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Global Tax Alert

News from Transfer Pricing

Bahrain signs Multilateral Competent Authority Agreement for Country-by-Country Reporting

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Executive summary

On 22 December 2019, Bahrain signed the Multilateral Competent Authority Agreement for Country-by-Country Reporting (CbCR MCAA). The CbCR MCAA is a multilateral framework agreement that provides a standardized and efficient mechanism to facilitate the bilateral automatic exchange of Country-by-Country (CbC) reports. Bahrain can now be expected to introduce a domestic legal framework for CbCR.

Detailed discussion

As a member jurisdiction of the Inclusive Framework of the Organisation for Economic Co-operation and Development (OECD)/G20 Base Erosion and Profit Shifting (BEPS) project, Bahrain has committed to implementing the four minimum standards of the BEPS Action Plan, one of which is CbCR under BEPS Action 13. CbC reports contain information on the allocation of revenues, profits and other data of multinational entity (MNE) groups.

With the signing of the CbCR MCAA, Bahrain's authorities have a mechanism to provide CbC reports of Bahraini headquartered MNE groups to the tax authorities of all signatory jurisdictions in which such MNE groups operate.

Bahrain's authorities may also opt to receive, from signatory jurisdictions, CbC reports of foreign headquartered MNE groups with operations in Bahrain.

As a next step in the implementation of CbCR, Bahrain would need to put in place the necessary domestic laws to require the filing of CbC reports in Bahrain.

Implications

Bahrain's signing of the CbCR MCAA indicates that the introduction of CbCR rules are imminent. Considering this development, Bahraini headquartered MNE groups with

consolidated revenue in excess of the OECD recommended threshold of €750 million should monitor developments and be prepared to comply with a domestic legal framework for CbCR which can be expected to be put in place soon.

For Bahraini headquartered MNE groups that have filed CbC reports for previous reporting years in another jurisdiction, the potential implementation of CbCR in Bahrain could result in the filing location of the CbC report being moved to Bahrain. In this case, affected MNE groups will need to review their CbCR processes to ensure compliance with CbC reporting and notification requirements in Bahrain and all relevant jurisdictions.

For additional information with respect to this Alert, please contact the following:

Ernst & Young Middle East, Manama

- | | |
|----------------------|------------------------------|
| ▶ Paul Karamanoukian | paul.karamanoukian@bh.ey.com |
| ▶ Patrick Oparah | patrick.oparah@bh.ey.com |
| ▶ Shankar P B | shankar.pb@bh.ey.com |
| ▶ Joseph Pacelli | joseph.pacelli@bh.ey.com |
| ▶ Laverne Bacaser | laverne.bacaser@bh.ey.com |
| ▶ Ankit Bhutda | ankit.bhutda@bh.ey.com |

Ernst & Young LLP (United States), Middle East Tax Desk, New York

- | | |
|-------------|-------------------|
| ▶ Asmaa Ali | asmaa.ali1@ey.com |
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