



# Doing Business in Bahrain





## General Information

Bahrain prides itself on being a premier investment location in the Middle East region. Bahrain's internationally acclaimed strong financial system, economic and political stability, strategic location and strong legal framework have transformed it into a high standard investment and commerce destination. With the attractive business environment (e.g. no corporate or personal income tax), Bahrain is a veritable alternative to Dubai.

The country now ranks 24th on a world scale of liberal economies and is the first among Arab and Islamic nations.





## Business Activities

The Kingdom of Bahrain welcomes and promotes investments in most business sectors without restrictions. Certain business activities, however, are prohibited due to their adverse economic, social or environmental impact. Foreign investment and 100 % foreign ownership is also permitted in general, with a limited number of business activities that are reserved by law for Bahraini and / or GCC citizens and companies only.

### Business Activities Prohibited in Bahrain:

- Gambling
- Alcoholic drinks manufacturing
- Narcotics manufacturing
- Weapons manufacturing
- Cigarettes manufacturing
- Import of all types of waste and treatment, storage and dumping of radioactive materials and toxic waste in Bahrain
- Import, manufacturing and dealing of Asbestos and its by-products
- Import and industrial use of restricted chemicals
- Import of automatic cigarette vending machines
- Letter post (exclusive to Bahrain Post)





### Business Activities allowed only for Bahraini Citizens and Companies:

- Real estate services and rental and management of land and property (not including buying and selling).
- Press, publication and distribution
- Printing press
- Cinematic filming studio
- Specialisation in management and operation of cinemas and film distribution
- Owning of cinema halls
- Goods land transport
- Passenger land transport
- Tourist land transport
- Domestic sea cruises
- Driving instruction
- Motorcycle and car rental
- Call taxi
- Oil products supply (filling stations)
- Gas bottling and distribution
- Cooker re-filling and repairing
- Gas cylinder distribution
- Handling and processing formalities with Government Departments and Authorities
- Hajj and Umra services
- Foreign manpower supply
- Commercial agencies

### Business Activities allowed only for Bahraini and GCC Citizens and Companies:

- Fishing
- Book-keeping and accounting services (not including auditing)
- Import, export and / or sale of racing car fuel
- Cargo clearing





### Other Restrictions:

- Trade and retails  
For companies, a minimum of 51 % Bahraini ownership is required. For GCC companies and partners, a Bahraini partner is required.
- Travel and Tourism Offices  
A Bahraini partner is required.
- Medical Clinics and Centres (outpatient facilities)  
Licensing is confined to Bahraini and GCC citizens (resident in Bahrain) with medical qualifications.
- Pharmacies  
A minimum of 50 % of the company's capital must be owned by a Bahraini pharmacist.





## Legal Structures in Bahrain

The „Law of Commercial Companies 2001“ sets the rules and regulations governing permitted legal structures for companies. Bahrain knows the following legal structures:

- Bahrain Shareholding Company (B.S.C.) – Public
- Bahrain Shareholding Company (B.S.C.) – Closed
- With Limited Liability Company (W.L.L.)
- Partnership Company
- Simple Commandite
- Commandite by Shares
- Single Person Company (S.P.C.)
- Foreign Company Branch
- Individual Establishment

### Bahrain Shareholding Company (B.S.C.) – Public

- A Public Shareholding Company consists of a number of partners (not less than seven) who subscribe therein by way of negotiable shares. Partners shall be liable for the company’s debts and obligations only to the extent of the value of their shares.
- The minimum share capital required is BHD 1 million (approx. CHF 3.16 million, EUR 1.9 million, USD 2.71 million).
- There is no „local sponsor“ required, but a local office presence is mandatory.
- Nationals of the Gulf Cooperation Council (GCC) are permitted 100 % ownership. Foreign (non GCC) investors may acquire 49 % of the company. Under the terms of the Bahrain-US Bilateral Investment Treaty, US investors were accorded GCC treatment beginning 1<sup>st</sup> January 2005.
- Annual submission of audited financial statement is required.





## Bahrain Shareholding Company (B.S.C.) – Closed

- A Closed Shareholding Company consists of a number of persons – not less than two – who subscribe therein by way of negotiable shares. Such shares can be sold but may not be offered to the general public for subscription.
- The minimum share capital required is BHD 250'000 (approx. CHF 790'000, EUR 475'000, USD 680'000). A minimum of 50 % of the capital must be paid initially. The remaining is to be paid within three years.
- There is no „local sponsor“ required, but a local office presence is mandatory.
- Nationals of the Gulf Cooperation Council (GCC) are permitted 100 % ownership. Foreign (non GCC) investors may acquire up to 100 % of the company (depending on business activities). Under the terms of the Bahrain-US Bilateral Investment Treaty, US investors were accorded GCC treatment beginning 1<sup>st</sup> January 2005.
- Annual submission of audited financial statement is required.

## With Limited Liability Company (W.L.L.)

- A Limited Liability Company is a company of which partners are responsible for the company debts and liabilities only to the extent of their shareholding in the capital. A Limited Liability Company cannot issue public shares, negotiable warrants, or debentures.
- The minimum capital required is BHD 20'000 (approx. CHF 63'000, EUR 38'000, USD 54'000).
- There is no „local sponsor“ required, but a local office presence is mandatory.
- Nationals of the Gulf Cooperation Council (GCC) are permitted 100 % ownership. Foreign (non GCC) investors may acquire up to 100 % of the company (depending on business activities). Under the terms of the Bahrain-US Bilateral Investment Treaty, US investors were accorded GCC treatment beginning 1<sup>st</sup> January 2005.
- Annual submission of audited financial statement is required.

## Partnership Company

- A Partnership Company is a company without limited liability, formed between two persons or more under a specific name, and in which partners assume joint responsibility, to the extent of all their entire personal assets, for the partnership's debts and liabilities.
- There is no „local sponsor“ required, but a local office presence is mandatory.
- Nationals of the Gulf Cooperation Council (GCC) are permitted 100 % ownership. Foreign (non GCC) investors may acquire up to 100 % of the company (depending on business activities). Under the terms of the Bahrain-US Bilateral Investment Treaty, US investors were accorded GCC treatment beginning 1<sup>st</sup> January 2005.





## Simple Commandite

- A Simple Commandite is a limited partnership company established between one or more partners, who are jointly liable to the extent of their entire personal wealth for the company's obligations, and other partner or partners who have invested capital in the company but are not involved in management (the limited partners)
- There is no „local sponsor“ required, but a local office presence is mandatory.
- Share of Bahraini partners' capital shall not be less than 51 %.

## Commandite by Shares

- Commandite Partnership by Shares is a company established between two categories of partners, one of which is that of joint partners who are jointly responsible, to the extent of their entire personal wealth for the company's obligations and the other is that of limited partners (shareholders) who are not liable for the company's obligations except to the extent of their equity (shares) in the capital.
- The minimum share capital required is BHD 20'000 (approx. CHF 63'000, EUR 38'000, USD 54'000).
- There is no „local sponsor“ required, but a local office presence is mandatory.
- Nationals of the Gulf Cooperation Council (GCC) are permitted 100 % ownership. Foreign (non GCC) investors may acquire up to 100 % of the company (depending on business activities). Under the terms of the Bahrain-US Bilateral Investment Treaty, US investors were accorded GCC treatment beginning 1<sup>st</sup> January 2005.
- Annual submission of audited financial statement is required.

## Single Person Company (S.P.C.)

- A Single Person Company is a company the capital of which is fully owned by a single natural or corporate person. The proprietor of the capital of the company shall be liable only to the extent of the capital allocated for the company.
- The minimum capital required is BHD 50'000 (approx. CHF 158'000, EUR 95'000, USD 135'000).
- A local office presence is mandatory.
- Annual submission of audited financial statement is required.







## Foreign Company Branch

- A branch of a foreign company which is incorporated and registered outside the Kingdom of Bahrain, may be established as an operational office or as a representative office. The limits of liability are the same as the parent company.
- Local operations are allowed only for an operational office. A representative office is only permitted to undertake marketing and promotion.
- A branch of a foreign company requires a registered branch manager. A local sponsor is required only for an operational office.

## Individual Establishment

- Only Bahraini citizens and citizens of the Gulf Cooperation Council (GCC) countries (must be resident in Bahrain) may register an Individual Establishment in the Kingdom of Bahrain.
- An Individual Establishment is a non-incorporated entity and is owned by one individual only.
- The owner is liable for all debts and liabilities of the business to the extent of his/her personal assets.





## Taxation in Bahrain

### Taxation of Companies:

Bahrain does not operate a general corporation tax system but only taxes the income of oil companies. Oil companies are subject to tax on any profits generated from exploring for, producing, or refining oil in Bahrain regardless of the company's place of incorporation.

### Payroll and Social Security Taxes:

Employers pay 10 % of payroll and the employees pay 5 % of earning for social insurance against old age, disability and death (for Bahraini employees only).

For workplace injuries, employers contribute 3 % of all employees' payroll. This is reduced to 1 % if the employer provides benefits and medical cover at employer-owned hospitals.

Companies with more than 50 employees must either provide an approved training scheme or pay a training levy of 1 % of Bahraini employee pay and 4 % for foreign employees.

### Individuals:

There is no income or wealth tax for individuals. The religious wealth tax (Zakat) is not levied in Bahrain.





### Capital Gains Tax:

There is no capital gains tax in Bahrain.

### Withholding Tax:

There are no withholding taxes on interest, dividends, fees or royalty payments.

### Stamp duty:

Stamp duty in Bahrain is payable at the rate of 3 % on the transfer value of title deeds. The amount payable will be discounted by 10 % if settled within three months from the purchase date.

### Sales Taxes:

The only sales tax is levied on gasoline.

### Other Taxes:

There is a municipal tax of 12 % on the rental of commercial property.





## Import and Export Regulations

### Export:

There are no taxes charged on exports from Bahrain. Exporting items to Israel is prohibited. There is a „negative list“ of products whose exports are prohibited.

### Import:

Licences are not required for the majority of imports, except armaments, ammunition and alcohol. There is a „negative list“ of products whose imports are prohibited. Importing items from Israel is prohibited.

Customs duties of 5 % apply to most dutiable imports. Imports from fellow GCC countries are exempt from duties. Customs duties are 125 % for alcohol and 100 % for tobacco.

## Business Practices

A foreign company would be well-advised to insist on a letter of credit (L/C) as the method of payment when dealing with private companies. Government agencies do not fail to honour their financial commitments, though some delays might occur due to red tape.

Source: [www.osec.ch](http://www.osec.ch), [www.bahrainedb.com](http://www.bahrainedb.com)

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