fine not exceeding 100,000 Bahraini Dinars. |
| Failure to submit the Tax Return or delaying its submission beyond the prescribed period. | Fine not exceeding 30% of the Tax amount that should have been declared. |
| Failure to pay the Tax or delaying its payment beyond the prescribed period. | Fine calculated at a rate of 1% of the unpaid Tax Due amount or unpaid advance tax payment for each month (or part thereof), with a cap of 70% of the Tax Due amount. |
| Submitting incorrect data in the Tax Return that results in a lower Tax amount than what is due. | Fine not exceeding 30% of the Tax amount that should have been declared (or 20% in case of voluntary amendment). |
| Submitting incorrect data in the Tax Return that does not result in underreporting the amount of Tax Due. | Fine not exceeding 1,000 Bahraini Dinars. |
| Obstructing or hindering the work of the NBR's employees or its representatives, or failing to provide or make accessible the required data / information / records / documents. | Fine not exceeding 50,000 Bahraini Dinars. |
| Failure to notify the NBR of changes to registration application data or attachments to the Tax Return within the deadline. | |
| Failure to provide requested data, documents, records, accounting books, financial statements, invoices and other materials or delaying their submission. | |
| Failure to maintain records, accounting books, financial statements, invoices and other required documents in a regular manner. | |

| | |
|--|--|
| Violating any provisions of the Law, Regulations, or implementing decisions. | |
|--|--|

Acts of tax evasion under the provisions of the DMTT Law include intentionally committing any of the acts listed in the table below.

| Crime | Penalties and Punishment |
|---|--|
| Failure to register for Tax purposes. | <p>Natural Person</p> <p>Imprisonment for a period of no less than three months and not exceeding five years and;</p> <p>A fine of no less than the amount of Tax Due and not exceeding three times its value, or one of the two penalties.</p> <p>The penalty shall be doubled in case of repeated commission of the crime within six years from the date of the issue of the final conviction. The offender or multiple offenders shall be jointly and severally liable for paying the Tax Due in cases that require it.</p> <p>Legal Person</p> <p>Without prejudice to the criminal liability of natural persons, the Entity or legal person shall be held criminally liable where any of the crimes stipulated in this Law is committed in its name, on its behalf, or for its benefit by its, agents, representatives, or any of its employees, and shall be punished by a fine not exceeding twice the maximum fine prescribed for the crime.</p> <p>The responsible managers of the legal person, irrespective of their titles, who are in charge of the actual management of that person, shall be held liable if any of the crimes stipulated in this Law are committed as a result of their actions, omissions, consent, cover-up, or gross negligence.</p> |
| Failure to submit the Tax Return or pay the Tax Due within the prescribed deadlines. | |
| Submission of a Tax Return with incorrect data or information contradicting records, documents, accounting books or financial statements. | |
| Altering data in commercial books, agreements, documents, records, data, materials, purchase or sales invoices, or any other materials to mislead the NBR, understate profits, inflate losses, affect the computation of Tax Due or obtain a Tax advantage. | |
| Submitting incorrect, forged, or counterfeit data, documents, records, accounting books, financial statements or invoices with the intention to avoid paying Tax Due or obtain deductions, exemptions, refunds or any Tax advantage. | |
| Concealing or failing to disclose one or more taxable activities. | |
| Destroying or concealing data, documents, records, accounting books, financial statements, invoices or materials that should be retained, affecting the NBR's ability to verify elements of income computation and Tax Due. | |
| Failure to maintain records, accounting books, financial statements, and all documents, invoices, and materials that must be retained in a regular manner. | |

