ACQUISORY
Your Growth, Our Business

TAX ALERT - Kingdom of Bahrain

National Bureau for Revenue issues comprehensive DMTT Transfer Pricing Guide

June 2026

GCC@acquisory.com

www.acquisory.com

Executive Summary

On 8 June 2026, the Kingdom of Bahrain's National Bureau for Revenue (NBR) published Version 1.0 of its Domestic Minimum Top-up Tax (DMTT) Transfer Pricing Guide. (Guide).

The Guide formally aligns Bahrain's tax enforcement with international standards by adopting the OECD Transfer Pricing Guidelines. It mandates that all cross-border transactions between related parties, within the same Multinational Enterprise (MNE) Group adhere to the arm's length principle. Additionally, the NBR has introduced mandatory, two-tiered documentation requirements consisting of a Master File and a Local File. While domestic transactions generally fall outside the scope of these regulations, a critical exception is carved out for asset sales or transfers between domestic group members.

In-scope businesses must quickly execute gap analyses, update intercompany agreements, and establish robust benchmarking to mitigate financial adjustments and compliance risks.

Scope and Applicability

The transfer pricing (TP) rules apply to members of MNE Groups that fall within the scope of the DMTT Law. Under the NBR's guidance, the rules govern transactions or arrangements between:

- Constituent Entities belonging to the same MNE Group.
- Joint Ventures (JVs) and JV subsidiaries, provided the Ultimate Parent Entity (UPE) of the JV structure is also the UPE of the MNE Group.

The NBR defines all such qualifying entities as **related parties**.

Arm's length principle

To demonstrate compliance, taxpayers must treat related entities as independent companies. The NBR outlines a multi-step verification process rooted in a detailed comparability analysis across five core factors:

- **Contractual Terms**: Written agreements serve as the initial baseline. However, where actual conduct diverges from written contracts, or where no formal contract exists, the NBR will evaluate the transaction based entirely on the actual behavior of the parties.
- **Functional Analysis**: Taxpayers must map out the functions performed, assets employed, and risks assumed. The Guide reinforces that entities taking on greater strategic risks or contributing valuable assets are economically entitled to higher returns.

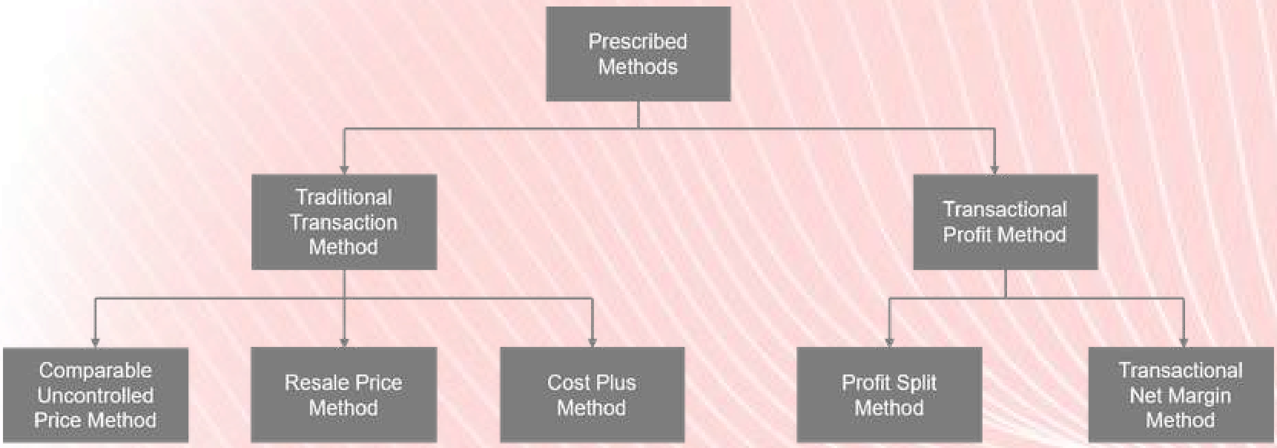
- **Characteristics of property/services**: Specific nuances of the transferred goods or services must be analyzed to establish open-market equivalence.

- **Commercial and economic circumstances**: Geographic locations, market sizing, supply-demand dynamics, and regional regulatory pressures must be accounted for during benchmarking.

- **Business strategies**: Market penetration tactics, innovation cycles, and temporary risk-bearing choices are recognized as valid commercial justifications for altered profit margins.

TP Methods

The NBR accepts the five standard OECD TP methods, mandating a most appropriate method selection process:



TP Documentation

The introduction of a standardized, mandatory documentation package is the most critical compliance addition. MNEs must prepare and maintain:

- **Master File:** Provides a high-level blueprint of the MNE Group's global economic, legal, financial, and tax frameworks. It must detail top revenue-generating supply chains (accounting for 5% or more of group turnover), central financing functions, overall R&D strategies, and global intangible asset allocations.

- **Local File:** A granular, entity-level document focused squarely on Bahrain-specific controlled transactions. It requires detailed local management reporting structures, transaction values, comparability/functional analyses, allocation schedules tying TP models back to annual financial statements, and copies of all material intercompany agreements.

Domestic Transactions

The Guide confirms that general transactions between domestic entities located inside Bahrain are out of scope. However, the NBR has established an important exception: any domestic sale or transfer of an asset between related parties must reflect the arm's length principle. Any loss resulting from an unaligned domestic asset transfer will be adjusted by the tax authorities when calculating Constituent Entity income or loss.

This exception signifies that MNEs can no longer rely on generic regional documentation and they must produce a localized Bahrain Master File and Local File. Furthermore, corporate restructurings or asset flips within Bahrain group companies are now subject to immediate arm's length valuation checks.

Recommended Next Steps

- **Review all existing group transfer pricing documentation** against the specific Master File and Local File requirements outlined in the Bahrain Guide.
- Review and update **intercompany agreements.**
- Initiate **economic searches** using appropriate databases to establish arm's length ranges for interest rates, service fees, and profit margins specific to the Bahraini commercial environment.
- Review any planned or historical **domestic transfers of assets** to ensure that pricing aligns with open-market valuations.
- **Configure accounting software** to track and validate that intercompany transactions match the values reported in local documentation, avoiding discrepancies during DMTT computations.

How can we help?

Our TP team is positioned to help your business navigate Bahrain's shifting regulatory landscape. We provide tailored support across all stages of TP including:

- Executing comprehensive **TP gap analysis** to identify compliance exposures between global policies and the new Bahrain rules
- Preparing fully compliant **Master Files and Local Files** tailored to the NBR's specific regulatory requirements.
- Performing **localized economic benchmarking** and functional analyses to justify cross-border transaction pricing.
- **Advisory** on the tax implications of domestic asset transfers and structural reorganizations.

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

Celebrating 15 Years of Learning & Growth