



Bahrain Tax System

Comprehensive overview of Bahrain's tax system. VAT, excise tax, hydrocarbon tax, customs duties, and social insurance contributions explained.

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BAHRAIN TAX SYSTEM

A complete overview of every tax, levy, and contribution in the Kingdom of Bahrain.

ALL TAXES IN BAHRAIN

Tax Type	Rate	Applies To	Filing
VAT	10%	Most goods & services (with exemptions)	Monthly / Quarterly
Excise Tax	50-100%	Tobacco, energy drinks, soft drinks	Monthly
Corporate Income Tax	0%	Non-hydrocarbon businesses	N/A
Hydrocarbon Tax	46%	Oil & gas exploration/refining companies	Annual
Personal Income Tax	0%	Individual earnings & salary	N/A
Withholding Tax	0%	Dividends, interest, royalties	N/A
Customs Duty	5%	Imported goods (GCC Common Tariff)	Per shipment
GOSI (Employer)	12%	Bahraini employees (employer share)	Monthly
GOSI (Employee)	8%	Bahraini employees (employee share)	Monthly
Municipal Fees	10%	Commercial property rental	Annual

WHAT MAKES BAHRAIN UNIQUE

ZERO CIT ADVANTAGE

Bahrain is the only GCC state with 0% corporate income tax for non-hydrocarbon businesses. UAE charges 9%, Saudi 20%, Oman 15%.

VAT IS THE MAIN TAX

At 10%, VAT is the primary revenue-raising tax. Businesses must understand exemptions, zero-rating, and partial exemption rules.

GOSI IS MANDATORY

Social insurance contributions total 20% for Bahraini employees (12% employer + 8% employee). Expat employees have a reduced rate of 4%.

Let us help you navigate Bahrain's tax landscape with confidence.

UNDERSTANDING BAHRAIN'S COMPLETE TAX FRAMEWORK

VALUE ADDED TAX (VAT)

Bahrain implemented VAT on January 1, 2019, initially at 5%, before increasing the standard rate to 10% effective January 1, 2025. The VAT regime is governed by Decree-Law No. 48 of 2018 and administered by the National Bureau for Revenue (NBR). All businesses exceeding BHD 37,500 in annual taxable supplies must register for VAT, while voluntary registration is available for businesses exceeding BHD 18,750.

Zero-rated supplies include exports of goods and services, international transportation, newly constructed residential properties (first supply), qualifying education and healthcare services, and certain financial services. Exempt supplies include financial services, bare land, local passenger transportation, and residential property rentals.

VAT returns must be filed monthly (for businesses with annual supplies exceeding BHD 3 million) or quarterly. Late filing penalties range from BHD 500 to BHD 5,000, with additional daily penalties for non-payment.

EXCISE TAX

Bahrain's Excise Tax, introduced under Decree-Law No. 10 of 2017, applies to specific goods deemed harmful to health or the environment. The rates are: 100% on tobacco products and energy drinks, 50% on carbonated drinks, and 100% on electronic smoking devices and related liquids. The excise tax is levied at the point of importation or first domestic sale.

CORPORATE TAX & DMTT (PILLAR TWO)

Bahrain has historically maintained a zero-corporate-tax environment, which has been a cornerstone of its business-friendly reputation. However, in alignment with the OECD/G20 Inclusive Framework, Bahrain is implementing the Domestic Minimum Top-Up Tax (DMTT) under Pillar Two. This applies a 15% minimum effective tax rate to multinational enterprises (MNEs) with consolidated annual revenue exceeding EUR 750 million.

Affected MNEs must calculate their effective tax rate (ETR) on a jurisdiction-by-jurisdiction basis using the GloBE rules. If the ETR in Bahrain falls below 15%, the DMTT applies as a top-up to reach the minimum threshold. Substance-based income exclusions (SBIE) for tangible assets and payroll reduce the top-up tax liability, rewarding companies with genuine economic substance in Bahrain.

SOCIAL INSURANCE (GOSI)

Bahrain's social insurance contributions are managed by the General Organisation for Social Insurance (GOSI). The contribution rates differ by nationality: Bahraini employees contribute 7% of their monthly wage, while employers contribute 12% (total 19%). For expatriate employees, the employer contributes 3% for insurance against work injuries, with no employee contribution required.

MUNICIPAL TAX & TOURISM LEVY

A 10% municipal tax is levied on the rental value of commercial and residential properties in Bahrain. Additionally, hotels and serviced apartments are subject to a tourism levy. Stamp duty applies to certain property transactions and legal documents, though rates are generally modest compared to regional peers.

DOUBLE TAX TREATIES (DTAS)

Bahrain has an extensive network of over 44 Double Tax Agreements (DTAs) with countries including the UK, France, China, Malaysia, Singapore, and all GCC states. These treaties provide relief from double taxation on income such as dividends, interest, and royalties, and offer a framework for resolving tax disputes between jurisdictions. The treaty network is a key advantage for multinational businesses using Bahrain as a regional hub.

EXPERT TAX ADVISORY FOR EVERY NEED

VAT CONSULTING

Navigate Bahrain's 10% VAT regime with expert registration, compliance, and return filing support.

CORPORATE TAX & DMTT

Prepare for Pillar Two compliance with strategic corporate tax planning and GloBE rule analysis.

INTERNATIONAL TAX

Leverage Bahrain's 44+ DTAs with expert cross-border tax structuring and treaty benefit optimization.

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