



## **VAT PULSE ... INSIGHTS ON VOLUNTARY REGISTRATION AND TRANSITIONAL CONTRACTS**

Stay tuned for VAT Pulse - a BDO Bahrain knowledge page  
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With less than 18 days to go, the countdown to implementation of Value Added Tax (VAT) in Bahrain has begun. Given the recent announcement on phased registration, businesses are grappling with two critical questions:

1. Businesses with turnover below 5 Million BHD - to register or not to register?
2. Impact of VAT on open contracts?

### **A. VOLUNTARY REGISTRATION**

Phased VAT implementation would result in a mix of VAT registered and unregistered businesses and consequently have an impact on the supply chain. Businesses with turnover between 37,500 BHD to 5 Million BHD should utilize this opportunity to evaluate the advantage of registering before the stipulated timeline. Key aspects that may be considered:

- Study of potential VAT impact on the supply chain given the existing mix of suppliers and customers.
- Testing the procurements through the lens of VAT recoverability/ VAT cost in the pre-registration phase.
- Evaluating the mix of imports and exports to determine the impact of VAT, and credit blockage (if any).
- People and IT system readiness.

In case businesses decide to opt for voluntary registration and go-live in the first phase of VAT implementation, i.e. January 1, 2019, prompt action needs to be taken to ensure VAT readiness within the limited time frame available.

### **B. TREATMENT OF TRANSITIONAL CONTRACTS**

Businesses may have existing contracts with suppliers and customers which involve supply of goods/ services in the VAT regime. It is important for businesses to identify adequate VAT safeguards in respect of such open contracts. Key areas to be addressed for transitional contracts are highlighted below:

- Determine whether any supplies are to be made after VAT implementation for which invoice is issued or consideration is received before registration?
- Whether the on-going contracts which spill over into the VAT regime contain a tax clause? If not then whether the consequential impact has been determined or action steps undertaken?
- Are there any existing contracts with the Government? If so, what are the timelines for renewal/ expiration?

### **C. BDO COMMENTS**

A thorough study of the supply chain needs to be conducted with a tax lens to enable businesses to decide whether to opt for voluntary registration. This is coupled with the immediate need to revisit all open contracts from a VAT perspective.

Given the proximity of VAT implementation date, businesses should fast track their efforts towards a VAT compliant environment. Any inadvertent oversight could lead to financial repercussions or regulatory hardship in the long-run.

BDO has the right blend of experience, technical expertise and commercial understanding to deliver highly effective assistance in the areas highlighted above. We would be happy to support you to ensure smooth implementation of VAT. Please reach out to our VAT team for any assistance in relation to Bahrain VAT.

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