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Bahrain Tax Alert

Updates to the VAT General Guide Version 1.15

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GCC@acquisory.com

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Executive Summary

On 29 July 2026, the National Bureau for Revenue (NBR) of the Kingdom of Bahrain updated VAT General Guide by publishing version 1.15. The update is limited to two sections of the Guide: Section 10.3, which addresses the information required in a VAT invoice, and Section 11.8.4, which covers changes in the use of capital assets.

For the changes in the VAT invoicing, the NBR has clarified on the details required in the description of supplies on a VAT invoice. Further, the NBR has expanded its guidance on the capital assets scheme by elaborating the concept of capital expenditure and how the input tax can be recovered on such expenses. The guide further clarifies that additional costs directly attributable to the acquisition, construction, or improvement of a capital asset are treated as separate capital assets, each with its own useful life for the purposes of the capital assets scheme. The Guide also includes a few illustrations of how the change-in-use adjustment should be applied.

Taxpayers should accordingly review their VAT invoicing, capital expenditure accounting, and input tax recovery processes to ensure compliance with the updated guidance and make any necessary changes to their systems and procedures.

UPDATES TO THE VAT GENERAL GUIDE

Section reference	Amendments
Section 10.3 – Requirements for a VAT invoice and simplified VAT invoice	<u>Minimum details required under description</u> The NBR has expanded the invoicing requirements by introducing additional guidance on the description of supplies. While a description of the supply continues to be a mandatory requirement for both full and simplified VAT invoices, the updated Guide now clarifies the minimum level of details to be present under the description column. The minimum level of details are as follows:- • Description of the supply must be sufficiently detailed to clearly identify the nature of the goods or services provided. This will allow the correct VAT treatment to be clearly determined; • For supplies relating to the construction of a new building, the VAT invoice must include the building permit number for the relevant project.

UPDATES TO THE VAT GENERAL GUIDE

Section reference	Amendments
Section 11.8.4 - Change in use – capital assets scheme	<u>Examples of the tangible and intangible assets</u> Tangible assets include Buildings, equipment and machinery, vehicles, servers etc. whereas intangible assets include software license and long term subscription <u>Insertion of a para on capital expenditure</u> It has clarified that capital expenditure refers to the expenditure incurred for acquisition, construction or enhancement of capital assets. Few of the examples for capital expenditure are • acquisition of land; • acquisition, construction, refurbishment, fitting-out, alteration and extension of buildings or parts of buildings; • infrastructure projects such as roads, pipelines or structural works where the expenditure relates to the acquisition, construction or improvements of such assets; • Computers and its equipment acquired for long term use; and • servers, machinery and other business equipment

UPDATES TO THE VAT GENERAL GUIDE

Section reference	Amendments
Section 11.8.4 - Change in use – capital assets scheme (contd.)	<u>Treatment of the additional costs</u> Additional costs that are directly attributable to the acquisition, construction, or improvement of a capital asset are treated as separate capital assets for VAT purposes. The useful life of each such asset must be determined and accounted for independently. <u>Recovery and adjustment</u> Input VAT incurred on capital expenditure is recoverable only to the extent that the underlying capital asset is used to make VATable supplies. Where the use of the asset changes over time, the recoverable amount must be adjusted in accordance with Article 60 of the VAT Executive Regulations.

WAY FORWARD FOR BUSINESSES

Version 1.15 of the VAT General Guide does not change the Bahrain VAT framework but clarifies on the minimum details required under description of supplies mentioned on the VAT invoicing. It also explains the capital expenditure which and how it needs to be considered under the capital assets scheme along with the recovery of input tax on such expenditures.

Taxpayers should review their VAT invoicing processes to ensure that invoice descriptions provide sufficient detail to support the applicable VAT treatment and, where relevant, include the building permit number for supplies relating to the construction of new buildings. Businesses should also reassess their capital expenditure and capital asset accounting along with its VAT adjustment processes to identify if the recovery of input tax applied under the capital asset scheme is in line with the update guide.

Our Offices

UAE

Dubai Office 604, Bay Square 11,
Business Bay,
P.O. Box: 118767, Dubai, UAE
+971 4576 5098
GCC@acquisory.com

INDIA

Delhi-NCR 1116, 11th Floor, WTT,
C-1, Sector 16,
DND Flyway, Noida – 201301
T: +91 120 614 300
Fax: +91 120 6143033

Mumbai
102, 1st Floor, Naman Centre, BKC, Near MMRDA Parking,
Bandra East, Mumbai City, Maharashtra, 400051
T: +91 22 68648100
Fax: +91 22 68648132

Bengaluru Unit 1003-1004, 10th Floor,
Prestige Meridian - II,
Mahatma Gandhi Rd, Ashok Nagar,
Bengaluru,
Karnataka, 560025

GCC@acquisory.com www.acquisory.com

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