

Newsletter

October 2019

keypoint



Upcoming seminars:

VAT seminar for the healthcare sector

PDPL seminar for SMEs

For more details on our seminars, please contact Fatema Ghaith on fatema.ghaith@keypoint.com or +973 1720 6824

[Bahrain names Ministry of Justice, Islamic Affairs and Endowments as Personal Data Protection Authority](#)

[First trust with Category B trustees](#)

[Financial services VAT seminar](#)

[NBR update seminar](#)

[VAT return seminar](#)

[Complying with Bahrain's corporate governance code](#)

[Commercial register fees](#)

[Contactless payments](#)

[Wage protection scheme](#)

[Keypoint in the news](#)



Bahrain names Ministry of Justice, Islamic Affairs and Endowments as Personal Data Protection Authority

According to a press release from the Bahrain News Agency on 30 September 2019, His Majesty King Hamad bin Isa Al Khalifa has issued Decree 78/2018, naming the Ministry of Justice, Islamic Affairs and Endowments as the ministry responsible for the functions of the Personal Data Protection Authority (PDPA), in accordance with the Personal Data Protection Law (PDPL) promulgated by law 30 of 2018 until “issuance of financial credit for the authority’s president and its board in the State’s General Budget under the aforesaid law”. The Minister of Justice, Islamic Affairs and Endowments assumes the functions of the PDPA’s chairman. The ministry’s undersecretary will assume the duties of the PDPA’s executive president.

The naming of a ministry to be responsible for the functions of the PDPA, as well as nominations for key roles, are significant milestones in Bahrain’s data protection efforts. For more information on this important development, please contact Srikant Ranganathan, the head of Keypoint’s data security practice, on srikant.ranganathan@keypoint.com.

First trust with Category B trustees

Highlighting its determination to establish leading practice, the government of Bahrain has recently amended Bahrain’s trust law, introducing Category B trustees, who can act as co-trustees in conjunction with Category A trustees. This means a separate party, other than a regulated trustee, can become involved with a trust’s activities and jointly discharge responsibilities. This can be particularly useful where families want to involve a family member in a trust’s activities.

Following these changes to Bahrain’s trust legislation, Keypoint’s trust function - Keypoint Trust B.S.C. (closed) – recently completed the registration of the first trust under Bahrain’s Trust Law which has Category B trustees. A large family has set up a trust to carry out charitable activities in the region.

For more details on trusts and changes to Bahrain’s trust legislation, please contact nandakumar.narasimhan@keypoint.com.



Financial services VAT seminar

Keypoint's market leading VAT team hosted key decision makers from Bahrain's banking industry for a by-invitation only seminar at the Capital Club at Bahrain Financial Harbour. Mubeen Khadir, a senior director with the firm and the head of its tax function, said he was delighted with both the turnout and the level of interaction at the event.

"VAT has been business as usual for most banks in Bahrain since the beginning of the year. Nine months down the line, it was instructive to see how different financial institutions are adapting to a new reality. Having worked with a range of financial institutions in Bahrain and across the GCC since VAT was implemented, this was an excellent opportunity for senior executives to discuss top of mind issues with their peers and our senior financial services VAT experts."

Omar Hisham, a senior manager with Keypoint who has worked on VAT implementations in Malaysia, Saudi Arabia, the UAE and Bahrain for a number of financial institutions, welcomed the opportunity to update the business community on changes from

the National Bureau of Revenue that impact financial institutions, as well as a range of key issues, such as exported services and the time and place of supply of specific financial services.

Willem Bam, a South African VAT expert who has been offering in-house advisory for a leading bank in Bahrain, said that it was important that banks – and other businesses – ensured that they complied with Bahrain's evolving VAT legislation – and remained compliant. "We know – from talking to clients and to other consultants – that there is a temptation to say that VAT is no longer an issue. But VAT legislation is evolving and banks need to ensure that their policies and procedures are also evolving."

Khadir points out that – even though VAT in the GCC is at a historically low level of five per cent – VAT is already having a financial impact. "We know that the IMF has already suggested to Saudi Arabia that its VAT rate should be doubled to 10% - even though this is unlikely to happen until GCC is introduced across the GCC. We also know that the NBR is starting the process of VAT reviews and VAT audits – and banks are likely to be among the first entities to be scrutinised by the NBR."

NBR update seminar

To help businesses understand the changes that have been made to Bahrain's VAT legislation since the law first came into force on 1 January 2019, Keypoint's specialist VAT team hosted a VAT seminar at the Downtown Rotana on Monday 16 September – which also covered other practical VAT themes such as input tax apportionments; VAT audits - with insight from the Saudi (GAZT), UAE (FTA) and UK (HMRC) tax authorities; VAT disputes and rulings; VAT contractual issues; and the reverse charge mechanism.

Mubeen Khadir, a senior director with the Keypoint group and the head of its tax function, says that updates to a number of guides developed by Bahrain's National Bureau for Revenue (NBR) mean that many companies may need to reorient parts of their VAT function, or at least continuing adaptations to an evolving law. "This is particularly likely if businesses, for whatever reason, have implemented VAT internally and have not had an external review at any stage of the implementation process. We are aware of a number of businesses – some of them very large family businesses – where finance functions believed there was sufficient VAT knowledge within the business and sufficient clarity in the national and GCC law to implement internally. There are certain industries – such as the real estate and construction and automotive sectors – where there are now significant divergences between the letter of the law and what the NBR has decided is application in practice. Businesses need to understand these changes to ensure they comply with the NBR's expectations, not simply what is written in black and white in the law."

Mark Gamble, a senior manager with Keypoint who has advised on VAT and other indirect taxes across the GCC as well as in Australia and the UK, says that it is critical that finance functions at larger businesses – as well as owners and directors at smaller businesses – do not assume that VAT no longer needs to be a focus area.

"What we have seen in other, more mature VAT markets is that the tax continues to evolve. The UAE and Saudi Arabia are both important pathfinders for Bahraini businesses, with the more aggressive approach taken by the General Authority for Zakat and Tax (GAZT) in Saudi Arabia contrasting with the more emollient approach taken by the Federal Tax Authority (FTA) in the UAE. Here in Bahrain, with VAT only just into its ninth month and with the largest economic sector about to see VAT implementation, we need to make sure that we can successfully separate the baby from the bath water."



Khadir stresses that Keypoint has hosted a number of VAT seminars over the last two years, believing that professional service firms have an important role to play in helping Bahraini businesses understand the opportunities, as well as the challenges, offered by VAT. "Over 100 years since VAT was first conceived as a fiscal instrument and more than 60 years since it was introduced in France in a recognisable format, only one country has ever got close to abolishing VAT: Malaysia – which implemented a VAT rate of 0% following Mahathir Mohammed's victory in the 2018 general election. Bahraini businesses now need to start optimising their VAT functions to ensure that VAT has as little impact as possible on cash flows, operations and people – but that can only be done by understanding and staying current with VAT legislation and practices."

VAT return seminar

In its third seminar in a fortnight, Keypoint welcomed a full house to the Downtown Rotana on 25 September to discuss the VAT return process, as well as lessons learned during the VAT implementation process; how to review VAT invoices; complicated VAT issues; and VAT returns and audits.

Mark Gamble, a senior manager in Keypoint's tax team, welcomed the opportunity to share the VAT team's expertise with an audience of approximately 100 key decision-makers, many of whom were about to submit their first VAT return. "What we wanted to stress was the importance of staying up-to-date and not assuming that systems, people and technology will remain compliant and focused without an ongoing effort. We were delighted with the range of discussions we had – both in the room and outside – and look forward to continuing the important role of continuing the process of training and knowledge transfer."

For more information on Keypoint's seminars, please contact Fatema Ghaith on +973 17206824 or fatema.ghaith@keypoint.com.

Complying with Bahrain's corporate governance code

On 17 September 2019, the Ministry of Industry, Commerce and Tourism (MOICT) issued a directive to companies on complying with Bahrain's Corporate Governance Code – Order 19 for 2018 (the code). The directive highlights requirements in the code that must be complied with and those that, if not complied with, can be explained. The directive requires all companies subject to the code to prepare and submit electronically an annual corporate governance report within six months of the end of the financial year. Reports relating to financial year 2018 must be filed no later than Thursday 31 October 2019. The directive requires reports to be in the MOICT's format and signed by the chair of the company - or an authorised signatory.

The MOICT earlier issued a bulletin requiring companies to amend their articles of association in accordance with Law 1 of 2018. For further information and clarifications, please contact SCA@keypoint.com.



Commercial register fees

On 7 August 2019, the Minister of Industry, Commerce and Tourism issued Resolution 18 of 2019 cancelling fees imposed on certain services mentioned in Resolution 128 of 2016, including endorsements of :

1. Changes of a company's legal structure
2. Increases and decreases in a company's share capital
3. Changes to the financial year end
4. Changes to a group name
5. Opening a 24-hour shop
6. Changes to a company's terms
7. Registration of, and amendments to, mortgages
8. De-mortgages
9. Changes to a commercial name
10. Additions and removals of sponsors
11. Additions and removals of representatives
12. Cancellations of bankruptcy
13. Amendments to a company's memorandum and articles of association
14. Types of virtual commercial register
15. Transfers of a shelf company's ownership

For further information and clarifications, please contact SCA@keypoint.com.

Contactless payments

The Central Bank of Bahrain (CBB) issued a circular – which applies to all licensed retail banks, financing companies and payment service providers - on contactless payment transactions on 18 August 2019. Licensees must ensure their infrastructure and systems can support near field communication (NFC) payments for debit, credit, prepaid and charge cards, as well as e-wallets, on point of sale (POS) terminals and automated teller machines (ATMs).



The circular sets a contactless technology (CT) timetable for licensees – with licensees required to submit a compliance action plan to the CBB by 30 September 2019:

- All new installations of ATMs must support CT by 18 August 2019
- New deployments of POS terminals or devices must support CT by 1 October 2019
- All payment cards (credit, debit, prepaid and charge cards) must support CT by 12 October 2019
- Currently installed ATMs must support CT from 1 April 2020

Provided that the licensee bears full responsibility in cases of fraud, contactless payment transactions, where no PIN verification is required, of up to BD20/transaction are currently allowed in Bahrain.

For more details on contactless payments in Bahrain, please contact srikant.ranganathan@keypoint.com.

Wage protection scheme

The Central Bank of Bahrain has contacted all of its licensees to remind them that the first phase of Bahrain's wage protection scheme (WPS) comes into effect in September 2019. As of September 2019, all licensees, upon depositing salaries, must inform the Labor Market Regulatory Authority (the LMRA) through the Benefit Company (the LMRA's appointed clearing house) of:

- The employee's full name and SmartCard number
- The amount of salary transferred and the date of that transfer
- IBANs of the employee and the source of payment
- The CR or CPR of the employer

The CBB reminded licensees that they are not allowed to impose fees or charges on employees for collecting, clearing and disbursing salaries.

For more details on the WPS and how it could impact you, please contact sca@keypoint.com.

Keypoint in the news

Keypoint has featured widely in the national and regional media over the last quarter, with articles in the Gulf Daily News and a continuing series of articles in [Gulf Insider](#). Our VAT team has also teamed up with Gulf Insider to answer VAT questions sent in by their readers.