



Country-by-Country Reporting Requirements

INTRODUCTION OF COUNTRY BY COUNTRY REPORTING

In line with Organisation for Economic Co-operation and Development's ('OECD') Base Erosion and Profit Shifting (BEPS) inclusive framework, Bahrain had signed the Multilateral Competent Authority Agreement ('MCAA') on Country-by-Country Reporting ('CbCR') on 22 December 2019. Bahrain has ratified the MCAA CbCR on 28 January 2021 and published the same in its Official Gazette. In this regard, the Ministry of Industry, Commerce and Tourism (MOICT) has issued a resolution no. 28 of 2021 in the Official Gazette regarding exchange of reports between relevant countries.

APPLICABLE TO WHOM?

Applicable to Multinational Entities ('MNE') Group operating in Bahrain with a consolidated revenue of BHD 342 Million (approximately USD 907 million or EUR 748 million) during the year immediately preceding the Reporting Fiscal Year. MNE Group shall have presence in Bahrain through a constituent entity:

- Tax resident local entity that is part of MNE Group, included in the consolidated financial statements for financial reporting purpose or for trading equity interests on public securities exchange.
- Independent entity excluded from consolidated financial statements of MNE Group (if solely for its size or materiality), which is a tax resident in Bahrain.
- Permanent Establishment ('PE') of an independent entity (if preparing separate financial statements of such PE), which is a tax resident in Bahrain.

APPLICABLE TO WHICH PERIOD?

Financial reporting years commencing on or after 1 January 2021.

FIRST TIME FILING REQUIREMENTS

Notification (due date 31 December 2021 for 31 December 2021 year-end)

Constituent entity to notify if it qualifies as an Ultimate Parent Entity ('UPE') or if not an UPE, then details of the UPE should be provided along with the notification. The resolution is silent regarding form and method of submitting the required notification.

Report (due date 31 December 2022 for 31 December 2021 year-end)

If Bahrain establishment qualifies as UPE or as a constituent entity that has been designated to file CbCR of the MNE Group, in certain conditions. The contents of the report are provided in the resolution which primarily includes key financial information such as revenue, profits, taxes, employees, etc. and identification details regarding each jurisdiction where the reporting entity operates.

PENALTIES

Penalties for non-compliance will be in line with the measures provided under Bahrain Decree Law No. (27) of 2015 regarding Commercial Registry such as suspension of commercial registration, imposition of administrative fine, omission of commercial registration and administrative investigation.

IMPACT ON BUSINESS

Any business having multi-jurisdictional presence and having an establishment in Bahrain needs to evaluate the applicability of CbCR filing requirements (either only notification or notification and report) in Bahrain and other respective jurisdiction levels.

BDO COMMENTS

With CbCR going live in the year 2021, it is expected that Bahrain shall facilitate exchange of information gathered as a part of the CbCR filing process with other countries where CbCR has been an important tool to discover tax evasion by shifting profits to lower/no-tax jurisdictions.

HOW BDO CAN HELP?

- Evaluating whether Bahrain establishment of MNE group falls within the ambit of CbCR and is required to file notification.
- Evaluating whether Bahrain establishment of MNE group qualifies as UPE or as a constituent entity that has been designated for the MNE Group and is required to file CbCR report in Bahrain.
- End to end assistance in filing notification and/or filing report.

If you would like to further discuss the contents of this update, and find out what it means for your business, please contact BDO's Tax team in Bahrain.

ASHISH ATHAVALE

Tax Partner

E: ashish.athavale@bdo.bh

DEVINA OGALE

Senior Consultant - Tax

E: devina.ogale@bdo.bh

BADER AL BASTAKI

Senior Consultant - Tax

E: bader.albastaki@bdo.bh