

## VAT for beginners- Part 5

# Preparing for Value Added Tax in Bahrain



By Gaurav Khurana  
Dhruva Advisors – Bahrain  
Ph: +973 34423043  
Email: gaurav.khurana@dhruvaadvisors.com

## 13. What is the importance of VAT invoicing?

- VAT invoicing is important for both sides of business transactions: sales and purchase.
- From a sales perspective, the prescribed details should be reflected in the VAT invoice to be issued by the business.
- Non-issuance of a proper VAT invoice would result:
  - in non-compliance with local law requirements and may lead to penalties
  - Discrepancies with or rejection of invoice by the Buyer.
- From a purchase perspective, if the vendor issues incorrect VAT invoices, this would disentitle the business to take input tax credit.
- Invoices play a very important role in VAT system of taxation

## 14. Requirements to maintain accounting and business records?

- Broadly, accounting and records are important to consider under a VAT regime.
- With VAT coming in, new accounts are to be created to record VAT payable and VAT receivable
- Records and invoices will form the basis of a VAT assessment (check whether due tax has been paid by a business entity) which will be undertaken by government / Tax authorities.
- Under the GCC agreement, the general requirement for maintaining accounting records is 5 years from the end of the year. This limit can however be increased by the member states.
- In KSA, archiving accounting records extends up to 20 years for capital goods.

## 15. How are advances, discounts, price adjustment, sales return, Bad debts treated under VAT?

- **There will be specific rules & regulations to address these scenarios.**
- **Under the GCC agreement, following is provided:**
  - Advance – VAT will be payable on receipt of advance. Hence at the time of actual supply billing needs to be done in a manner to avoid double payment of tax
  - Sales return – VAT is normally refundable or adjustable in this case. However it has to be ensured that VAT is also paid back to the Buyer before claiming the refund / adjustment
  - Discounts – No VAT on amount of discounts allowed to a Buyer i.e. Buyer pays value of supply less discount
  - Price adjustment – Normally VAT will also be adjusted subject to fulfillment of prescribed conditions
  - Bad debts – VAT paid earlier will be refunded / adjusted on any amount written off as Bad debt. Prescribed procedure needs to be followed and supporting documentation retained for VAT assessment purposes.

*(This is part 5 of a multi-part series presented by award-winning VAT Experts Dhruva Advisors – Bahrain. Part 6 of the series will be published on Wednesday)*

\*\*\*This series is only for educational purposes. To receive advice for a specific business scenario, please consult a tax expert.

# 'May Queen 2018' contest announced

DT News Network  
reporter@dt.bh

The annual Indian Club 'May Queen' beauty contest will be held on 3rd May, officials announced yesterday. The beauty pageant is open to all contestants over 16 and who are resident in Bahrain.

"There is no restriction on nationality, we are welcoming as diverse an entry list as possible as in past years," Ashok Kumar,



Officials during the press conference

Chief Co-ordinator told reporters during a press conference held at the Indian Club. The format of

the event will be similar to that in the previous years with three rounds, casual-wear, ethnic or

national costume, party-wear to qualify for a final 'Question and Answer' round.

Awards will be for The Indian Club May Queen 2018, 1st Runner-Up, 2nd Runner-

Up, Best Smile, Best Hairdo, Best Walk and Members' Choice.

Commenting, Cassius Pereira, President of The Indian Club said the club expects a big crowd for the contest held at its premises in Gudaibiya. "The audience will be treated to a spectacular stage show, including a number of traditional and modern dance routines by talented local performers," he added.