

Bahrain issues guidance on Mutual Agreement Procedure

EY Tax News Update: Global Edition

EY's Tax News Update: Global Edition is a free, personalized email subscription service that allows you to receive EY Global Tax Alerts, newsletters, events, and thought leadership published across all areas of tax. Access more information about the tool and registration [here](#).

Also available is our [EY Global Tax Alert Library](#) on ey.com.

Executive summary

On 1 April 2020, the Bahrain National Bureau of Revenue issued [guidance](#) to help taxpayers and Competent Authorities (CAs) to use the Mutual Agreement Procedure (MAP) in resolving double tax treaty (DTT) disputes. The guidance supports Bahrain's commitment to implement the minimum standards of the OECD¹ BEPS² Action Plan.

Detailed discussion

Background and purpose of the guidance

The Final BEPS Report issued in 2015 contains measures that governments should implement to address the challenges of taxation in highly globalized economies. Action 14, one of the four minimum standards, is related to resolving international tax disputes through MAP.

MAP allows taxable persons to present their case to the CA of either of the countries that signed a DTT, if the person considers that the action taken by either country results or will result in taxation that is not in accordance with the provisions of the DTT.

The purpose of the issued guidance is to define steps, procedures and minimum requirements for initiating and conducting MAP.

Applicability

MAP can be initiated with respect to transfer pricing cases, anti-abuse provision claims, multilateral disputes and multi-year resolution cases.

MAP can be initiated if the following conditions are met:

- ▶ The issue or transaction relates to jurisdictions with which Bahrain has a DTT.
- ▶ It is apparent that the action resulted or will result in taxation that is not in accordance with the DTT.
- ▶ The MAP request is made within the deadline set out in the DTT.

All DTTs concluded by Bahrain to date contain MAP provisions.

High level steps and timeline for MAP

MAP requests must be submitted within the time limits specified in the DTT using a five-step process.

The Bahrain CA has up to 90 days to determine if the request is eligible to be processed for MAP purposes. The Bahrain CA will aim to resolve MAP cases within two years of receiving an application.

The guidance also provides a minimum level of detail that the MAP request should contain including additional requirements for transfer pricing and withholding taxes.

Implications

The purpose of DTTs is to support international trade by reducing double taxation. MAP is a process that encourages DTT partners to reach a consensus on double taxation issues. Bahrain's new rules set out a process that taxpayers may follow to seek the CA's involvement in resolving DTT issues.

Issuance of guidance represents another step in Bahrain's commitment to follow the international consensus on global tax policy.

Endnotes

1. Organisation for Economic Co-operation and Development.
2. Base Erosion and Profit Shifting.

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

Ernst & Young Middle East, Manama

- ▶ Paul Karamanoukian paul.karamanoukian@bh.ey.com
- ▶ Joseph Pacelli joseph.pacelli@bh.ey.com
- ▶ Patrick Oparah patrick.oparah@bh.ey.com
- ▶ Shankar P B shankar.pb@bh.ey.com
- ▶ Tomin Jose tomin.j@bh.ey.com
- ▶ Bojan Cepic bojan.cepic@bh.ey.com

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

- ▶ Asmaa Ali asmaa.ali1@ey.com

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2020 EYGM Limited.
All Rights Reserved.

EYG no. 002275-20Gbl

1508-1600216 NY
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com