YASMI CO

ADVISORY & CONSULTATION

TAX ALERT

26 March 2026

Draft Bahrain Corporate Income Tax (CIT) Law

Executive Briefing & Strategic Preparedness Roadmap for Bahrain Businesses

10%	61	11	Jan 2027
PROPOSED TAX RATE	DRAFT ARTICLES	CHAPTERS	TARGET EFFECTIVE DATE

EXECUTIVE SUMMARY

On **29 December 2025**, during its weekly session, the Bahraini Cabinet approved and referred a draft Corporate Income Tax (CIT) law to legislative authorities. The draft law proposes introducing a general **10% corporate income tax** on commercial businesses operating in the Kingdom of Bahrain.

Subsequently, on **23 February 2026**, the Bahrain Chamber of Commerce and Industry (BCCI) convened a closed consultation meeting with business leaders and shared the Arabic text of the draft law. Comprising **61 Articles divided into 11 Chapters**, the draft legislation marks a major step in aligning Bahrain's fiscal system with regional GCC tax frameworks.

OFFICIAL LEGISLATIVE PROGRESSION

- **29 December 2025:** Cabinet refers draft CIT law (imposing 10% tax rate) to Parliament.
- **23 February 2026:** BCCI hosts closed consultation session presenting the 61-Article Arabic text.
- **Q2–Q4 2026:** Parliamentary review, legislative ratification, and issuance of NBR Executive Regulations.

CORE ARCHITECTURE OF THE DRAFT LAW

The draft CIT legislation establishes a modern corporate tax framework structured around international accounting principles and OECD standards:

- **Scope of Taxability:** Applies to commercial companies registered in Bahrain, branches of foreign entities, and permanent establishments. Specific revenue/profit thresholds will safeguard small enterprises.
- **Taxable Profit Determination:** Calculated on net accounting profits derived from IFRS-audited financial statements, adjusted for allowable tax deductions, non-deductible expenses, and tax loss carry-forwards.
- **Transfer Pricing Rules:** Mandates arm's-length pricing for related-party transactions in accordance with OECD transfer pricing principles.
- **Compliance Infrastructure:** Managed by the National Bureau for Revenue (NBR), requiring digital registration, annual tax return filings, record retention, and penalty mechanisms.

INTERPLAY WITH EXISTING BAHRAIN TAX REGIMES

TAX REGIME	RATE	TARGET SCOPE & APPLICABILITY
Draft Corporate Tax (CIT)	10%	General commercial businesses & corporate entities in Bahrain
Hydrocarbon Sector Tax	46%	Companies extracting or refining oil and gas in Bahrain
Domestic Minimum Top-Up Tax (DMTT)	15%	In effect since 1 Jan 2025 for MNE groups with revenue ≥ €750M (Pillar 2)

STRATEGIC ACTION CHECKLIST FOR BUSINESS LEADERS

1. **Conduct Impact Modeling:** Evaluate the financial effect of a 10% tax rate on net profits, dividends, and cash flows.
2. **Audit Financial Systems:** Ensure accounting systems comply with IFRS standards for seamless NBR tax return filings.
3. **Review Intercompany Transactions:** Validate transfer pricing policies across group entities to ensure arm's-length compliance.