



Bahrain VAT update NBR Real Estate Guide Summary

17 March 2019

Disclaimer:

This is a summarised update of the NBT Bahrain Guide on Real Estate. MCA will not be responsible to any parties for any use of this presentation for any purposes whatsoever, as this is neither an advice nor a deliverable of any kind.

| Exempt | Standard rated |
|--|---|
| <ul style="list-style-type: none"> ✓ Sale/lease of property ✓ Sale/lease land ✓ Labour accommodation ✓ Car parking for > a month ✓ Serviced accommodation more than a year | <ul style="list-style-type: none"> ✓ Hotel accommodation and related services ✓ Paid car parking for period < 1 month ✓ Non Exclusive serviced office space ✓ Function hall ✓ Management services, utilities, telecommunications etc ✓ Signage and permissions ✓ Services charged separately ✓ Furnished apartments with tourism licence ✓ Storage services ✓ Short term retail and promotional stands |

Points to be noted

- No VAT on furniture, unless charged separately from accommodation.
- VAT to be charged on services provided in addition to serviced space
- VAT to be charged on provision of space for retails and promotional stands for < 1 month
- Normal place of rules applicable for insurance of real estate property

Summary of VAT on construction

| Particulars | Zero Rated | Standard rated |
|--|--|--|
| Supply of Construction Services | <ul style="list-style-type: none"> ✓ Excavation and digging works ✓ Plumbing works ✓ Electrical work including cabling ✓ Installation of wiring (including power cables, computer cabling etc) ✓ Installation of burglar alarms and security monitoring equipment ✓ Installation of fire alarms, fire extinguishers, smoke detectors and sprinkler systems ✓ Snagging works etc | <ul style="list-style-type: none"> ✓ Installation/assembly of furniture ✓ Landscaping ✓ Swimming pool construction ✓ Installation of decorative lighting ✓ Installation/hanging of artwork ✓ Provision of equipment i.e., cranes, bulldozers etc ✓ Construction of flyovers, bridges etc ✓ Standalone snagging service etc |
| Supply of Goods as part of construction services | <ul style="list-style-type: none"> ✓ Building materials like Bricks and blocks, Concrete and cement, Ready-mix concrete poured by the provider, Rebar, Structural steel,, Piping and plumbing fixtures and equipment, Wiring, Electrical items such as electrical boards, circuit breakers, sockets, switches etc ✓ Fixtures and equipment permanently fixed like HVAC systems, Elevators and escalators, Security systems, including alarms and security cameras etc. | <ul style="list-style-type: none"> ✓ Furniture not affixed to building ✓ Goods for Landscaping ✓ Decorative lighting ✓ Paintings, murals and other artwork ✓ Movable partitions ✓ Fitted wardrobes or storage units ✓ Goods used to build swimming pools, saunas and steam rooms ✓ Entertainment systems ✓ Elaborate vanity units and wall cabinets etc |
| Only Goods supply | - | <ul style="list-style-type: none"> ✓ Standalone goods supply ✓ Basic food items supplied for use in construction like sweet water, ice etc |

Points to be noted

- Standard rated services will not be zero rated, even if provided as part of big project.
- If only part of a contract qualifies for zero-rating, the supplier must apportion the consideration to determine the Zero rated and standard rated supply
- Zero rate is applicable only for the goods used in building itself or on its land
- The damage to the building must be material for removing fixtures and equipment. Scratches or small holes/cracks will not be considered as material.
- The contractors and sub contractors can charge zero rate, if the services and/or goods supplied as part of service qualifies for construction service.
- Sub-contractors shall obtain a certificate from customer confirming the new building for purpose of Article 76 of VAT regulations
- Normal tax due date rules applies for retention payments also.
- Real estate will be considered as a tangible capital asset and, as such, the ten-year adjustment period will apply in relation to input tax recovery.

VAT Implications

Construction

- Segregation of Construction Services between Zero rated and Standard rated
- Clear understanding of VAT treatment on Sub contractor services
- Separate VAT treatment for only Goods supplied and Goods and Services provided
- VAT treatment on Snagging and Retention to be reviewed
- Clear communication and understanding with Suppliers, Sub Contractors, Service Providers and Client on VAT implications

Sale/Lease of Real Estate

- Segregation of Real Estate between Exempt and Standard rated services
- Additional Services charged to be identified and VAT to be charged
- Serviced Apartment nature and VAT treatment to be determined
- Input tax eligibility in case of exempt supplies to be reviewed
- Input tax apportionment in case of exempt and standard supplies to be determined
- Maintaining of real estate related records for fifteen years

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