BAHRAIN

LEGAL & TAX FRAMEWORK FOR INVESTMENT — SEPTEMBER 2026 EDITION

Bahrain is the only Gulf State covered in this series with **no general corporate income tax** — and yet the **first** to have transposed the 15% global minimum tax, effective for fiscal years beginning on 1 January 2025. This paradox is explained by a strained fiscal position: public debt exceeding 140% of GDP at end-2025 and a rating downgraded to B by Fitch in February 2026. Three points shape any establishment: the **actual tax regime** — light general law, a targeted minimum tax, an unenacted draft CIT; the **opening of share capital**, wide but not uniform across sectors; and the **architecture of the BCDR**, both a state court and an arbitration centre.

POPULATION **≈ 1.60 M** World Bank, 2025	CURRENCY **DINAR · BHD** pegged to the dollar at 0.376	GDP PER CAPITA **≈ USD 30,597** World Bank, 2025
GROWTH 2025 **+ 2.9%** IMF — 2026 anticipated + 3.3%	INFLATION 2025 **– 0.14%** mild deflation	PUBLIC DEBT **≈ 143-147% GDP** end 2025, Allianz/Fitch
SOVEREIGN RATING **B (FITCH)** downgraded February 2026	HYDROCARBONS **≈ 75%** of State revenue	

THE FIGURE THAT MATTERS IS THE BUDGET, NOT GDP

Public debt exceeded 133% of GDP in 2024 per the IMF; end-2025 estimates range from 142.5% (Allianz Trade) to 146.8% (Fitch), the latter describing it as the **second highest debt** among the sovereigns it rates. The discriminating figure is not the share of hydrocarbons in GDP (≈ 14% at constant prices) but their share of **budget revenue, around 75%** — the direct driver of the tax reforms under way.

A NATIONAL LAW, WITH NO UNIFORM REGIONAL LEGAL SPACE

No OHADA, and no equivalent. Company law is governed by **Decree-Law No. 21 of 2001**, substantially reformed by **Decree-Law No. 38 of 2025** (in force 12 September 2025: single- shareholder closed joint stock company, virtual general meetings, electronic voting, silent partnership abolished); arbitration, by Law No. 9 of 2015. **No general corporate income tax** — a regime rare in the region. **Free zones with a customs, not a tax, advantage**: Bahrain Logistics Zone, Bahrain International Investment Park, Bahrain Airport Free Zone — customs duty exemption, but no CIT exemption since there is none to exempt. A structural difference from the UAE model.

GENERAL REGIME AND THE DOMESTIC MINIMUM TOP-UP TAX: WHAT COEXISTS

	GENERAL REGIME	DOMESTIC MINIMUM TOP-UP TAX (DMTT)
Scope	Any company, outside hydrocarbons	Multinational groups ≥ EUR 750 m consolidated revenue, headquartered or operating in Bahrain
Rate	**0%** — no CIT	**15%** minimum effective rate
Legal basis	No general statute	Decree-Law No. 11 of 2024 (1 Sept 2024); Decision No. 172 of 2024
Effective date	—	Fiscal years beginning **1 January 2025**
Scope detail	—	🔑 **QDMTT alone** — no source shows the IIR or UTPR transposed. Never write "Pillar Two adopted" without this qualification.

⚠️ *A separate draft general 10% CIT (thresholds: revenue > BHD 1 m or net profit > BHD 200,000, targeted 1/1/2027) was referred to the legislature on 29/12/2025 and never officially published. NOT ENACTED to date — never present as settled.*

THE BCDR: A STATE COURT AND AN ARBITRATION CENTRE, NOT ONE OR THE OTHER

	BCDR COURT — MANDATORY JURISDICTION	ARBITRATION & MEDIATION CENTRE — CONSENSUAL
Nature	State court	Classic arbitral institution
Jurisdiction	Mandatory above **BHD 500,000** involving a CBB-regulated financial institution, or of an international commercial nature	Parties consent via an arbitration clause
Watch point	Parties do not consent: they are brought before it	🔴 AAA partnership ended 2022 — **"BCDR-AAA" is outdated**

Created by Decree No. 30 of 2009 (last amended by Decree No. 26 of 2021). Arbitration rules revised 2010 → 2017 → 2022. Law No. 9 of 2015 closely follows the 1985 UNCITRAL Model Law (2006 amendments). New York Convention since 6/4/1988, reciprocity and commerciality reservations.

CORPORATE FORMS AND USUAL STRUCTURING

FORM	REGIME	TYPICAL USE
WLL	1 shareholder minimum. **No statutory minimum capital** — in practice, paid-up capital sufficient for banking and visas.	The most common form
BSC(c) — closed JSC	Capital in the order of **BHD 50,000** (to be confirmed on file, a higher threshold sometimes cited for regulated activities).	Larger projects — single shareholder permitted since 2025
BSC — public JSC	Minimum capital of **BHD 1,000,000**.	Fundraising, listing
Branch	Registration via **Sijilat**, security screening by the Ministry of Interior.	Performance of a contract, presence without a subsidiary

TAX REGIME — THE ESSENTIALS

TAX	RATE	DETAIL
Corporate income tax	NONE	No general corporate income tax.
Oil and gas	46%	Of net profit.
Domestic minimum top-up tax	15%	Decree-Law No. 11/2024. Groups ≥ EUR 750 m. Fiscal years from 1/1/2025. **First Gulf State.**
VAT	10%	5% since 1/1/2019, **doubled 1/1/2022**.
Withholding tax	NONE	Dividends, interest or royalties.
Personal income tax	NONE	No PIT.
Social insurance — nationals	26%	18% employer (raised from 15% on 1/1/2026) + 8% employee. Ceiling BHD 4,000/month.
Social insurance — expatriates	4%	3% employer + 1% employee — a considerable cost gap.
Excise duties	50-100%	Tobacco/energy drinks 100%, soft drinks 50%.
Customs duties	5% CIF	Up to 225% alcohol, 200% cigarettes.
Real estate registration	2%	Reduced to 1.7% if paid within 2 months.

Tax sources: PwC Worldwide Tax Summaries — Bahrain; EY; KPMG; DLA Piper.

FOREIGN INVESTMENT AND FOREIGN EXCHANGE

The principle. 100% foreign ownership for approximately **95% of commercial activities**. **Capped at 49%**: construction, maritime agencies, private security. **Local shareholder required**: retail, restaurants, travel services, maritime and air transport. Procedure via **Sijilat**, Ministry of Interior security screening; timelines from 3 weeks (unregulated) to 60 days (CBB-regulated). **Real estate**: full foreign ownership in designated zones (Amwaj, Juffair, Seef, Reef Island, Bahrain Bay, Durrat Al Bahrain), lease up to 99 years elsewhere, regulator RERA.
FX — a dinar pegged since 1980. Parity **BHD 0.376 to USD 1**, unchanged since 1980 (primary CBB source). 🔑 **No restrictions** on capital movements, foreign exchange, foreign trade or foreign investment — the central bank itself describes Bahrain as a free market economy. Full repatriation guaranteed in free zones.

SECURING THE INVESTMENT — THREE UNDERESTIMATED POINTS

1. The minimum top-up tax does not target only Bahrain-headquartered groups. It also applies to foreign groups with mere operations in Bahrain (branch, permanent establishment) once the EUR 750 m threshold is met — a modest subsidiary of a large group can fall within scope, while no comparably sized local company is taxed at all.
2. The open / capped / local-only split is checked before negotiation. The 100% opening for 95% of activities leaves a residue of closed or capped sectors — building a structure on a general assumption of full openness risks a mid-negotiation restructuring.
3. A clause targeting the BCDR must specify which of its two functions it aims at. Above BHD 500,000 with a regulated financial institution involved, parties do not consent — they are brought before it. A poorly drafted clause can end up before the BCDR Court unintended.

LIGHT TAXATION, REAL SOVEREIGN RISK: READ TOGETHER

The absence of CIT is not a neutral macroeconomic backdrop: debt above 140% of GDP and the B rating (Fitch, February 2026) are the direct driver of the reforms under way — the minimum top-up tax and the draft 10% CIT. An investor structuring a long-term establishment should factor an evolving tax framework into its horizon, without giving up Bahrain's genuine advantages — no exchange restrictions, a mature financial hub, wide openness of capital. A favourable point worth knowing: unlike Saudi Arabia, where interest is in principle unenforceable, Bahraini law expressly allows it (Commercial Law No. 7 of 1987, art. 81) — a genuine selling point for financial clauses.

OUR SUPPORT IN BAHRAIN

UGGC Africa supports you in Bahrain through its pan-African platform. Characterising the actual tax regime, sector-by-sector opening of share capital, drafting clauses targeting the BCDR. Contact: **africa@uggc.com** — uggcafrica.com

Disclaimer. This factsheet is provided for general information purposes, as at September 2026; it does not constitute legal or tax advice and cannot bind UGGC Africa. Rates, free zone regimes and foreign ownership rules change rapidly in the Gulf — any investment decision calls for a tailored analysis. **Sources:** Central Bank of Bahrain, PwC Worldwide Tax Summaries, Bahrain Chamber for Dispute Resolution, UNCITRAL, International Monetary Fund, Fitch Ratings, World Bank.