



Tax Residency in Bahrain

Understanding tax residency rules in Bahrain, certificate of tax residency applications, and implications for individuals and businesses under DTA networks.

WHAT IS TAX RESIDENCY?

Tax residency determines which country has the right to tax an individual or entity. In Bahrain, while there is no personal income tax, establishing tax residency is crucial for accessing the benefits of Bahrain's network of 40+ Double Taxation Agreements (DTAs).

WHO IS TAX RESIDENT IN BAHRAIN?

INDIVIDUALS

- Bahraini nationals with a residence in Bahrain
- Expats with a valid residency permit (CPR) and physical presence
- Generally requires 183+ days of physical presence in a 12-month period
- Intention to make Bahrain the center of vital interests strengthens the claim

COMPANIES

- Incorporated under Bahrain Commercial Companies Law
- Place of effective management (POEM) is in Bahrain
- Board meetings and key decisions made in Bahrain
- Branch offices of foreign companies may also qualify

CERTIFICATE OF TAX RESIDENCY (CTR)

A CTR from NBR is required to claim treaty benefits. The application process involves:

WHY IT MATTERS

AVOID DOUBLE TAXATION

Claim relief on income taxed in another jurisdiction

REDUCED WITHHOLDING TAX

Lower WHT rates on dividends, interest, and royalties

BANKING COMPLIANCE

Required for CRS/AEOI reporting and bank account opening

COMMON PITFALLS

- Insufficient substance: Simply registering a company is not enough — NBR requires evidence of real economic activity
- Dual residency conflicts: If you're also resident in another country, the DTA tie-breaker rules apply
- Expired certificates: CTRs are issued for specific tax years — ensure you apply annually
- Missing documentation: Incomplete applications cause delays — gather all supporting evidence before applying

Executive Notice: Official publication prepared by Yasmi Co Advisory & Consultation for general commercial guidance. Consult our licensed tax team for entity-specific advice.

