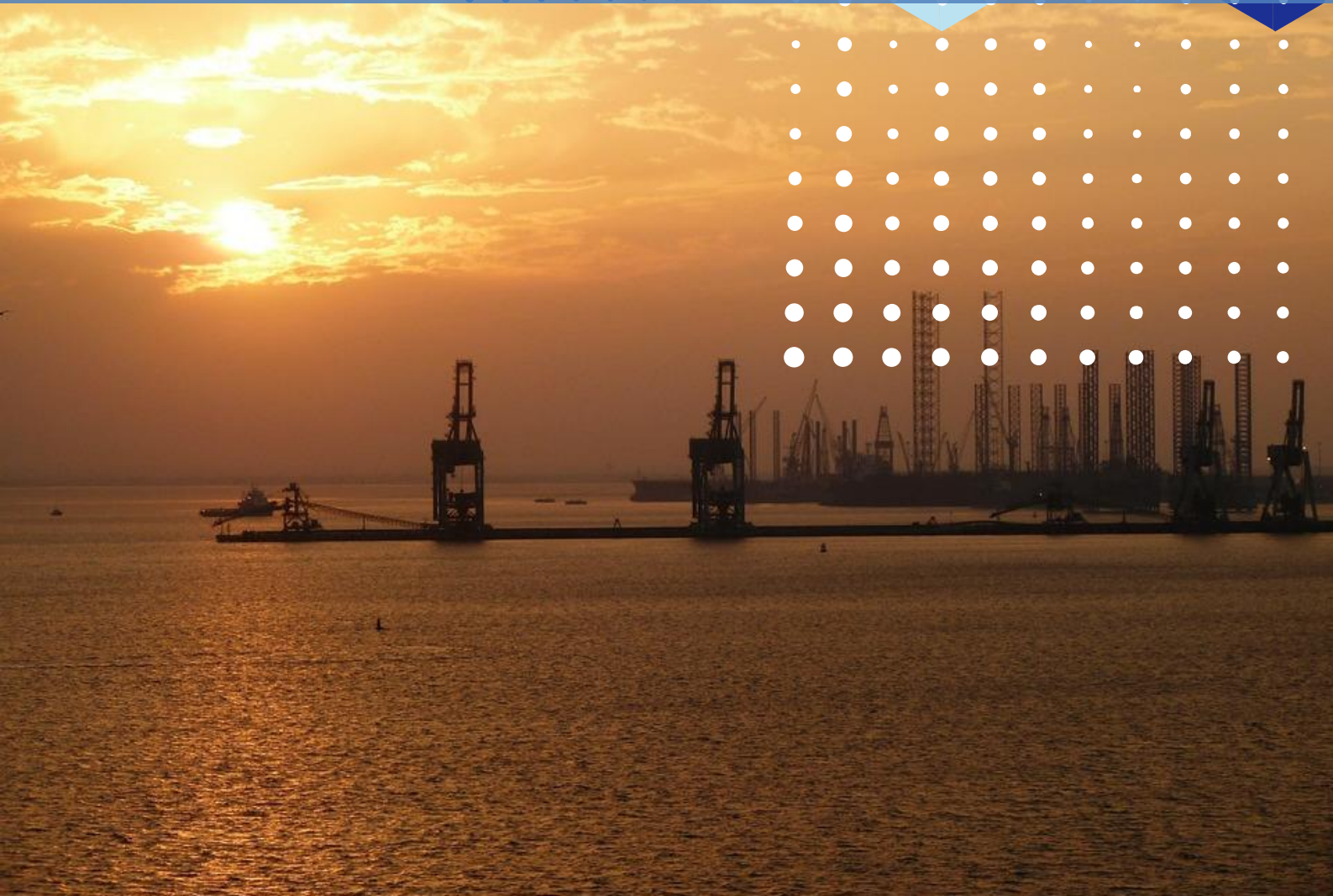
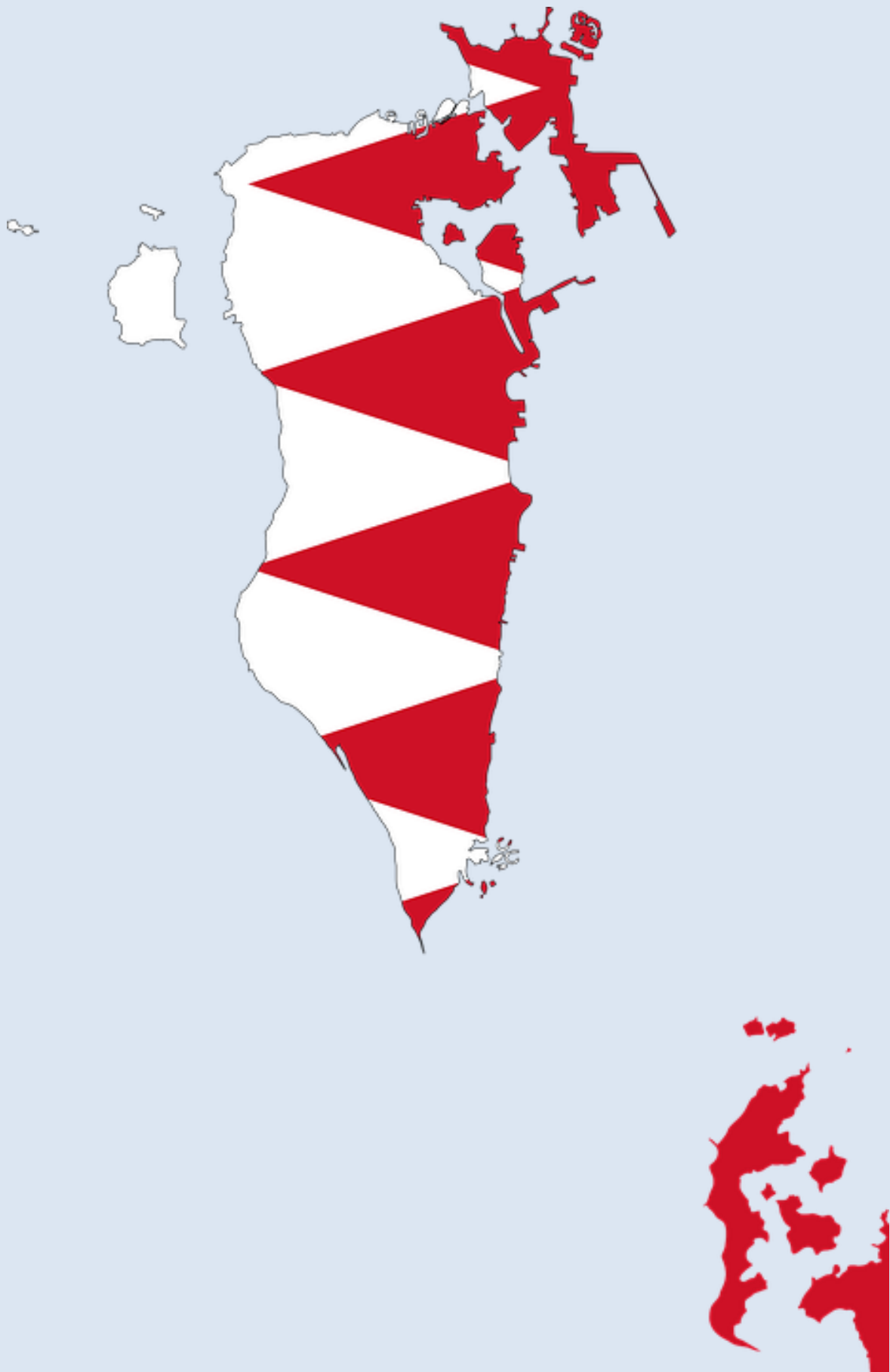


Doing Business in Bahrain





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Introduction

Bahrain's position at the centre of the Gulf allows easy access to every market in the Middle East. Bahrain's economy has grown in the past number of years. Though oil revenues continue to provide the largest portion of GDP, the country is diversifying its economy, seeking to be a key regional and global hub for business, trade and finance. Furthermore, the government is targeting private investment to improve its infrastructure. In comparison to other GCC member states, Bahrain maintains the lowest basic costs, such as rent for offices and industrial land.

Bahrain maintains a diverse and multicultural population, with approximately 50% expatriates. It also has supportive visa policies, considered as one of the most flexible in the region. According to experience, access to local authorities in Bahrain can be easier than in neighbouring countries. Arabic is the national language, with English widely spoken and used in business.

The recently issued amendment to the commercial companies law ("New Law") introduced further business friendly reform to Bahrain's corporate law environment.

The new law reforms are in line with economic diversification plans and Bahrain's economic vision for 2030. The reforms include quicker procedures for company registration, formal recognition of Foreign Direct Investments and strengthening corporate governance.



Law and Regulatory Framework

Bahrain gained full independence from United Kingdom of Great Britain and Northern Ireland on 16th December, 1971. The head of state is His Highness the Amir, Shaikh Isa Bin Sulman Al-Khalifa. The government is administered by a cabinet, comprising members of the ruling Al-Khalifa family and a group of experts. The consultative council, composed of 40 members, was established on 16th January, 1993. The main mandate is to advise the Government.

Bahrain is a member of the Gulf Cooperation Council (GCC), together with Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. GCC was first established when leaders of those countries signed the protocol of GCC at Abu Dhabi on 25th May, 1981 to promote unification and cooperation in security matters, foreign policy and economic development.

The legal system in Bahrain derives from a combination of Islamic Shari'ah Law, Egyptian civil, criminal and commercial law and English common law. The Bahrain civil code regulates civil transactions, particularly when dealing with business negligence lawsuits and practices. The primary source of the law is the legislation, and in cases where the legislation is silent, customary law takes precedence. In the absence of a provision in the customary law, the court will apply the principles of the Shari'ah law. However, conditions and circumstances may vary depending on the type of legal case. Finally, in the absence of such principles, the judge will apply natural justice and rules of equity.

The judicial structure in Bahrain branches into two key streams of Ordinary courts - Civil and Islamic Courts. The Civil Courts in Bahrain are divided into four tiers: Lower Courts, the Higher Civil Courts, then the Higher Appellate Civil Court and, finally, the Court of Cassation as the supreme Civil Court in Bahrain. Bahrain also launched a new arbitration centre, the Bahrain Chamber for Dispute Resolution (BCDR). The BCDR provides arbitration and mediation services that result in a final resolution of commercial disputes. Disputes, in order to be heard by the BCDR, need to meet certain criteria. The Islamic Courts are divided into three tiers: the Lower Islamic Court, the Higher Islamic Court and the Appellate Islamic Court which is the Supreme Islamic Court in Bahrain. In addition, each Islamic court is distinguished under two main categories: Sunni and Jaffari. These courts regulate disputes between Muslims, with the exception of matters relating to estates, which fall under the jurisdiction of Civil Courts. Bahrain does not have a specialized administrative court system.

The Supreme Council of the Judiciary is the highest judicial authority, which is responsible for ensuring the proper administration of the courts and their supporting streams. Furthermore, the Court of Cassation is portrayed as the highest court in Bahrain; its function is to ensure order and legal justice is applied by the lower courts.



Business Environment

Bahrain covers an important and strategic location. The Bahrain time zone has the advantage of bridging the market opening times of eastern Asia and Europe, a fact that has contributed to the emergence of the island as a financial centre for western Asia.

What does it take to start a business in Bahrain? According to data starting a business there requires 7 procedures, takes 9 days, costs 80% of income per capita and requires paid minimum capital of 189.60% on income per capita. Most indicator sets refer to a scenario in the largest business city of an economy, except for 11 economies for which the data are a population – weighted average of the 2 largest business cities. Globally Bahrain stands at 140 in the ranking of 189 economies on the ease of starting a business. The ranking for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Bahrain to start a business.

The World Health Organization rates the health care system of Bahrain among the top three in the world for readily accessible services to the population. State medical services are provided free of charge. In addition, full primary, secondary and tertiary care is available under private system.

The transport and communications sector, with its four branches (land, sea air and telecommunications) plays an effective role in facilitating industrial development.

Bahrain has a sophisticated road network. Motorways and dual carriageways cover the country to such an extent that the furthestmost points are minutes away from each other. The early 1980s the most ambitious project of recent times was embarked upon the Bahrain –Saudi Arabia Causeway, which was opened on 26 November 1986. The 25 Kilometer causeway links Bahrain with the Saudi Arabian mainland and has opened up exciting new commercial opportunities.

The development of the port facilities of Bahrain and the upgrading of its infrastructure has played a major role in the economic progress of the country. The major sea port of Mina Sulman, strategically located at the heart of the Arabian Gulf area, is able to take full advantage of regional economic opportunities. Mina Sulman is virtually self sufficient, providing its own range of support services, from engineering and maintenance to security, fire and medical facilities. It can accommodate vessels up to 65,000 tonnes and has a container capacity of 150,000 twenty feet equivalent units (TEU) per year.

Bahrain International Airport, with its new terminal and with more than 35 airlines operating through it is considered a gateway to the region. Over 300 regional passenger flights and 60 cargo flights operate each week. Nearly 3.5 million passengers pass through the airport each year, a figure that is expected to grow to 10 million passengers during the present decade.

Establishment of a Business

Introduction

There are essentially eight options available to foreign investors who are looking to undertake business/commercial activities in Bahrain:

- With limited liability company (W.L.L.)
- Partnership company
- Bahrain shareholding company (B.S.C.) – public
- Bahrain shareholding company (B.S.C.) – closed
- Simple commandite company
- Commandite by Shares
- Single person company
- Branch of a foreign company
- Holding Company

The time required for incorporating a company or establishing a branch varies depending on the type of entity selected. We estimate the time required for incorporation of a company or establishment of a branch generally to range between two and four weeks after receipt of all fully attested required documentation.

With Limited Liability (W.L.L.)

A with limited liability company consists of two or more shareholders who share the burden of the company's debts to the extent of their share of capital. However, the number of shareholders in a limited liability company cannot exceed 50, and transfer of shares is restricted.

Key features:

- Local operations are allowed
- Local office presence is required
- The minimum share capital required is US\$53,000 (BHD20,000)
- The minimum number of directors required is two
- An external auditor is required, Annual submission of audited financial statement is required.
- 100% foreign ownership is allowed (depending on activities)

Partnership Company

A partnership company is a company without limited liability. A general partnership is an association of two or more parties trading together under a specific collective trade name for commercial purposes. The partners assume joint liability to the extent of their entire property for the partnership's debts. There are no provisions in the law concerning the minimum or maximum capital required of a partnership or the maximum number of partners allowed. However, the partnership should have a minimum of two partners. Other types of partnerships include Limited Partnerships and Partnership Limited by Shares.

Key features:

- Unlimited liability
- Banking, insurance and investment arrangement activities are not allowed
- Business operations are allowed in Bahrain
- Local office presence is required
- No minimum share capital
- The minimum number of partners required is two
- The minimum number of directors required is two
- 100% foreign ownership is allowed
- Annual submission of audited financial statement is required.

Bahrain shareholding company (B.S.C.) – public

A Public Shareholding Company consists of a number of promoters (not less than two) who subscribe by way of negotiable shares. Shareholders are liable for the company's debts and obligations to the extent of the value of their shares. GCC nationals and foreign investors are permitted to own company shares. Moreover, US nationals are treated similarly to GCC citizens.

Establishment of a Business

Key features:

- Limited liability
- Commercial, banking, insurance and investment activities are allowed
- Local office presence is required
- Minimum share capital required is US\$2,652,520 (BHD 1,000,000)
- Minimum number of founding shareholders is seven
- Minimum number of directors is five
- Annual submission of audited financial statements to MOIC is required

Bahrain shareholding company (B.S.C.) – closed

A Closed Shareholding Company consists of a number of persons (not less than two) who subscribe by way of negotiable shares which are not offered to the public for subscription. GCC nationals and foreign investors are permitted to own company shares. Moreover, US nationals are treated similar to GCC citizens.

Key features:

- Limited liability
- Banking, insurance and investment activities are allowed
- Local operations are allowed
- Local office presence is required
- Minimum share capital required is US\$663,130 (BHD 250,000).
- A minimum of 50% of the capital must be paid initially at the time of incorporation; the remaining to be paid within three years.
- The nominal value of each share shall not be less than US\$0.265 (BHD0.100) and shall not exceed US\$265 (BHD 100)
- The minimum number of shareholders required is two
- The minimum number of directors required is three
- Annual submission of audited financial statements to MOIC is required

Simple commandite

A Simple Commandite company is a limited partnership company established by one or more partners who are jointly liable to the extent of their entire personal wealth for the company's obligations and other partners who have invested in the company but are not involved in its management, i.e. "Limited partners". Limited partners are held responsible for the company's obligations only to the extent of the capital contributed by them.

Key features:

- Limited liability - there are two types of partners: limited partners and partners with unlimited liability
- Local office presence is required
- Banking, insurance and investment arrangements are prohibited
- Business operations are permissible in Bahrain
- There are no minimum capital requirements
- Foreign ownership is limited to 49%

Single person company (SPC)

An SPC is a limited liability company that is fully owned by a single natural person. The shareholder's liability is limited to the extent of their capital in the company.

Key features:

- 100% foreign ownership is permissible (eligibility is limited to the type of business activity)
- Banking, insurance and investment activities are permissible
- Business operations are permissible
- Local office presence is permissible
- Minimum shareholder capital of US\$132,625 (BHD50,000)
- The minimum number shareholders, promoters and directors is one Annual submission of audited financial statements to MOIC is required

Establishment of a Business

Branch of a foreign company

A branch of a foreign company which is incorporated and registered outside Bahrain may be registered as an operational office, representative office or a regional office. A Bahraini in the same industry must act as a sponsor, unless the branch or office is being set up in Bahrain as a regional goods or services distribution centre.

Key features:

The parent company shall bear all liability of its branch in Bahrain.

- Business operations are allowed only for an operational office
- Representative and regional offices are only permitted to undertake marketing and promotion

- Banking, insurance and investment arrangement activities are allowed (operational office only)
- Local office presence is required
- No minimum share capital is required
- A branch manager is required
- A local sponsor is required for an operational office, with the exception of branches licensed by Central Bank of Bahrain (CBB) and the Committee for Organizing Engineering Professional Practice (COEPP)

Holding company

The purpose of a holding company is to own shares in a foreign or Bahraini joint stock company or limited liability company. A holding company can take the form of a Closed or Public shareholding company, Limited Liability Company or a Single Person Company. The commercial company registration requirements of a holding company depend on its legal form.

Business Activities

S. No	List of Activities
	Following List of activities are prohibited in the kingdom of Bahrain
1	Gambling
2	Alcoholic drinks manufacturing
3	Narcotics manufacturing
4	Weapons manufacturing
5	Cigarette manufacturing
6	Import of all types of waste and treatment, storage and dumping of radioactive materials and toxic waste in Bahrain
7	Import, manufacturing and dealing of Asbestos and its by-products (not including Asbestos removal)
8	Import and industrial use of prohibited chemicals* • Import of automatic cigarette vending machines
9	Letter post
10	Receiving and sending letter post locally or internationally, registered or insured, post cards and printed matters.
11	Receiving and delivering local mail by Barid Mumtaz service
12	Sorting Mail items: Receipt of postal domestic and international dispatches that included letter post, express mail, parcel post, addressed and non-addressed promotional mail to be sorted according to international regulations and electronically registered then deported to post offices. As well as sort the outgoing mail dispatches by issuing electronic registration and issuance of international documents, nick labels and deport them to their final destination by airlines operating in the country

Business Activities

S.No.	List of Activities
13	Issuing stamps: The Bahrain Post exclusively has the right to issue stamps of various kinds, regular, special and commemorative for clearing the postal items and to meet the needs of philatelic
14	Mail distribution: The Bahrain Post exclusively distribute incoming and outgoing mail to premises in different areas of Bahrain. Also distribute mail to Post Office Boxes.
15	Counter's services: include all regular postal services, commercial services, parcel post and express mail that cleared in accordance with the approved tariffs.

S.No	List of Activities
	Business Activities Allowed Only for Bahraini Citizens and Companies
1	Fishing
2	Bookkeeping and accounting services (not including auditing)
3	Import, export, and/or sale of racing car fuel
4	Cargo clearing Business activities allowed only for Bahraini and GCC nationals and companies

S.No	List of Activities
	Business activities allowed only for Bahraini nationals and GCC companies
1	Real estate services and rental and management of land and property (not including buying and selling, management of personal property or consultancy services)
2	Press, publication and distribution house (Daily, non-daily, and specialized newspapers and magazines)
3	Printing Press
4	Cinematic filming studio
5	Management and operation of cinema theatres and film distribution

Business Activities

S.No.	List of Activities
6	Cinema hall
7	Goods land transport
8	Passenger land transport
9	Tourist land transport
10	Domestic sea cruises
11	Driving instruction
12	Motorcycle rental
13	Car rental
14	Call taxi
15	Oil products supply (Stations)
16	Gas bottling and distribution
17	Cooker re-filling and repairing
18	Gas cylinder distribution
19	Handling and processing formalities with Government Departments and Authorities
20	Hajj and Umra Services
21	Foreign manpower supply
22	Commercial agencies
23	Small business activities

Business Activities

S.No.	List of Activities
	Other restrictions
1	Trade and retail: minimum of 51% Bahraini ownership is required. For GCC companies and partners, a Bahraini partner is required
2	Tourism and travel offices: Bahraini partner is required
3	Medical Clinics and Centers: licensing is confined to Bahraini and GCC citizens (resident in Bahrain) with medical qualifications - Restriction does not apply to hospitals
4	Pharmacies: a minimum of 50% of the company's capital must be owned by a Bahraini pharmacist

Basic documents required for Company formation:

- Company Registration application form
- Draft Memorandum of Association
- Board of Directors resolution resolving to establish the company in Bahrain (for corporate partners)
- National ID card (Central Population Registry (CPR)) copies of the company's representatives. If the partners are not present themselves to register the company, copies of the ID cards of their lawyers/other representatives must be provided.
- CVs of individual partners.
- Lease agreement as proof of the company's commercial address.

Brief process for business set up

S.No	Procedure	Time to complete	Cost to complete
1	<p>Draft standard Memorandum of Association and obtain preliminary approval from the Ministry of Commerce at the Bahrain Investment Center's one-stop shop</p> <p>The entrepreneur obtains preliminary approval from the Ministry of Commerce by presenting the required documents to the Bahrain Investment Center (BIC) one-stop-shop.</p> <p>The required documents are:</p> <ul style="list-style-type: none"> (1) Company registration application form. (2) Draft Memorandum of Association. (3) Board of directors resolution resolving to establish the company in Bahrain (for corporate partners). (4) National ID card (Central Population Registry (CPR)) copies of the company's representatives. If the partners are not present themselves to register the company, copies of the ID cards of their lawyers/other representatives must be provided. (5) CVs of individual partners. (6) Lease agreement as proof of the company's commercial address. <p>Agency: Bahrain Investment Center (BIC) one-stop shop at Ministry of Industry and Commerce</p>	1 day	No charge
2	<p>Obtain lease approval from the Municipality</p> <p>The lease agreement is required to obtain preliminary approval from the Municipality. If the entrepreneur decides to use the services of an attorney, it is common practice to use the address of the law firm until a lease is obtained within 3 months. Corporate offices can only be established in buildings with a commercial license (not residential). Once the lease is signed with the landlord on official documents, the contract can then be presented to Municipality desk for approval in the BIC.</p> <p>The location of the company must be approved by the Municipality. A municipality representative is available at the BIC one-stop shop.</p> <p>Agency: Municipality or the municipality representative at the Bahrain Investment Center (BIC) one-stop shop, Ministry of Industry and Commerce</p>	3 days	BHD 10

Brief process for business set up

S.No	Procedure	Time to complete	Cost to complete
3	<p>Notarize Memorandum of Association</p> <p>Once the registration approval has been obtained from the Ministry of Commerce and the Municipality, the Memorandum of Association must be notarized by a notary public. A notary is available at the Ministry of Justice booth at the BIC one-stop shop.</p> <p>Agency: Notary</p>	1 day	BHD 27
4	<p>Open an account at the bank and obtain proof of deposit of capital</p> <p>The capital has to be deposited in an account at a commercial bank and proof of deposit must be obtained. Commercial bank branches are available at the BIC one-stop-shop.</p> <p>Agency: Bank</p>	1 day	No charge
5	<p>Obtain Certificate of Registration from Ministry of Commerce</p> <p>Once the municipality has given its approval, a capital deposit certificate has been issued by the bank, and the memorandum of association has been notarized, the entrepreneur returns to the Ministry of Commerce to obtain the Certificate of Registration (CR) from the Bahrain Investment Center one-stop-shop.</p> <p>Agency: Bahrain Investment Center (BIC) one-stop shop at Ministry of Industry and Commerce</p>	1 day	BHD 50
6	<p>Publish the incorporation notice in the Official Gazette</p> <p>After incorporation, the company must publish its incorporation notice in the official gazette.</p> <p>Agency: Municipality</p>	1 day	No charge
7	<p>Register the company and employees with the General Organization for Social Insurance (GOSI)</p> <p>The documents required for registration are: (1) Copy of employer's Central Population Registry (CPR) (2) Copy of the Certificate of Registration (CR) (3) Copy of company contract</p> <p>Agency: General Organization for Social Insurance</p>	1 day	No charge

Freezones

The island nation of Bahrain is diversifying its economy away from unsustainable hydrocarbons resources to sectors such as banking and finance, trade and industry, retail and tourism. Its physical link to Saudi Arabia – via the King Fahd Causeway, constructed in 1986 – has facilitated trade, tourism and retail. The causeway was crossed by more than 1.6 million travellers in June 2012 alone, according to the King Fahd Causeway Authority.

In 2013, Bahrain was ranked as the 12th most-free economy in the world by the US' Heritage Foundation think tank, making it the only Middle East and North Africa country to appear in the top 20. Bahrain is home to three special economic zones, all of which were ranked in the top 20 locations for inward investment, economic development and business expansion in FDI Magazine's Global Free Zones of the Future 2012/13 report.

Advantages of Free zone company formation

- 1.FZ companies do not require a Bahrain national shareholder for trading and commercial Activities. While it is mandatory to rent a free zone office at a low rent, it is not necessary to hire staff
- 2.Land rental rebates of 100% in government industrial areas for the first three years
- 3.Electricity rebates of 50% for the first five years of operation
- 4.No duties are imposed on goods imported and exported from the free zone

Disadvantages of Free zone company formation

- 1.A free zone trading company must confine business activities to within that zone and Cannot cater to customers in Bahrain and within the Bahrain unless using a local sponsor

2.Entering the free zones is a competitive process and requires approval from the free zone Authorities. Companies must prove their companies will serve the Bahrain economy, Freezone development, start a major project in one year, and hire locals in five years

3.The paid up share capital of a free zone business ranges from US\$1 to US\$133,000

Depending on i) the free zone chosen and ii) the FZ company structure. After FZ Company Incorporation, the paid up share capital can be used to fund daily business activities;

4.Companies must launch a project within one year or face losing licensing from MOIC;

5.Company licenses are renewable annually after FZ laws are complied with including Submitting annual audited financial statements to the FZ Authority;

6.A free zone entity must rent an office within its free zone.

Type of Freezone Bahrain Logistics Zone (BLZ)

The Bahrain Logistics Zone was established in 2008 next to Khalifa bin Salman port, the island's main harbour. Placed 16th in the FDI Magazine ranking, the port zone offers land plots of 3,000 square metres and more for lease. The 100-hectare zone focuses on third-party logistics, storage and distribution (for export and re-export), as well as other logistics services and activities. In the first quarter of 2013, container throughput stood at 95,828 20-foot equivalent units, with an average processing time of 32 minutes.

Freezones

Key Consideration:

a)The BLZ is ideal for regarding-exporting and logistics companies benefiting from zero-tax and duty exemptions. It is also a boutique center for manufacturers in component assembly, packaging, testing, and repair companies.

b)The BLZ is popular because of

- i) the proximity Khalifa bin Salman
- ii) an onsite customs inspections
- iii) operates 24 hours a day and
- iv) has modern facilities created in 20008.

Facilities

Plots of land start at 3,000 sq m, while the zone itself covers 100 hectares. Expansion plans were announced in 2012, including the construction of a new 66kV power station.

Benefits

- Customs-free zone
- 100 per cent foreign company ownership
- Land, sea and air access

Industries

- Third-party logistics
- Storage and distribution
- Logistics services and value-added logistics services, including assembly, packaging and re-packaging

Bahrain International Airport (BIA)

Bahrain International airport sits in 19th place in the free zones of the future list, and is ranked fifth-best airport zone in the world. Offering cargo facilities, offices and retail space, the foreign trade zone has no customs duties. It is governed by Mumtalakat, the government vehicle for Bahrain's non-oil and gas investments, established in June 2006 by royal decree.

Key considerations:

a)Technically. Bahrain International Airport is not a free zone, as there are some duties on exports. However 100% foreign ownership is allowed and it has a "bonded cargo terminal" allowing for delayed payment of duties until products leave the facility.

b)BIA is a 19,000 square meter terminal specializing in cargo sales, trans shipments, break bulk cargo handling, and customs clearance.

Facilities

Cargo facilities at BIA are located in a 19,000-sq-m terminal providing export cargo sales, trans-shipment facilities, break-bulk cargo handling, dangerous goods provisions, customs clearance.

Benefits

- Bonded cargo terminal

Industries

- Cargo facilities
- Retail
- Advertising space
- Offices

Freezones

Bahrain International Investment Park (BIIP)

Bahrain International Investment Park (BIIP) offers 100 per cent foreign ownership of companies, duty-free access to GCC markets, exemption from import duties on both raw materials and equipment and 100 per cent repatriation of capital. Located 5 kilometers from Bahrain International airport, BIIP consists of 2.5 million sq m of leasable land, costing \$1.33 a sq m a year to rent. GCC free zones are considered as being outside the country, so goods are taxed at 5 per cent when exported to Bahrain. BIIP is not treated as a free zone, so is not subject to the 5 per cent tax when shipping goods to Bahrain.

Key considerations:

a) The Bahrain International Investment Park is ideal for large manufacturing operations, including food process, medical technology, electronics, and materials. Export led services including insurance claims, administration, and software and information systems.

b) BIIP is much larger than the other free zones at 247 hectares. As such, land is extremely cheap at just US\$1.33 per square meter.

c) BIIP is popular because it is

- i) cheaper than the other free zones
- ii) operates 24 hours a day
- iii) has easier access to facilities and
- iv) is well located between the Bahrain International Airport and the new Shaikh Khalifa Sea Port.

Facilities

The BIIP does not operate as a free zone as such, but allows products manufactured in Bahrain to be sold into the wider GCC without export duties, while avoiding the 5 percent import tax.

Benefits

- 100 per cent foreign ownership
- Zero corporate tax, guaranteed for 10 years
- Exemption from import duties on raw materials and equipment
- Duty-free access to all GCC markets, including Bahrain
- Free-trade access to the US
- 100 per cent repatriation of capital
- No minimum capital requirements
- No recruitment restrictions for first five years

Industries

- Manufacturing
- International services

BIIP costs

- Rents: From \$1.33/sq m a year
- Electricity: From \$0.04/kWh.



LONDON



NEW YORK



TOKYO



MOSCOW

Legal Compliance Edit

The provisions applicable to commercial companies shall also apply to civil companies having a commercial form regardless of its purpose. Any company incorporated in Bahrain shall be domiciled therein, and shall be of Bahraini Nationality without necessarily being entitled to the rights exclusive to Bahrainis..

General Considerations

S.No	Particulars	Remarks
1	Details of the Board of the Company	Every Year approved by the Chairman, managing director if any, Details of the Chairman, manager Designation submitted to Ministry of Commerce and Industry with annual report, balance sheet & profit and loss account
	General Assembly	<p>Ordinary General Assembly</p> <p><u>Time:</u> Once in a year during the 6 months following the end of company's financial year.</p> <p><u>Invitation:</u> 15 days before, published in at least two daily Arabic newspapers and one of them must be local with Agenda of the meeting. Copies of the invitation shall be sent to Ministry of Commerce and Industry at least 10 days before the general assembly meeting.</p> <p><u>Quorum:</u> The meeting shall not be valid unless it is attended by a number of shareholders representing more than half the capital.</p> <p><u>Voting system:</u> Each shareholder, regardless of the number of the shares he owns, shall have the right to attend the general assembly, and shall have a number of votes equal to the number of shares he owns in the company.</p> <p><u>Agenda of the General Assembly:</u> Election and dismissal of members of the BOD. Determination of the board director's remuneration. Consideration and approval of the boards report on the company's activities and financial position during the ended financial year. Discharging or refusing to discharge the members of the board from any liability. .</p>

Legal Compliance Edit

S.No	Particulars	Remarks
		<p>Appointment of Auditor or more for the following financial year and determination of his/their fees or authorizing the board to do the same.</p> <p>Consideration of the Auditor's report on the financial statements of the company for the ended financial year.</p> <p>Approval of the profit and loss account and the balance sheet and statement allocating the net profits and determining dividends.</p> <p>Consideration of recommendations relating to bond issue, borrowing, mortgaging and issuing guarantees and deciding thereon</p> <p><u>Minutes:</u> Adequate minutes of the meeting shall be prepared, reporting deliberations , proceedings, the quorum, the resolutions adopted, the number of "Yes" and "No" votes and all such matters as the shareholders may request to enter into the minutes</p> <p>The names of the attendees, whether for self or by proxy, shall be entered in a special register, to be signed before the meeting by the auditor, the vote counter and the chairman of the meeting. The company shall maintain all documents and instruments evidencing the contents of the minutes and send a copy of the minutes to the competent authority within fifteen days from the date of the meeting. Each interested shareholder may have a copy of the minutes.</p> <p>Extra Ordinary General Meeting</p> <p><u>Agenda:</u></p> <ul style="list-style-type: none"> • Amending the company's memorandum or article of association and extending the company's term. • Increasing or reducing the company's capital. • Selling the entire project carried out by the company or disposing of it in any other manner. • Winding up the company or merging it with another company.

Legal Compliance Edit

S.No	Particulars	Remark
		<p><u>Request:</u> The Extraordinary general assembly shall convene at an invitation by the board of directors or a written request to the board of directors by a number of shareholders representing 10% at least of the company's shares.</p> <p><u>Quorum:</u> The Quorum of the extraordinary general meeting shall not be less than at least two thirds of the company's capital.</p>
3	Auditor	<p>The company shall have an auditor or more to be appointed from those licensed to practice auditing by the ordinary general assembly which shall determine their remuneration and term of appointment.</p> <p>If there is more than one auditor, they shall be jointly liable for auditing. In all cases the company's auditor shall not become a member of the company's board of directors or staff before the lapse of two years from the date of discharging him of his liability.</p>
4	Financial Year	<p>The company shall have a financial year that starts on the first of January and ends on the 31st of December of each year, unless otherwise provided for in the company's AOA.</p> <p>The first financial year shall be an exception. It shall begin at the date of the final incorporation of the company and end with the end of the financial year.</p> <p><u>Financial Statements:</u> The BOD shall prepare for each financial year, within a period not exceeding 3 months from the end thereof, a report on the company's activities and financial position during the ended year and the company's balance sheet and profit and loss account. The chairman and another member of the board shall sign the report, the balance sheet and the profit and loss account.</p> <p>The BOD shall publish the balance sheet, the profit and loss account and an adequate summary of the annual report and full text of the auditor's report in one of the local daily Arabic language newspapers at least 15 days before the general assembly meeting.</p>

Legal Compliance Edit

S.No	Particulars	Remarks
5	Legal Reserve	<p>A 10 % of the net profits shall be deducted every year and set aside for the statutory (legal) reserve, unless the article of association specifies a higher percentage.</p> <p>Such deduction may be suspended if the reserve amounts to 50% of the paid up capital, unless the articles of association provide for a higher percentage.</p>



Taxation

Corporate income tax (CIT)

There are no taxes in Bahrain on income, sales, transfer, capital gains or estates, unless a company is involved in operations within 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. Profits from branch income are taxable in Bahrain, at the rate of 46% if they are derived from activities in the oil and gas sector. Profits from branches derived from other activities are not subject to corporate income tax. The introduction of a Corporate Income Tax is presently being considered by the Bahraini Government. However, no official communication has been made by the Bahraini authorities as to when such tax might be implemented..

Withholding taxes (WHT)

Currently, there is no WHT in Bahrain. As such, any payments of interest, royalties or dividends are not subject to WHT in Bahrain. Again this could change if a Corporate Income Tax regime is introduced as per the above.

Transfer pricing

There is currently no transfer pricing regime in the Bahrain. If CIT is implemented, we expect Bahrain to implement transfer pricing rules.

Value added tax (VAT)

There is currently no VAT system in Bahrain. However, the GCC States, including Bahrain, have been studying the potential implementation of a VAT system for some time.

Capital gains tax (CGT)

There is no capital gains tax regime currently in place in Bahrain. Direct or indirect transfer of shares or assets should not attract any Capital Gains Tax. The potential implementation of a Corporate Income Tax regime could result in Capital Gains Tax.

Municipality tax

Municipality tax at 10% levied on the rental of commercial and residential property to expatriates and is payable by the owner of the property

Stamp duty

Stamp duty in Bahrain applies to the transfer and/or registration of real estate only, and is levied on 2% on all property sales, regardless of the purchase price. There is a 15% discount for the registration fee for applications submitted within 60 days of execution of the sale agreement.

Individual tax

General

Bahrain doesn't apply any individual taxation. Stamp duty is levied on property transfers, depending on the property value.

Up to BHD 70,000 is 1.5%.

Next level of BHD 120,000 is 2%.

Exceeding this level is 3%.

Sales Taxes

The only sales tax is levied on gasoline.

Other Taxes

There is a municipal tax of 12 % on the rental of commercial property.

Payroll taxes

Social Insurance applies to every person who is employed in Bahrain. The employer contribution is calculated at the following rates (on the employees' monthly salaries):

- 12% for Bahraini workers.
- 3% for non-Bahraini workers.

Taxation

Employees are also required to contribute for Social Insurance at the following rates (calculated on monthly salaries):

- 7% for Bahraini workers.
- 1% for non-Bahraini workers.
- The above rates apply up to an income ceiling of BHD 4,000 per month. No contributions are payable for income above this ceiling..

Customers 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%).

Conclusion

S.NO	Particulars	Implications
1	Currency	Bahraini Dinar (BHD)
2	Foreign exchange control	No
3	Accounting principles/Financial statements	IFRS, Financial statements must be filed annually.
4	Principal business entities	These are the joint stock company, joint stock company (closed), limited liability company, single person company, general partnership, holding company, branch of a foreign company and representative office.
5	Corporate taxation	<p>Residence: Residence is not defined. A company engaged in oil, gas or petroleum activities is taxed, regardless of where the company is incorporated.</p> <p>Basis: There is no corporate tax for most companies in Bahrain, but income tax is levied on the profits of oil companies. Corporate income tax is levied only on oil, gas and petroleum companies engaged in exploration, production and refining.</p> <p>Taxable income: Taxable income for oil and gas companies is net profits, which consist of business income less business expenses.</p>

Taxation:

S.No	Particulars	Implications
		<p>Taxation of Dividends: No</p> <p>Capital Gains: No</p> <p>Losses: Trading losses may be carried forwards indefinitely. The carry back is not permitted (oil companies only)</p> <p>Rate: The tax rate is 46% on oil companies.</p> <p>Surtax: No</p> <p>Alternative minimum tax: No</p> <p>Foreign tax credit: No</p> <p>Participation exemption: No</p> <p>Holding Company regime: No</p> <p>Incentives: No</p>
6	Withholding Tax	<p>Dividends: No</p> <p>Interest: No</p> <p>Royalties: No</p> <p>Technical service fees: No</p> <p>Branch remittance tax: No</p>

Taxation

S.No	Particulars	Implications
7	Other Taxes on corporations	<p>Capital duty: No</p> <p>Payroll tax: No</p> <p>Real Property tax: No</p>
8	Anti Avoidance rules	<p>Transfer pricing: No</p> <p>Thin capitalization: No</p> <p>Controlled foreign companies: No</p> <p>Disclosure requirements: No</p>
9	Compliance for corporations	<p>Tax Year: Calendar year or as specified in the Company's article of association.</p> <p>Consolidated returns: No</p> <p>Filing requirements: Oil companies are required to file an estimated income tax declaration on or before the 15th day of the third month of the tax year. Tax must be paid in 12 monthly installments.</p> <p>Penalties: A 1 % monthly penalty is imposed for failure to file and pay tax.</p> <p>Rulings: No</p>

Taxation

S.No	Particular	Implication
10	Personal Taxation	<p>Basis: No</p> <p>Residence: No</p> <p>Filing status: No</p> <p>Taxable income: No</p> <p>Capital Gains: No</p> <p>Deductions and allowances: No</p> <p>Rates: No</p>
11	Other taxes on individuals	<p>Capital duty: No</p> <p>Stamp duty: Stamp duty is levied on property transfers on the basis of the value of the property.</p> <p>Capital acquisitions tax: No</p> <p>Real property tax: No</p> <p>Inheritance/estate tax: No</p> <p>Net wealth/net worth tax: No</p> <p>Social security: For Bahraini employees, the employee's contribution is 7%, which covers old age, disability, death and unemployment. For expatriate employees, the employee's contribution is 1 %, which covers unemployment.</p>

Taxation

S.No	Particular	Implication
11	Other taxes on individuals	<p>Capital duty: No</p> <p>Stamp duty: Stamp duty is levied on property transfers on the basis of the value of the property.</p> <p>Capital acquisitions tax: No</p> <p>Real property tax: No</p> <p>Inheritance/estate tax: No</p> <p>Net wealth/net worth tax: No</p> <p>Social security: For Bahraini employees, the employee's contribution is 7%, which covers old age, disability, death and unemployment. For expatriate employees, the employee's contribution is 1 %, which covers unemployment.</p>
12	Compliance for individuals	<p>Tax year: Calendar year</p> <p>Filing and payment: Monthly returns must be filed for social insurance purposes.</p> <p>Penalties: Some penalties apply for failure to file the return.</p>

Taxation

S.No	Particular	Implication
13	Value added tax	<p>Taxable transactions: There is speculation that VAT may be introduced in the future, but this has not been confirmed.</p> <p>Rates: N/A</p> <p>Registration: N/A</p> <p>Filing and payment: N/A</p>

Key Consideration

There are no taxes in Bahrain on income, sales, transfer, capital gains or estates, unless a company is involved in operations within the oil and gas sector. Moreover, there is currently no VAT system in Bahrain. However the GCC states, including Bahrain, have been studying the potential implementation of a VAT system for some time now.

Social insurance applies to every person in Bahrain, where both the employer and employee are required to contribute.

Type of Agreements

1. Agreements On the Promotion And Protection Of Investments

These agreements aim to promote and protect the investments of the nationals and enterprises of one contracting party in the territory of the other contracting party by providing an appropriate legislative environment to stimulate and increase investment, trade and industrial activity. The Agreement also provides adequate guarantees to nationals or enterprises of the other contracting party to transfer their profits, dividends and other current income. The investments will not be subject to expropriation except for a public purpose and against prompt and adequate compensation.

2. Agreements On the Avoidance Of Double Taxation And The Prevention Of Fiscal Evasion With Respect To Taxes on Income

This agreement aim primarily to eliminate the double payment of taxes by nationals and enterprises of a Contracting State in the territory of the other. It also aims to create an appropriate economic environment to attract capital between the two contracting parties.

3. Agreements On Reciprocal Exemption With Respect To Taxes On Income Arising From The Business Of International Air Transport

These Agreement aim to establish a reciprocal exemption from taxes on income, profits and gains derived from the operation of aircraft in international traffic and custom duties on equipment and materials imported by the air transport enterprises of the two contracting parties.

4. Agreements On Economic, Trade, And Technical Co-operation

These Agreement aim to develop economic, trade and technical co-operation in accordance with the laws of each contracting party and create appropriate conditions to develop co-operation on the basis of reciprocal interests. This allows the free inflow of goods, capital, and services and the free movement of individuals and investments between the two contracting parties.

The number of bilateral agreements (Double Taxation Agreements and Agreements for the Promotion and Protection of Investments) which were signed and entered into force is 64, while the number of Memorandum of Understanding on Economic, Trade, and Technical Cooperation is 32.

Import and Export Regulations

Export:

There are no taxes charged on exports from Bahrain. Exporting items to Israel is prohibited. There is a “negative list” of products whose exports are prohibited.

Import:

Licenses are not required for the majority of imports, except armaments, ammunition and alcohol. There is a negative list of products whose imports are prohibited. Importing items from Israel is prohibited. Customs duties of 5 % apply to most dutiable imports. Imports from fellow GCC countries are exempt from duties. Customs duties are 125 % for alcohol and 100 % for tobacco.

Auditors and Accountants

All listed companies are required to publish audited financial statements comprising a balance sheet, income statement, and a cash flow statement within 60 days after the end of the financial year. In addition, all listed and unlisted companies in Bahrain are required to prepare annual financial statements in full compliance with International Financial Reporting Standards (IFRSs).

As in all Gulf Cooperation Council (GCC) countries, the government in Bahrain regulates financial reporting and controls the accounting and auditing profession. The professional accounting bodies do not have regulatory power to either issue licenses to accountants and auditors or to establish accounting and auditing standards.

Disclaimer: Whilst every effort has been made to ensure that the details contained herein are correct and up -to-date, it does not constitute legal or other professional advice IMC does not accept any responsibility, legal or otherwise, for any errors or omission.





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About IMC

IMC is a cross border advisory firm focusing on the AMEA (Asia, Middle East & Africa) markets. We specialize in corporate advisory services, global mobility services, private client & family advisory, international tax, corporate finance, mergers & acquisitions, investment advisory and business support & outsourcing solutions.

At IMC, we pride in our team comprising of highly qualified professionals, possessing in-depth knowledge & practical experience, enabling us to understand specific client requirements and respond accordingly. Our team shares our philosophy of working in an environment of trust and integrity with highest regard for work ethics to provide our clients with world-class services.

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