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BAHRAIN ESR UPDATE

ESR Update – August 2021

The Ministry of Industry, Commerce and Tourism (MOICT) and Central Bank of Bahrain (CBB) have released updates regarding a change in the mode of filing the Economic Substance Return (ESR) under Ministerial Order No. 106 (MO 106) and Directive No. OG/499/2018 respectively. All reporting entities/traders are now required to register and file their returns for the fiscal year end 2020 on the newly launched International Tax Information Exchange System (ITIES) portal.

What are the relevant activities in scope?

The relevant activities for reporting entities/traders are outlined below:

Non-Regulated

- Distribution and service center activities
- Headquarter activities
- Holding companies
- Leasing activities
- Shipping activities
- Intellectual property activities in the Kingdom of Bahrain

Regulated

- Banking activities
- Financing companies
- Insurance activities
- Investment Business Firms (Categories 1 & 2)
- Fund Administrators

Registration and Filing

Reporting entities / traders are required to:

- Register their respective entities on the ITIES portal
- File their ESR reports

Note

Based on the circulars issued by the regulatory authorities, we understand that entities which have already filed their ESR reports for the year end 2020 are required to resubmit the same in the prescribed formats on the ITIES portal.

The above is for general information and is not intended to address circumstances of any particular entity. Please seek professional advice in on any specific circumstances. Should you require any further information, please reach out to our MMJS Tax Professionals.

Competent Authority

This year, the competent authority to receive the ESR filings is the National Bureau for Revenue (NBR) unlike in previous years where the CBB and MOICT would have received the reports.

Filing Deadline

ESR filing general should be completed three (3) months after the end of the company's financial year. This year however, given the change in the mode filing, the filing period for the fiscal year ending 2020 has been extended to and is open as of 8th August 2021 till 12th September 2021.

Non-compliance

Non-compliance may attract the following:

- Fines ranging from BHD 1,000 to BHD 100,000
- Suspension of Commercial License
- Striking off the Trader from the Commercial Register

MMJS Thoughts

- We recommend all impacted entities file their ES returns before the deadline to avoid disruption to business continuity either by being unable to renew CRs or through hefty financial penalties.
- During 2020, many businesses that did not submit their returns by the prescribed submission deadlines had their CRs suspended for non-compliance of ESR by the MOICT. Such business were unable to renew their CRs until the violation was corrected.
- We anticipate that the competent authorities will conduct reviews of the ESR filings (both current and prior years) to ascertain which companies are not complying with the economic substance requirements.

How Can We Help?

- Assisting companies in assessing the applicability and impact of ESR
- Assisting with any restructuring requirements; and
- Assisting with ESR filing

Contact us

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