

Business in Bahrain



The Kingdom of Bahrain is a Middle Eastern country in the Persian Gulf covering an area of 760 km². It is an archipelago of 33 islands, east of Saudi Arabia and north of Qatar. Bahrain has a Constitutional Hereditary Monarch, ruled by the House of Khalifa. Bahrain is a Gulf Cooperation Council (GCC) member state and is considered as one of the freest economies in the world, with the Bahraini Dinar being pegged to the US Dollar.

Country Highlights:

- Capital City: Manama (Al-Manāmah)
- Official Language: Arabic, although English is widely spoken

World Economic Ranking (2022 Index of Economic Freedom):

- Ranked 4th regionally, amongst 14 countries in the MENA (Middle East and North Africa) region.
- Ranked 74th globally

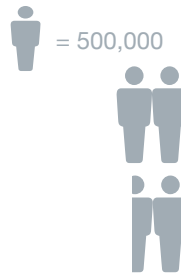
Foreign exchange control:

- The Bahraini Dinar has been pegged to the US Dollar (BHD 1 to USD 2.65) since 1980.
- There are no foreign exchange controls or restrictions on repatriation of capital in Bahrain.

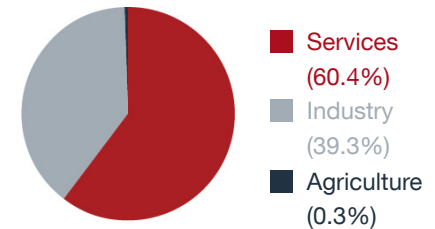


Population

1.82 million



GDP Breakdown by Sector



Currency

Bahraini Dinar (BHD)

Foreign Direct Investment (est. 2021)

663.9 million (BHD)

GDP Growth (est. 2020)

5.5%

Business Climate

Bahrain is a member of the GCC with main trading partners including Australia, Japan, China, the United States, the United Arab Emirates, Germany and the United Kingdom. Saudi Arabia is a main trading partner, with the ease of trade through the King Fahd Causeway Bridge that connects the two. The GDP value of Bahrain represents 0.03 percent of the world economy, with a current Nominal Gross Domestic Product (GDP) of USD 42 billion.

GCC member states and those who signed international trade commitments are exempt from import tariffs on most food or medical commodities under the *GCC Unified Customs Union Agreement*.

For non-GCC countries, the general rate of customs duty is 5% of the value in cost, insurance and freight (CIF). Alcoholic beverages are 225% and cigarettes are 200%. There is also a 20% duty on paper and aluminum.

The Central Bank of Bahrain (CBB) is the main governmental body for banking in Bahrain. Bahrain's banking system consists of both Conventional and Islamic Banks, forming the largest component of the financial system and accounting for over 85% of total financial assets. As per the *US-Bahrain Free Trade* agreement, Bahrain enforces legislative and administrative intellectual property rights (IPR) protections.

International Trade

Trade Regulations, Customs and Standards

Cross-border transactions of goods are subject to payment of GCC Customs Union requires members to enforce unified standards. Bahrain is required to meet national requirements for safety, quality and fitness purposes. These are usually set out by the Bahrain Standards and Metrology Directorate (BSMD), which is the national standardization body of Bahrain. They implement the regulatory practices of the WTO Technical Barriers to Trade agreement.

Trade Agreements

Bahraini government is part of the World Trade Organization (WTO) and the Gulf Cooperation Council (GCC). They have free-trade agreements with the United States, Singapore, China, France, India, the UK and the EFTA States. They are also part of the Great Arab Free Trade Agreement (GAFTA), allowing for duty-free access to 17 Arab states. They signed agreements of promotion and protection of investment with 34 countries, avoidance of double taxation with

41 countries, reciprocal exception of international air transport with six countries and economic, trade, and technical cooperation with 31 countries.

Foreign Trade Zones

Bahrain boasts three main Free Trade Zones (FTZ). These include Bahrain Logistics Zone (BLZ), Bahrain International Investment Park (BIIP) and Bahrain International Airport (BIA).

Foreign Direct Investment Policy

Bahrain, like most GCC countries, is tax free for most industry sectors (excluding those in oil and gas, refining and production sectors). It allows 100% ownership of business assets to most sectors. The Bahrain USA bilateral free trade agreement allows US nationals GCC recognition, allowing them business investment opportunities that aren't available to other foreign nationals. In terms of property, foreigners still can only own land in strict, designated areas.

There are no foreign exchange controls or restrictions on repatriation of capital in Bahrain.



Tax Regime

Residence of Bahrain:

- **Residence and Basis:** Exceeding the threshold BD 37,500
- **Timing for Registration:** Must inform NBR for registration within 30 days

Non-Residence of Bahrain:

There isn't a mandatory registration threshold, but as soon the person starts making supplies in Bahrain, he must register.

- **Timing for Registration:** Inform NBR within 30 days of his first supply in Bahrain

Tax Overview:

- **Business Tax:** Bahrain applies different tax laws, some of the GCC countries apply corporate tax, Bahrain does not apply corporate tax.
- **Individual Tax**
- **VAT:** Bahrain has standard tax rate 10% and certain goods are zero-tax rate, and some goods are exempt.
- **Income Tax**
- **Tax Rates**
- **Tax Incentives**

Establishing a Business

There are six main structures for companies in Bahrain: General Partnership, Limited Partnership, Limited Partnership by Shares, Joint Ventures, Bahrain Shareholding Company (BSC) (either Closed or Public Joint Stock Companies (BSC)), and With Limited Liability Companies (WLL).

Commercial companies are established according to Commercial Companies Law in Bahrain. While foreign investors are able to have 100% legal interest in certain Bahraini businesses, some sectors require entities to be fully Bahraini owned (sometimes it extends to GCC members). There are some which require a majority Bahraini investment (51%).

Employment Affairs

It is possible for both GCC and other nationals to work in Bahrain through the issuance of a residency permit and work visa. The increase in international tourism in Bahrain has increased employment for locals and expatriates.

Maternity and Paternity Leave:

- Women receive 60 days paid leave
- Men are allowed paid leave on the day of the birth

Social Security:

Bahraini nationals are protected by the General Organization for Social Insurance (GOSI), which contributes towards unemployment and retirement funding.

Unemployment compensation consists of between BHD 150 and BHD 500 per month, payable for up to six months.

In Bahrain, the minimum retirement age is between 60 and 66 years old for men and 55 for women. The retirement plans and payments are subject to public and private sector regulations and individuals' requests to the Social

Contact Us

Manama

Office 184 (18th floor) Business Bay
PO Box: 18198
Bldg: 3232, Road: 4654, Block: 346
Reef Island, Manama,
Bahrain
Tel: +973 17104666

Almoayed Chambers Consultancy, Bahrain

A collaborating firm of Andersen Global

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