



Free Zones Tax Guide

Tax benefits of Bahrain's free zones. Customs duty exemptions, VAT treatment, and compliance requirements for BIIP, BLZ, and Bahrain FinTech Bay.

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FREE ZONES TAX GUIDE

Maximize tax advantages through Bahrain's free zone ecosystem — customs exemptions, VAT treatment, and setup requirements.

BAHRAIN'S FREE ZONE ECOSYSTEM

BAHRAIN LOGISTICS ZONE

Khalifa Bin Salman Port

- 0% customs duty on imports
- 100% foreign ownership
- No minimum capital requirement
- 24/7 customs clearance
- Direct port access

Best for: Logistics, warehousing, light manufacturing, re-export

BAHRAIN INTERNATIONAL INVESTMENT PARK

Hidd Industrial Area

- 10-year customs duty exemption
- 100% foreign ownership
- No corporate tax
- Subsidized land leases
- Ready-built factory units

Best for: Manufacturing, food processing, industrial operations

BAHRAIN FINTECH BAY

Arcapita Building, Bahrain Bay

- CBB regulatory sandbox access
- Streamlined licensing
- No corporate tax
- Shared infrastructure
- Accelerator programs

Best for: Fintech, insurtech, regtech startups

VAT TREATMENT IN FREE ZONES

⚠️ FREE ZONES ≠ VAT-FREE

Unlike the UAE's designated zones, Bahrain's free zones do not receive special VAT treatment. All businesses in free zones are subject to standard VAT rules:

- 10% VAT applies on sales to Bahrain customers
- Export of goods/services may qualify for 0% rate
- VAT registration required if turnover exceeds BHD 37,500
- Input VAT recoverable on business expenses

💰 WHERE THE SAVINGS ARE

The real tax benefits of free zones are in customs duty (5% saved on imports), not VAT. Combined with 0% corporate tax, free zones offer a compelling total cost package — but VAT compliance is still mandatory.

FREE ZONE VS. MAINLAND

FACTOR	FREE ZONE	MAINLAND
Corporate Tax	0%	0%
VAT	10%	10%
Customs Duty	0%	5%
Foreign Ownership	100%	100%
Sell to Local Market	Restricted*	Unrestricted
Setup Speed	2-5 days	2-3 days

* Free zone entities may need an agent or dual license to sell domestically.

We help you choose the right zone, set up efficiently, and stay compliant.

Bahrain's trusted tax advisory partner.

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- Corporate Tax
- Transfer Pricing
- Business Advisory

CONTACT

- Flat 2271, Building 204, Road 157, Block 115, Hidd, Kingdom of Bahrain
- Flat 2271, Building 204, Road 157
- +973 3356 9008
- info@yasmico.com

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team for entity-specific advice.

Yasmi Co Advisory Practice

Tax, VAT, Transfer Pricing, ESR & Corporate Advisory Services

Tel: +973 3356 9008 | Email: info@yasmico.com | Web: www.yasmico.com