



JOINT ITALIAN ARAB CHAMBER OF COMMERCE  
الغرفة التجارية العربية الإيطالية المشتركة

# Doing Business in Bahrain



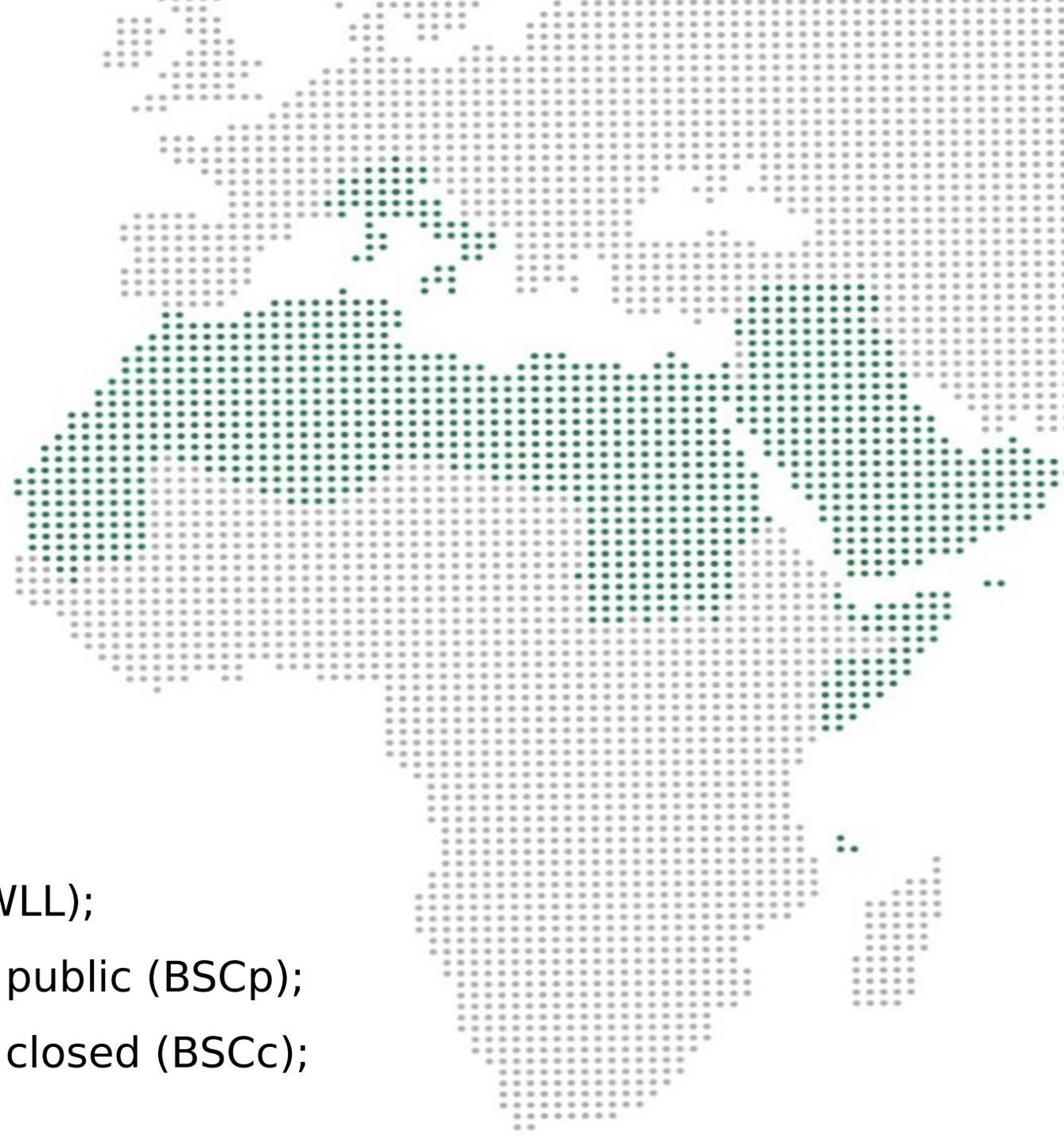
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# Introduction:

## Bahrain in numbers

### GEOGRAPHY (updated to 2021)

<b>Capital</b>	<b>Manama</b>
<b>Land area</b>	<b>760 sq km</b>
<b>Population</b>	<b>1,749,087 inhabitants</b>
<b>Density</b>	<b>2,301 people per sq km</b>
<b>Language</b>	<b>Arabic</b>
<b>Government</b>	<b>Constitutional monarchy</b>

### ECONOMY (updated to 2020)

<b>Currency</b>	<b>Bahraini Dinar (BHD)</b>
<b>GDP (at market prices in 2019)</b>	<b>38,790 Millions \$</b>

**Bahrain was the first country in the Arabian Gulf to discover oil resources.**

**Bahrain has the fifth highest income per capita in the Middle East.**

**Source:** <https://unctadstat.unctad.org/CountryProfile/GeneralProfile/en-GB/048/index.html>

# Introduction:

## Bahrain in numbers

<b>INFRASTRUCTURES (updated to 2021)</b>	
<b>Railways</b>	<b>About 109 km</b>
<b>International airports</b>	<b>1</b>
<b>Roads (updated to 2019)</b>	<b>About 4,300 km</b>
<b>Major ports</b>	<ul style="list-style-type: none"><li>• <b>Sitra Wharf</b></li><li>• <b>Port of Khalifa Bin Salman</b></li><li>• <b>Mina' Salman Port</b></li></ul>
<b>ICT (updated to 2021)</b>	
<b>Telephone country code</b>	<b>+973</b>
<b>TLD</b>	<b>.bh</b>

**Source:** <https://www.bahrain.bh>

# Introduction:

## Economic overview

In 1932, Bahrain was the first country in the Arabian Gulf to discover oil resources. Since then, it has used its oil revenues to build up an infrastructure well ahead of other Arab countries.

Oil resources were, however, limited by comparison to other Gulf states and, since the mid-1970s, the government encouraged new investments to diversify the economic structure of the country.

Indeed, it was the first Arab country engaging in a process of economic diversification. In this regard, Bahrain has been relatively successful at developing trade, industry and financial markets.

Certain alternative industries, such as aluminium, have proved to be extren



# Introduction:

## Economic overview

In addition, Bahrain is recognized as a major banking and financial centre in the region, with a particular emphasis on investment and Islamic banking activities.

It has the fifth highest income per capita in the Middle East, the highest life expectancy in the Gulf and a very high level of literacy. Bahrain is also a founding member of the Gulf Cooperation Council.

Bahrain's proximity to Saudi Arabia provides access to the region's single largest market and economy.

At the same time, the proximity to the eastern province of Saudi Arabia provides companies with the option to establish an operational base in Bahrain, which is considered to be one of the most open and liberal places to live in the Middle East.

# Introduction:

## Economic overview

Residents of Bahrain already enjoy direct motorway access to Saudi Arabia via the 25-kilometre Saudi-Bahrain King Fahd Causeway. A second causeway, King Hamad Causeway, between Saudi Arabia and Bahrain, is also planned and will run parallel to the King Fahd Causeway but will, in addition to a lane for cars, also include two rail lines; one for passengers and another for cargo. King Hamad Causeway will also connect Bahrain to the planned GCC wide railway network.

Bahrain International Airport in Muharraq is one of the busiest airports in the Middle East with a wide range of connections to the rest of the region. It is used by many major international airlines. Manama is the headquarters of Gulf Air, owned by the government of Bahrain through the state holding company, Bahrain Mumtalakat Holding Company.



# Introduction:

## Institutions for foreign investors

The Bahrain **Economic Development Board (EDB)** is a dynamic public agency with overall responsibility for attracting investment into Bahrain and supporting initiatives enhancing the investment climate.

The EDB works with the government and foreign investors, in order to ensure that Bahrain's investment climate is attractive and to identify where opportunities exist for further economic growth through investment.

The EDB focuses on several sectors that capitalise on Bahrain's competitive advantages and provide significant investment opportunities. These sectors include financial services, manufacturing, information and communications technology (ICT), tourism, logistics and transport.

# Introduction:

## Institutions for foreign investors

The financial services sector is particularly strong in Bahrain and the EDB is considered to be a key-player for the growth of the banking industry, including Islamic finance.

The EDB also offers a facilitation service to foreign investors, becoming de facto the first point of contact of the investor in the Kingdom and providing the necessary information for the registration procedures.

In addition, the EDB coordinates with all relevant government bodies to help resolve the difficulties an investor may encounter during the process of approval and registration of the activity.

# Introduction:

## Institutions for foreign investors

The **Bahrain Chamber of Commerce and Industry (BCCI)**, is another institution devoted to facilitate foreign investments through specific services.

The main representative of the private sector, the BCCI is the oldest Chamber of Commerce in the Gulf and a major contributor to the overall economy.

The Chamber has developed various types of services, including conducting market research for foreign clients, carrying out networking activities, seeking best partnership agreements with its members as well as assistance and advice for all bureaucratic and legislative issues.

# Establishment of business:

## Introduction

Businesses are generally carried out in Bahrain through an agency or distributorship arrangement with a local partner or registered independently through establishing a Bahraini corporate vehicle.

There are essentially six options available to foreign investors looking to undertake business and commercial activities in Bahrain:

- Single Person Company (SPC);
- Partnerships;
- With Limited Liability Company (WLL);
- Bahrain Shareholding Company - public (BSCp);
- Bahrain Shareholding Company - closed (BSCc);
- Branch of a Foreign Company.



# Establishment of business:

## Single Person Company (SPC)

A **Single Person Company (SPC)** has an independent legal personality from its owner and the minimum share value is BHD 50. According to the Commercial Companies Law, an SPC is managed by its owner who may appoint one or more managers.

A foreign or non-GCC national can set up an SPC provided there are no restrictions on the business activity. Most importantly, the SPC owner's liability shall be limited to the capital of the company.

Required documents for incorporating an SPC generally include but are not limited to, articles of association, capital deposit certificate and the new company's lease agreement. Further documents may be required where the party looking to set-up a SPC is a corporate body.

# Establishment of business:

## Partnerships

A **General Partnership** (*shariqat attadamun*) is formed between two or more natural or corporate persons. All partners assume joint responsibility to the extent of their entire personal assets for the partnership's debts and liabilities. There is no requirement of a minimum share capital.

Depending on the relevant business activity, it can be 100% foreign-owned.

A **Limited Partnership** (*shariqat attadamun*) comprises at least one general partner and one limited partner, whose liability for the partnership's commitments is limited to the amount of capital invested in the partnership and cannot run the partnership's business.

Conversely, the general partner is liable for the partnership's obligations to the extent of his own personal assets.



# Establishment of business:

## Partnerships

A **Partnership Limited by shares** (*shariqat attawsiyah bil as'hom*) consists of two categories of partners: (i) joint partners who are jointly liable to the extent of all their personal assets for the company's obligations; and (ii) sleeping partners (or shareholders) who are not liable for the entity's obligations except to the extent of their shares in the capital.

A Partnership Limited by shares is subject to the same rules as those applying to a joint-stock company (BSCp) in respect of shareholders, governmental supervision, general assembly, amendments to share capital, loans and reserves.



# Establishment of business:

## With Limited Liability Company (WLL)

A **With Limited Liability Company (WLL)** (*shariqah that mas'ouliyyah mahdoodah*) is comparable to a Limited Liability Company in other countries of the GCC and is the most common form of business vehicle.

WLL's must consist of a minimum of two and a maximum of 50 shareholders who can be natural persons or corporate legal entities.

The shareholders are responsible for the company's debts and obligations only to the extent of their respective shares in the capital.

# Establishment of business:

## With Limited Liability Company (WLL)

The minimum share capital required is BHD 50 and WLL's are required to appoint at least two directors.

The company cannot issue shares to the public but can be 100% foreign-owned, again depending on the business activity.

Various documents are required to incorporate a WLL company which includes but is not limited to a memorandum of association, capital deposit certificate and a new company's lease agreement.

Further documents may be required where the party looking to incorporate a WLL is a corporate body.

# Establishment of business:

## Bahrain Shareholding Company - public (BSCp)

A **Bahrain Shareholding Company (BSCp)** also referred to as a Public Joint-Stock Company is typically listed on the Bahrain Bourse.

The company consists of a minimum of two shareholders and the shareholders are liable for the company's debts and obligations only to the extent of the value of their shares.

The minimum capital required is BHD 1 million and there must be a minimum of five directors.

The shares can be offered to the public although any offering of shares to the public must be subject to approval from the Central Bank of Bahrain (CBB), in compliance with the CBB's Offering of Securities Module (Volume 6 of the CBB Rulebook) and subject to approval of the MOICT.



# Establishment of business:

## Bahrain Shareholding Company - public (BSCp)

The recent amendments to the Commercial Companies Law 2001 have provided for the incorporation of public joint stock companies with the participation of foreign capital and expertise by removing the previous requirement for all shareholders in a public joint stock company to be of Bahraini nationality.

All restrictions relating to trading in stocks and shares representing foreign capital in a public joint-stock company have been removed, thus highlighting the efforts by Bahrain's government to encourage direct foreign investment in the Kingdom.

Public Joint Stock Companies must adhere to the Corporate Governance Code issued by the CBB.

A shareholding company shall be subject to the governance principles as mentioned in the MOICT.



# Establishment of business:

## Bahrain Shareholding Company - closed (BSCc)

Commonly known as a **Closed Joint Stock Company (BSCc)** and consisting of a minimum of two shareholders.

Shares in such companies cannot be offered for sale to the public. As is the case with public shareholding companies, shareholders are liable for the company's debts and obligations only to the extent of the value of their shares.

The minimum share capital required is BHD 250,000 and there must be a minimum of three directors. A BSCc company can be 100% foreign owned but this is dependent on the business activity of the company. BSCc companies must adhere to the Corporate Governance Code issued by the MOICT. There are further regulatory requirements on companies licensed or regulated by the Central Bank of Bahrain.



# Establishment of business:

## Branch of a Foreign Company

Foreign companies can establish **branches** in Bahrain, without the need for a local partner.

In order, for a foreign company, to carry out business in Bahrain, it can establish a branch either by way of an operational office or a representative office.

Branches of foreign companies with an operational office may be subject to obtaining further approvals in Bahrain depending on their activities.

For example, companies looking to engage in banking and insurance activities must obtain a licence from the Central Bank of Bahrain.

# Establishment of business:

## Branch of a Foreign Company

In relation to representative offices, these are unable to carry out any business operations in Bahrain and are restricted to undertaking marketing and promotional activities in Bahrain.

The obligations and liability of the branch is guaranteed by its parent company and it is a requirement under the Commercial Companies Law that the parent company provides a guarantee in relation to the branch and appoints a branch manager.



# Taxation:

## Corporate Income Tax

There are no taxes in Bahrain on income, sales, transfer, capital gains or estates, unless a company is involved in the oil and gas sector, in which case it will be subject to a tax rate of 46% on its net profits for each accounting period.

According to Amiri Decree 22/1979, profits from companies, partnerships and joint ventures (regardless of their place of incorporation) are taxable in Bahrain, at the rate of 46% if they are derived from activities in the oil and gas sector (that is: carry out exploration for, production of, or refining of oil in Bahrain).

Profits derived from other activities are not subject to corporate income tax.

# Taxation:

## Corporate Income Tax

Taxable income is the income derived from (i) selling crude oil (or other natural hydrocarbons from land in Bahrain), or (ii) selling finished or semi-finished products manufactured in Bahrain from crude oil (or other natural hydrocarbons, regardless of the origin of such raw material).

Deduction for costs of raw materials is allowed for reasonable amounts and (due to the territorial scope of the tax, foreign losses are disregarded). Capital assets can be depreciated over the useful life of the asset concerned or as agreed by the Ministry of Industry and Development.

Depreciation of exploratory wells is allowed at the 20 per cent rate per year. There is no time-limit for loss carry forward. Taxpayers shall file an “estimated” Income Tax return on or before the 15th day of the 3<sup>rd</sup> month of the tax year concerned. Tax is payable in equal monthly instalments, starting on the 15<sup>th</sup> day of the month following t



# Taxation:

## Customs Duty

The general rate of customs duty is 5% of the value in cost, insurance, and freight (CIF) except for alcoholic beverages (125%) and cigarettes (100%).

Effective from 30 December 2017, an Excise Tax (consistent with GCC Framework Agreement on Excise Tax) has been introduced in Bahrain.

The tax applies to three excisable goods and, namely: (i) Tobacco (100% rate); (ii) Soft Drinks (50% rate); and (iii) Energy Drinks (100% rate). Any person who “imports” or “produces” excisable goods or puts it under a tax suspension status is required to register with the Ministry of Finance for the purposes of the excise tax. Imported excisable goods are taxed upon importation and the relevant tax is collected by the customs authorities under the same conditions as customs duties.

# Taxation:

## Customs Duty

Tax on excisable goods produced locally is paid to the Ministry of Finance within 15 days of the end of the tax period during which they were offered to consumption (or 15 days as of the extended filing deadline).

## VAT

In line with the Gulf Cooperation Council VAT Agreement, Bahrain adopted VAT the 1<sup>st</sup> of January 2019 at a standard rate of 5%.

VAT is regulated by Decree law No. 48 of 2018 (VAT Law) and Executive Regulations to the Value Added Tax (VAT Exec Regs). The NBT has been issuing a VAT General Guide in December 2018 (updated in January 2019) and a VAT Registration Guide in January 2019.

# Taxation:

## Import, Export and Intra-GCC Supplies

Import of good entail the “entry” of goods within the Bahraini territory from outside the GCC while export entails the move of such good to the outside Bahrain.

Import is charged VAT (unless items are exempted items) on the importer of records for custom purposes while export are zero-rated.

Worth to underline that until Bahrain does not recognize UAE and KSA as “implementing States” goods coming from these two GCC States will be considered as “imported goods”.

The other way around, goods moving from Bahrain to these two States are deemed to be export for this transitional phase.

# Taxation:

## Import, Export and Intra-GCC Supplies

Once the Intra-GCC regime will be enforced, supplies between GCC Implementing States will be regulated according to the Reverse-Charge mechanism.

Worth to underline that transactions between the Italian Head Office and the Bahraini branch (or between the UAE and the Bahraini branch of an Italian Head Office) would be disregarded (being out-of-scope) as they occur within the same legal entity.

However, import of good would be charged VAT even though the supply involves two parties of the same entity.

# Trade:

## Bahrain and Italy

Bahrain and Italy share a long history of economic and commercial exchanges during 2020 the recorded values for Italian import-export in Bahrain doubled those recorded for the previous year.

In 2020 Bahrain exported approximately 140 million EUR of goods and services to Italy and imported, in the same year, approximately 422 million EUR from Italy.

Today Italy is the 8<sup>th</sup> supplier of Bahrain in terms of exported goods with growing market shares.

According to the Italian Ministry of Foreign Affairs, Bahrain exported mostly metals (mainly aluminium) and oil derived products (chemicals and plastics).

# Trade:

## Bahrain and Italy

Italy on the other side, mainly exported industrial machinery, domestic appliances electronics and food products Italy is also a “net investor” in Bahrain In 2019 Italian Investments stock counted for approximately 231.6 million EUR, whereas Bahrain does not have significant investments in Italy.

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# Grazie! ! شكرا

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