A Guide to Tax Regulation in the Gulf Co-operation Council (GCC)

2019-2020

STA

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TAXES

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A GUIDE TO
TAX REGULATION IN THE GULF CO-OPERATION COUNCIL (GCC)

Introduction

Gulf Co-operation Council (GCC) came into force in 1981. The United Arab Emirates (UAE) is one of its member states. The purpose of GCC is to maintain unity amongst its member countries. The main objectives for the formation of GCC countries were for the common currency, common market and customs union, which was set forth by the GCC Supreme Council. Other objectives include formulating rules in the field of trade, finance, legislation, scientific progress in the field of agriculture, mining, and encouraging the private sector. The economic growth of the GCC countries depends on its vast petroleum, oil and natural gas resources. At present, many countries have found its own oil and natural resources, hence, the same has affected the economic development of Gulf countries.

Consequently, the introduction of tax at 5 per cent aimed at stabilising the economic dynamics of the region. A common market system was established for the smooth and efficient movement of goods and services within the region. It provides equality for the all to work in all fields, including public and private sector subject to certain limitations. Coordination of taxation system, accounting and civil legislation is still in progress.

TAX:

Tax is a compulsory payment of financial charge which is imposed on individual or entity by the governmental organization in order to develop various public expenditure. Non-payment of tax is punishable by the law. The State can impose civil penalties or criminal penalties for even the partial payment of taxes.

Tax in GCC:

It was in the year 2015 that the oil and petroleum price in the region hit its lowest. In order to meet future needs, the GCC countries' representatives agreed to sign the Value Added Tax Treaty entered into in 2016. A number of countries, domestically and internationally resorted to the use of renewable resources. As a pioneer in the oil and gas reserves and the sole distributor to many nations, this affected the market whilst increasing the economic competition. Hence, they faced a budget deficit. . The VAT is imposed at a rate of 5 per cent on some goods and services. Health and education sectors are exempt from the same.

Saudi Arabia and the UAE were the only countries to meet the deadline of the agreement to successfully introduce VAT in their tax regime. Regardless, many other GCC countries continued to work on incorporating the same into their current tax regulations. Being a relatively new concept in the region, several questions arised with regards to its applicability in the Free Zones of some countries.

.Following are the general types of taxes in GCC:

i. Corporate Tax: It is also known as corporation tax. It is a direct tax which is imposed by a particular jurisdiction on the capital or income of corporations or analogous legal entities. Generally, corporate taxes are levied on a national level. However, the same can be imposed at local and state levels.

ii. Withholding Tax: It is also known as retention tax. It is an income tax which is paid to the government by a payer of the income rather than the one who receives the income, being the recipient of the income. Therefore, the tax is consequently deducted or withheld from the

"Lower taxes, less government spending on domestic programs and fewer regulations mean a better economy for everybody."

– Larry Elder

income which is due to such recipient. Generally, such tax applies to income from employment.

iii. Zakat: Under the Islamic law, this is a payment made annually on certain kinds of property which is used for religious and charitable purposes, which is one of the Five Pillars of Islam.

iv. VAT: Value Added Tax is a tax imposed on the supply of goods and services. The GCC countries have agreed to implement VAT at the rate of 5 per cent. The GCC VAT Agreement lays down broad principles that need to be complied with in their VAT Laws, though they provide flexibility in certain matters. Every GCC country will have its own VAT legislation.

The Implication of VAT on Individuals: VAT general consumption tax is mainly levied on the transaction of goods and services. As a result, the cost of living of people will increase slightly, however, depends on one's lifestyle as well.

The Implication of VAT on business: Businesses will be responsible for all their transactions and auditing, mainly documenting their business income, costs and associated VAT charges. All registered businesses and traders will levy VAT on all of their customers, and also incur such taxes while procuring goods and services from their suppliers.

v. Excise Tax: It is an indirect tax imposed on goods which are harmful to human life, property and the environment at large. For preventing the use of these harmful commodities, excise taxes are often levied upon gasoline, alcohol, cigarettes, gambling, etc.

vi. Customs Duty: GCC countries have consolidated custom duty rules. This is a tax or tariff which is imposed on goods when they are transported across international borders. Generally, in the GCC, the customs duty of imported goods is at the rate of 5 per cent of the invoice value. Some good are levied with standard rates while some goods are exempted from this branch of tax.

vii. Stamp Duty: It is levied on documents, majorly legal documents like military commissions, cheques, marriage licenses, land transactions, etc. A physical stamp which is also known as the revenue stamp is impressed or attached on the document to denote that the specific stamp duty has been duly paid before the document became legally effective.

Sectors in VAT Implementation:

i. Real estate and construction

ii. Tourism

iii Oil and gas

Considering the Real Estate market to be a boon in the region, levying VAT on the same contribute to the welfare of the State.

The Tourism industry contributes largely to the Gulf economy, though levying taxes on the same has been a challenge. This industry encompasses various sectors which include airlines, tour operators, travel agents, hotels, etc., hence, levying of VAT on this sector individually affects each of its interlinked branches.

Taxes in UAE

Taxation in Mainland and Free Zone:

Value Added Tax came into force in UAE on the 1st of January 2018. Mainland companies are given the license by the economic department of the said Emirate to conduct business in the local markets as well as the markets outside the UAE without any trade restrictions. Whereas, a Free Zone establishment can carry out their business only in a specified jurisdiction of an Emirate.

Companies in Mainland must largely be aware of two types of taxes, being customs tax and municipality tax. Customs tax or import duty has been fixed at a standard rate of 5 per cent for most items. In the Free Zones, there are certain exceptions for items like medical products, food food items etc. For harmful items like cigarettes, the government has imposed VAT at the rate of 100 per cent, while for alcohol at the rate of 50 per cent. Municipality service charges are

> *"Providing tax relief and reducing regulations leads to job creation and new economic opportunities for our small businesses, which are the backbone of our economy."*
> *- Cathy McMorris Rodgers*

levied by the government on individuals working and living in the UAE. Companies in the UAE Free Zone have financial incentives promoting foreign investment, hence, it includes exemption from customs duties, no corporate tax for up to 50 years, no currency restrictions, no personal income tax, etc. amongst other incentives.

List of some Free zones in the UAE and its tax regulations:

UAE has a number of Free Zones in the seven emirates namely Dubai, Sharjah, Ajman, Ras al Khaimah, Fujairah, Abu Dhabi and Um al Quwain. Each Free Zone has separate rules and regulations specific to the Free Zone. Free zones are classified into Airport free zone, Seaport free zone and Mainland free zones. Free Zones are generally exempt from the following:

I. Personal income tax

II Corporate tax for a period up to 50 years

III. Import-export tax duty

In Dubai, there are almost 30 Free Zones operating like Dubai Airport Free Zone, Dubai Media City, Dubai Design District, Dubai Healthcare City, Dubai Knowledge Village, Dubai International Academic City, Dubai Multi-Commodity Center (DMCC), Dubai International Financial Center (DIFC), to name a few. Jebel Ali is one of the largest free zones in Dubai.

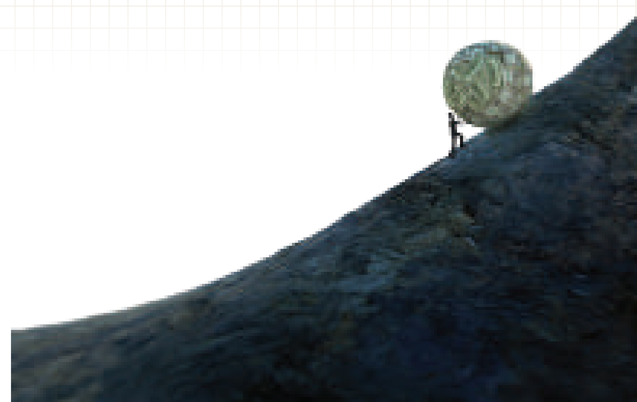
i. Dubai Airport Free Zone: One of the reasons foreign investors are attracted to invest in free zones are the various incentives that each Free Zone has to offer, including certain tax exemptions. DAFZ, short Dubai Airport Free Zone, is the most suitable Free Zone because of its attractive tax incentive system. Dubai Airport Free Zone Authority provides many tax benefits to the foreign investors who wish to set up business in this Free Zone by providing zero percent tax on corporate income, other income and also on import and export duties. Further, this Free Zone does not impose any restriction on the use of various currencies.

ii. Dubai Design District: It is often abbreviated as D3 Free Zone. It has been developed to provide a creative ecosystem. The forms of companies that can be established in D3 Free Zone are a limited liability company (LLC) or a branch of a foreign company with a freelance permit. This Free Zone like other Free Zones enjoys zero personal income tax as well as exemption from corporate tax for a period of up to 50 years. Additionally, there is no restriction on the currency that can be used. The VAT for this zone is at the rate of 5 per cent which is a fixed rate as under the law. Businesses in this Free Zone must be registered with the concerned authorities for VAT. Upon the completion of the registration process, a tax registration number is allotted by the federal department. Goods supplied between designated zones are exempted from VAT, while the goods supplied by entities to another zone must pay VAT at the rate of 5 per cent. Service provided by an entity to that of other entities within the zone or outside the designated zone is subject to VAT at the flat rate of 5 per cent. Professional fees are also subject to VAT at the rate of 5 per cent. There is no VAT for Trade License Fees or visa fees in a designated area, but for the non-designated area for trade, license or visa fees, while there is no VAT, rent needs to be paid inclusive of VAT at the rate of 5 per cent.

iii. Dubai Health Care City: DHCC, short for Dubai Health Care City, is a Free Zone dedicated to healthcare activities and facilities. The operations of this Free Zone is governed by the Dubai Health Care City Authority and it is regulated by the Dubai Health Care City Regulation Authority. The advantage of establishing a company in DHCC is that it offers 100 per cent foreign ownership and are exempt from personal tax, corporate tax and income tax for up to 50 years. They are additionally exempt from customs duty for goods and services. There are no restrictions on the exchange of foreign currency. As adopted by the UAE, the VAT is levied at

"The key to revenue growth is tax reform that closes loopholes and that is pro-growth. Then with a growing economy, that's where your revenue growth comes in, not from higher taxes."

– John Hoeven



the flat rate of 5 per cent in this Free Zone as well, and the same into force from January 2018. Entities in this Free Zone must be registered with the concerned authorities for VAT if its taxable supplies exceed the registration amount within one year. Upon the completion of the procedure for registration, a tax registration number from the federal department is issued. The remaining VAT levied activities and charges are the same as that of D3 Free Zone.

iv. Dubai International Financial Center: It is an onshore financial centre which provides an efficient and secure platform for financial institutions and businesses in the region. Dubai Financial Services Authority (DFSA) is at the core of the model of this Free Zone which regulates and grants licenses to all banks and financial institutions in this Free Zone. Additionally, this zone provides a guarantee for 40 years of no taxes on corporate profits and income coupled with the double taxation avoidance treaties with central banks and regulators. It is to be noted that the foreign banks functioning through its branch office in Dubai are subject to a VAT at a rate of 20 per cent on the income which they generate. DIFC is a relatively high rated Free Zone in Dubai. Companies established in the Free Zone are either regulated or non-regulated entities. The taxation of the company in DIFC is similar to that of all other Free Zones in Dubai. The companies that apply for a commercial license in this Free Zone being the non-regulated entities are granted some tax advantages like no export and import duties, no repatriation taxes as well as no corporate or income tax for a period of up to 50 years. The DIFC also provided a note to all the tenants stating VAT Regulations will apply to DIFC as well, and the same is chargeable on rental payments that are made in respect to the commercial leases. Further, community fees, utility charges and service charges are subject to VAT as well, specifically for commercial leases.

v. Dubai Media City: DMC, short for Dubai Media City, was established as the leading media hub in the region in January 2001. It provides an advanced environment for the media related business which operates in and out of Dubai. The main sectors who apply in this zone are advertising and communication, media and marketing services, media consultancy, to name a few. Main benefits for the business in this free zone area are, no personal, income and corporate tax for a period up to 50 years and it offers 100 per cent foreign ownership, with a tax-free customs duty of goods and services. Vat regulations from its inception in 2018 apply to this zone as well at the rate of 5 per cent. The entity must register itself in accordance with the VAT regulations, post the completion of which a unique registration number is allotted to that entity by the federal department.

vi. Abu Dhabi Global Market: ADGM, short for Abu Dhabi Global Market, is a financial free zone located In Abu Dhabi. This Free Zone has three chief regulations and governing bodies named, the Registration Authority, the Financial Services Regulatory Authority (FSRA) and the ADGM courts. ADGM has collaborated with the Economic Department in Abu Dhabi, the UAE's central bank, Insurance Authority, Abu Dhabi Municipality and Financial service commission in Jersey for a well-defined and comprehensive framework for its operations and regulations therein that are in line with international standards. Investors who wish to establish themselves in this Free Zone must first approach the Registration Authority that assists in the incorporation of the business entity in the ADGM.

The main duty of FSRA is to establish a financial market with a high level of management whilst overlooking the operations within the region. ADGM courts refer to common law to adjudicate civil and commercial matters that arise within the region, including arbitration. Like any other Free Zone in the UAE, ADGM offers a number of incentives which has made this Free Zone an attractive choice by foreign investors. It offers 100 per cent foreign ownership, zero per cent tax for up to 50 years,

TAX CREDITS

"Taxation is the price which civilized communities pay for the opportunity of remaining civilized."

- Albert Bushnell Hart

no restrictions on the exchange of foreign currency, common law jurisdiction. The types of companies that can be established in the ADGM are, a limited liability company, a branch of foreign company, a company limited by guarantee and a partnership firm. Further, the United Arab Emirates does not levy withholding taxes on interest, outbound dividend and other payments.

Individuals and businesses whose turnover exceeds the mandatory threshold for VAT registration are required to comply with all requisites of the registration procedure. Needless to say, those who are not registered in accordance with the above cannot charge VAT on their supplies, or claim VAT incurred on their inputs.

vii. Dubai Multi-Commodities Center: DMCC, short for Dubai Multi-Commodities Center, is a strategic initiative to provide the financial and market infrastructure which is required to set up a commodities market in the region. As offered by a number of other Free Zones, DMCC offers extremely attractive incentives such as guarantee for 50 years of no personal income tax or corporate tax, a 100 per cent foreign ownership coupled with a regulated environment. DMCC's VAT registration certificate was issued duly and informed the companies incorporated under them to register under VAT in order to avoid penalty.

viii. Dubai Silicon Oasis: The Dubai Silicon Oasis Free Zone was established as a center for the innovation for high-tech companies giving an extra edge through its strategic geographic location for investors to start up business in this Free Zone. Setting up business in this Free Zone and expanding it therein gives many advantages to the investors, mainly in the taxation field because of the tax-free environment in Dubai. The Dubai tax legislation will consider a company as resident only when it is established in Dubai.

This Free Zone enjoys exemption from corporate tax. Additionally, the entities in this Free Zone are exempt from import and export duty, income tax, etc. to name a few. Even though there is no tax on the companies in the Free Zone, foreign shareholders have to pay certain taxes in their home country based on the profit they gain from Dubai; however, this tax can be reduced by the double tax agreement their countries signed with the UAE.

ix. Dubai Internet City: This Free Zone was established in the year 1999 and happens to be the largest Information and Communications Technology Park for such business in the Middle East. Dubai internet city has got the 4th rank globally in the incentive category. The taxation system of this Free Zone attracts a number of investors internationally and domestically. Such regulations are imposed and managed by the Dubai Technology and Media Free Zone Authority. In Dubai Media City, the taxation of companies is based on residency which means that the company must need an address which is registered in the free zone. In the Dubai Internet City Free Zone, companies are not imposed with tax.

Like most other Free Zones in the UAE, this Free Zone offers a number of incentives in the taxation sector such as no corporate tax for up to 50 years. Additionally, there is no customs duty on import-export, no tax on the profit of repatriation as well.

Taxes in Kuwait

I. Corporate Tax

Kuwait Law Number 2 of 2008 carried out many changes to the 1955 Decree. The newly introduced law made the imposition of tax on foreign corporate entities which conduct trade at the rate of 15%. It also introduced executive regulations dealing with taxation matters. It is of key importance that Kuwait has entered into around 70 double taxation avoidance agreements, which cover European jurisdictions as well as the North and South America and Asia. It is expected to lessen the burden on these foreign entities which operate in Kuwait.

The law does not levy any corporate tax on domestic companies in the country. As far as the declining oil prices are concerned, the legislative authorities are

"Taxes are the lifeblood of government and no taxpayer should be permitted to escape the payment of his just share of the burden of contributing thereto."

– Arthur Vanderbilt

introducing profit tax on business for 10% on the local companies and the individuals having a business or foreign establishments in Kuwait. In Kuwait, the corporate tax is imposed on the share of the profit that is attributable to the non-GCC shareholder.

II. Withholding Tax

This is deducted on the source on the payments which are made by any residents in Kuwait. Withholding tax is not imposed in Kuwait, but all private, as well as the public entities, are required to retain a certain amount of 5% from the agreement or as mentioned as per the transactional value on the payments made. The rates may vary as per the status of the entities in Kuwait. The Ministry of Finance in Kuwait may make a demand of 5% of the retained amount in the event the contractors fail to come to a settlement for their tax payments.

III. Zakat Tax

The Kuwait Law Number 46 of 2006 introduced the regulatory provisions for Zakat, and it came into effect on 10 December 2007. In respect of the same, 1% of the net profit shall be collected on an annual basis from the listed shareholding companies. All the Kuwaiti shareholding companies have to file for their Zakat upon which the Ministry of Finance shall issue a Zakat Taxation Card to the companies.

If a company fails to file a Zakat declaration mentioning the amount that is due from them, the company has to declare the same with immediate effect, and they stand a right for allocating the due amount to one of the public services. Non-declaration of Zakat and wrong statement of the amounts or abstention from submitting the same shall be subject to severe legal implications such as imprisonment for not less than three years along with a fine for not more than Kuwaiti Dinar 5,000.

IV. Value Added Tax - VAT

The Value Added Tax to be introduced in Kuwait is undergoing legislative drafting and is expected to be effective from 2021. It is notable to consider that all the GCC countries have paved a similar way to the VAT structure of that in the European jurisdictions. The GCC countries have given their confirmation as to the introduction of the VAT system across the council by signing the VAT legislation via the VAT framework treaty. This treaty is based on the individual domestic legislations of the GCC countries and also international standards.

The Kuwaiti VAT legislation makes a provision for implementation of VAT on the supply of goods and services which are to be calculated at the rate of 5%. The GCC countries have the flexibility for choosing whether the products and services are to be considered under zero-rate or entitled to exemption.

Compulsory zero-rate is imposed on the following:

i. Medical equipment

ii. Cross-border goods and passenger transportations

iii. Goods exported outside GCC countries

iv. Certain cross-border supplies of various services

The exemption is granted on the following:

i. Financial services

ii. Import of goods

V. Excise Tax

Cited as the "Excise Bill", the Ministry of Finance in Kuwait prepared the law which is on the same lines as that of the law introduced by the GCC under the unified taxation treaty. The excise tax in Kuwait applies to the manufacturing and cultivating or changing the composition of the excise goods. The Excise tax is an indirect tax specifically imposed on them who are consuming the specific luxury products which are deemed by the Government as harmful for the environment as well as the health of the people. Excise falls into two domains, as follows:

i. ad valorem is a fixed rate of the percentage that is assessed on specific goods and services only.

ii. Specific domain of Excise tax applies to amounts on certain purchases only.

"Security, is not about making IT perfect,
but making customer lastingly satisfied and confident."
– Stephane Nappo

The Kuwaiti Excise law covers items as selective good, and the rate for the tax is as follows:

i. Tobacco products – 100%

ii. Energy drinks – 100%

iii. Soft (carbonated) drinks – 50%

VI. Customs duty

The GCC countries have made an initiative to establish a unified Customs Law and Single Tariff for customs where the rate will be calculated at 5% on the imported goods in the country. Kuwait has reserved the right to assess certain exempted goods. The Ministry of Finance in Kuwait approved and accepted the Single Customs Tariffs on 1 April 2003, in a way marking the rate of 5% import duty of majority of the goods. The Ministry of Finance has made it mandatory to make the payment s towards the duties only in Kuwaiti Dinar.

Oman Tax Regulations

I. Withholding tax (WHT)

The Capital Market Authority of Oman (CMA) issued a Directive for withholding tax, which is applicable for taxes on dividends and interest. It came into effect from 6 May 2019. Since then, 10% withholding tax is suspended to boost investments from foreign entities. It is noted that the suspension will be continued for three (3) years.

The Withholding Tax was introduced by the Royal Decree Number 9 of 2017 (the Decree), where it has undergone several amendments.

One of the prominent amendments was that the scope, which was extended for payment of the dividends, etc. Clarifications were published where the Ministerial Decision Number 14 of 2019 (the Decision) confirmed the application of the WHT as far as the Joint Stock Companies were concerned.

His Majesty Sultan Qaboos bin Said issued this Royal Directive and announced that the CMA aims to effect a suspension on the application of the Decree on the dividend distribution and payments of interest for three years.

The decision that was issued provided clarification only on the dividends that were distributed to the foreign shareholders by the joint stock companies in Oman. It further stated that the investment funds stand subject to the tax. According to this, all the taxpayers will be granted exemption from the applicability of the tax.

The authorities have given their confirmation that more information with regards to the suspension will be published on the SGT portal.

The authorities have given their confirmation that more information with regards to the suspension will be published on the SGT portal.

II. Income Tax Law:

The Government of Oman recently introduced major changes in the country's income tax law. These changes were made under discussions and speculations over a long period. These regulations are intended to increase the revenue gained from the taxes imposed and thereby improving the administration of tax by stimulation of medium-sized businesses.

The Royal Decree Number 9 of 2017 which established the amendments to the income tax law in Oman. The standard threshold rate is brought up to 15% beginning from 1 January 2017. The main features of the income tax law include the following:

i Increase in the rate from 12% to 15%

ii. Rate of 3% for small taxpayers

iii. Tax exemption for initial Omani Riyal 30,000 for taxable profits

iv. Extending the withholding tax for interests, dividends and service payments

v. Criminal penalties and enhanced penalties for infringements

vi. Introducing tax cards

vii. Electronic tax return filing

"Taxation according to income is the most effective instrument yet devised to obtain just contribution from those best able to bear it and to avoid placing onerous burdens upon the mass of our people."

-Franklin Roosevelt

The establishments have to make significant decisions when considering the impact of the tax rates on their businesses. The double taxation treaties may encourage to uplift the effect of the taxes.

III. Value Added Tax - VAT:

The Government of Oman has expressed its intention to implement the 5% VAT structure starting from 1 September 2019. By the signing of the VAT Framework Treaty amongst the GCC countries, this launch of the VAT system in Oman is a way forward for the effective implementation of the tax regulations.

The introduction of VAT in Oman has helped the country to diversify the revenues generating from the petroleum trade, which may have dropped due to the collapse in the oil prices.

IV. Customs duty

Oman is an established member of the World Customs Organisation. The Government has imposed a customs duty of 5% on imported goods. But, there are certain exemptions to the same, like consumer goods and food items. The customs rate generally applies to the following imports like:

i. alcoholic beverages

ii. potatoes and bananas

iii. dates and pipes

iv. cementing materials

v. polyurethane and paint products

The products exempted from the imposition of the tax are mainly meat, fruits, and edible vegetables, sugar, rice, fuel and printed matter, etc.

V. Excise

Oman is set to pass the new law on Excise duty by way of the Royal Decree 23 of 2019. The introduction of the decree is expected to bring about a significant change in all the avenues for the small as well as medium-sized enterprises for trading in Excise goods in the country. The 100% tax on excise is set to be imposed on the tobacco products, alcohol and energy drinks while 50% will be imposed on carbonated drinks. This tax is considered to be the indirect taxes where a final charge is applicable to the consumer of the products. It is subject to collection at the initial stage of the supply. It is critical to note that Oman has been efficient in implementing the regulation which has been fruitful to the economy.

Tax Regulations in the Kingdom of Bahrain

Introduction

Evidently, Bahrain continually has remained a relevant place for business by attracting investors from across the globe. It is Bahrain's comparatively liberal business environment coupled with its geographical location providing easy access to the other Middle Eastern countries abd the accommodating visa policies that attracts investors, domestically and internationally. Bahrain's Economic Vision for 2030 has widened the horizons of current economic structure and legislation by adopting new law reforms.

Taxation System in Bahrain

Following are some of the taxed that one must be conversant while understanding the tax regulation system in Kingdom of Bahrain.

i. Corporate Income Tax: The income from branches of companies in Bahrain are taxable, and the same is at the rate of 46 per cent on the condition that it is derived from activities of that of the oil and gas section. It is pertinent to note that other sectors are not taxed. Therefore, sales, income, transfer, estates, capital gains or income is not liable to tax, unless the corporate entity is involved in operation that fall within the ambit of the oil and gas sector. At present, talks with regards to Corporate Income Tax is being considered in the Kingdom of Bahrain, though there has been no official correspondence related to the same.

ii. Transfer Pricing: At the moment, there is no regime for transfer pricing. If and when the Corporate Income Tax is

"The payment of taxes gives a right to protection."

- James M. Wayne

implemented, it can be assumed that rules for transfer pricing will be put in place too.

iii. Personal Taxation: Currently, earnings from employment are not taxed in Bahrain. Interestingly, the employers are however required to contribute to the Social Insurance at the rate of t12 per cent for Bahraini employees and at the rate of 3 per cent for non-Bahraini employees, and the same is calculated based on the employee's monthly salary.

iv. Capital Gains Tax: In Bahrain, there no regime for Capital Gains Tax. Evidently, as mentioned above, with the introduction of Coporate Income Tax, a number of other branches of taxes like Capital Gains Tax or Transfer Pricing should put in place a regime for such branches of tax.

v. Municipality Tax: While considering the residential and commercial properties to non-Bahraini's/exptriates, a municipality tax at the rate of 10 per cent of such property is levied. Additionally, the same is payable by the owner of such property.

vi. Value Added Tax: The Value Added Tax Law in the Kingdom of Bahrain was published in October 2018.

Subsequently, the MoF, short for Ministry of Finance, released the Executive Regulations related to it. BHD 37,500 is the mandatory VAT registration threshold, and only business that have a turnover which exceeds BHD 5 million. The tax is filed by a large business each month, while all other businesses file the same after every quarter. As condition for the release for imported goods, VAT is payable to Customs. There is an exemption for all financial services from VAT. For general insurance and related services that involves an explicit fee, the flat rate of 5 per cent is taxable. There are certain services and goods that apply which qualify for zero rate, but those that do not, will be taxable at the rate of 5 per cent.

It is essential that a tax invoice be issued for all the supplies made in the Kingdom of Bahrain by a taxable person. The language of the invoice may be English or Arabic. Interestingly, bank statements qualify as a mode of tax invoice, though certain prerequisites should be met. Apportionment of input tax is required by businesses where the related purchases are making exempt and taxable supplies.

Conclusion

The Gulf Co-operation Council is the most sought location for foreign investment because of its favourable tax rules. Individual GCC countries have introduced new indirect taxes and other tax reforms constantly evolving the regime to best suit the socio-economic requirements of the region whilst maintaining international standards for such operations. Tax rules in GCC will continue to develop because of its diversification strategy. The GCC has a relatively more complex taxations system since it differs from Mainland to Free Zones which further differs in each Free Zone.

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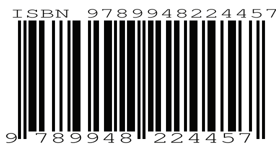

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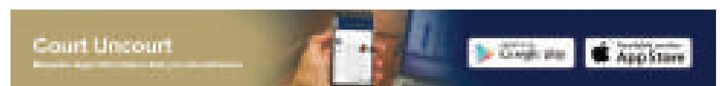

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