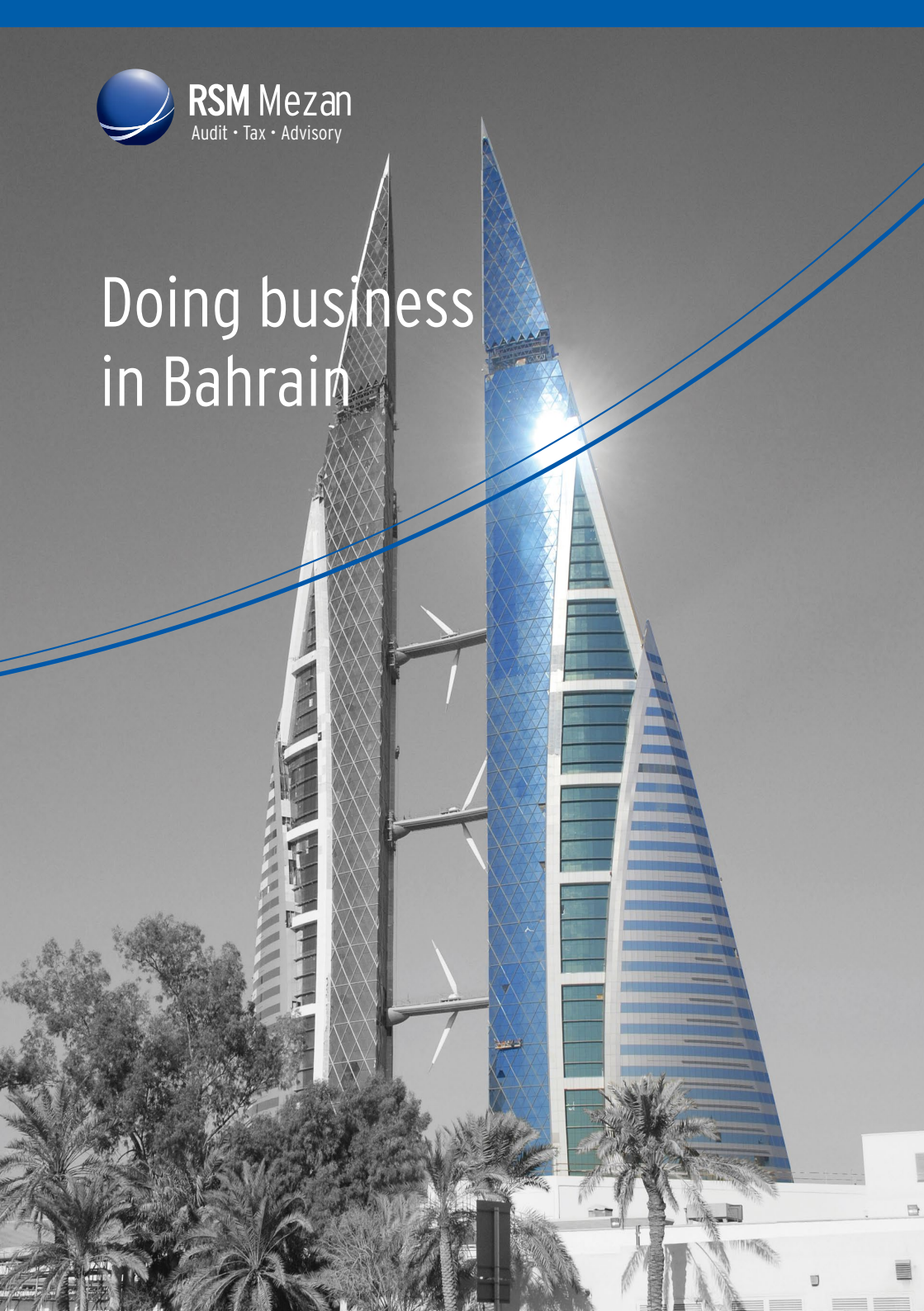




RSM Mezan
Audit • Tax • Advisory

Doing business in Bahrain



Foreword

The aim of this publication is to provide general information about doing business in Bahrain and every effort has been made to ensure the contents are accurate and current. However, tax rates, legislation and economic conditions referred to in this publication are only accurate at time of writing. Information in this publication is in no way intended to replace or supersede independent or other professional advice. Copies of this booklet or additional information can be obtained from RSM Mezan.

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About RSM Mezan

RSM Mezan is a leading audit and advisory firm in Bahrain and Qatar delivering exceptional services since 1991. Our firm consists of experienced professionals across two offices united by a strong entrepreneurial spirit and a unique client-centered approach.

Whenever in the world your business is going, you need constant access to rapid, relevant answers and a fast-moving team on your side. RSM is one of the world's leading audit, tax and advisory networks of independently owned and managed and professional services firms.

Our Vision

To be the provider of choice to internationally active growing organisations who are looking for accounting, consulting and specialist advisory services that will create lasting success and help them reach their goals.

Our Mission

We will consistently add value to all of our stakeholders by supporting the sustainable growth of our business, supporting the continuous development of human talent at our firm, and strengthening and expanding our quality and service capabilities.

Our Values and Principles

- **Excellence** comes as standard
- **Trust** is assured
- **Quality** is paramount
- **Teamwork** is second nature
- **Agility** is instinctive
- **Stability** is key

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About RSM International

RSM International is the world's 7th largest network of audit, tax and advisory firms and the 6th largest global provider of tax services. The network has fully independent member firms and correspondents in 111 countries (as at September 2014). The member firms have a combined total of 35,396 staff including 3,221 partners in 718 offices.

RSM member firms vary in size, structure and age, but they are united under the RSM brand and share a strong entrepreneurial spirit and a unique client-centered approach. Many of our member firms are within the top seven in their national markets. Our members understand their local culture and traditions, they are experts in national rules and regulations and have in-depth knowledge of the services, sectors and economy in their countries.

Above all, member firms maintain the highest standards of technical excellence with a focus on providing outstanding service to clients.


RSM International and its member firms are full members of the Forum of Firms. The Forum of Firms is an association of international networks of accounting firms that perform audits of financial statements that are or may be used across national borders. The Forum's goal is to promote consistent and high quality standards of financial reporting and auditing practices worldwide.

Global Services

RSM member firms have extensive experience with all sizes of clients and types of assignments, ranging from large publicly listed and public sector clients through to owner-managed, director controlled businesses.

In addition to the traditional service lines of audit & assurance, accounting and tax, RSM member firms also provide a diverse range of business solutions and consulting services. These include corporate finance and transaction support, cross-border tax and expatriate services, corporate governance and risk assurance services and business restructuring, outsourcing and general management consultancy.

- Audit & Accounting
- Advisory
- Restructuring
- Risk
- Tax
- Transaction Services



In a world of different cultures, it's good to have advisors who are consistent everywhere.

RSM International is seventh largest network of independent accounting and consulting firms worldwide. RSM International is represented in 111 countries and brings together the talents of 35,396 individuals. RSM member firms are driven by a common vision of providing high quality professional services to ambitious and growing organisations.

1. General

Country profile

Geography

The Kingdom of Bahrain is an archipelago of 36 islands in the Persian Gulf (Middle East), east of Saudi Arabia. The capital, Manama, is on the main island of Bahrain, which contains most of the population and is linked to Saudi Arabia by a 24 km causeway. Qatar is to the southeast across the Gulf of Bahrain.

Area

Bahrain covers an area of 750 sq km (290 sq mi), about four times the size of Washington, D.C. The highest point of elevation is Jabal Al-Dukhan with hills up to 134 m (440 ft) above sea level.

Climate

Bahrain's weather has two distinct seasons, a moderate winter and an extremely hot summer. It is usually quite humid throughout the year. The temperature from November until April averages between 15°C (59°F) and 24°C (75°F). The weather could be colder from December to March. From May to October the weather is hot with an average temperature ranging between 30°C (86°F) and 45°C (113°F). The precipitation is quite low, as the average annual rainfall is 70.8 mm, and thus most of it occurs during the winter months.

Population

In 2011, Bahrain's population stood at 1.195 million, out of which more than 610,000 (51%) were non-nationals. The population of Bahrain has been steadily growing, increasing by almost two percent a year.

Ethnic groups

About two-thirds of the population is ethnically Arab, and most are native-born Bahrainis, but some are from neighboring Arab countries. Foreign-born inhabitants, comprising more than one-third of the population, are mostly from Iran, India, Pakistan, Britain, and the United States. About three-quarters of the Labour force is foreign.

Language

Arabic is the official language of Bahrain though English is widely used and is a compulsory language at all schools. Other languages are spoken among expatriates in Bahrain, including Farsi, Urdu, Hindi, and Tagalog.

Trade

Exports: US\$20.69 billion (2013 EST); mainly petroleum and petroleum products, aluminum, textiles.

Imports: US\$14.41 billion (2013 EST); mainly crude oil, machinery, chemicals, food.

Economy

Bahrain is one of the most diversified economies in the Persian Gulf. Highly developed communication and transport facilities make Bahrain home to numerous multinational firms with business in the Gulf. As part of its diversification plans, Bahrain implemented a Free Trade Agreement (FTA) with the US in August 2006, the first FTA between the US and a Gulf state. Over the last four decades, Bahrain has diversified its economy away from oil more rapidly than any other Gulf State, supporting steady and stable economic growth. Other major economic activities are production of aluminum (Bahrain's second biggest export after oil), finance, and construction. Bahrain competes with Malaysia as a worldwide center for Islamic banking.

Currency

Bahraini Dinar (BD); (The BD is pegged with the US\$ at US\$1=BD0.376)

GDP

GDP at current prices: US\$32.788 billion (2013 EST.)

GDP per capita: US\$ 24,763.30 (2012)

CPI

Inflation rate: 3.3% (2013)

Foreign reserves

Foreign exchange and gold: US\$5.36 billion (2013 EST.)

FDI

Stock of FDI - at home: US\$17.81 billion (2013 EST.)

Stock of FDI - abroad: US\$10.86 billion (2013 EST.)

Government

Framework

Bahrain is a constitutional hereditary monarchy headed by the King, His Majesty King Hamad bin Isa Al-Khalifa. The head of government is the Prime Minister, His Royal

Highness Prince Khalifa bin Salman Al-Khalifa, who presides over a cabinet of twenty-five members, all of whom are appointed by the king, and 80% of its members are from the royal family.

Bahrain has a bicameral legislature with a 40-member lower house, the Chamber of Deputies, elected by universal suffrage to serve four-year terms, and a 40-member upper house, the Consultative Council (Shura), appointed by the king.

Legal system

Bahrain's legal system is a mixed system of Islamic law (Shari'a), English common law, Egyptian civil, criminal, and commercial laws, and customary law (Urf). The highest court in the country is the Court of Cassation. The judiciary is independent with right of judicial review.

Administrative divisions

Bahrain is split into four governorates. Each is administered by an appointed governor.

1. Capital Governorate
2. Muharraq Governorate
3. Northern Governorate
4. Southern Governorate

Local customs

National holidays

Bahrain celebrates a number of public holidays, some of which are celebrated according to the Islamic calendar and some of which are celebrated according to the Gregorian calendar. The Islamic calendar consists of twelve lunar months, the beginnings and endings of which are determined by the sighting of the crescent moon. In view of that, Islamic holidays (*) are timed according to local sightings of various phases of the moon and the dates given below are approximations and will change from year to year.

New Year's Day: January 1

Birth of the Prophet: January 2, 2015*

Labour Day: May 1

Eid Al Fitr: 17 - 19 July, 2015*

Eid Al Adha: 23 - 25 September, 2015*

Al Hijra New Year: 14 October, 2015*

Ashura: December 22 - 23 October, 2015*

National Day: 16 - 17 December

* Subject to change

Weekly holidays

Friday and Saturday

Business hours

Local time: GMT + 3 hours

Government offices: 07:00 - 14:00 Sunday - Thursday (closed Friday & Saturday)

Private sector: Generally 08:00 - 18:00 Sunday - Thursday

2. Type of Business Entities - companies

General Partnership Company

A general partnership must be comprised of two or more Bahraini nationals; foreign investors can participate in partnerships, but Bahraini National participation must be at least 51%. In a partnership, the liability of the partners is unlimited, and they are jointly and severally liable with respect to the partnership's obligations to the entire extent of their assets. The name of the partnership must consist of the name of one or more of the partners adding thereto the words "& Co." or an indication that a partnership exists.

Limited Partnership Company

A limited partnership is comprised of at least one general partner and one limited partner. The extent of a limited partner's liability for the partnership's commitments is restricted to the amount of capital invested by the limited partner in the partnership. A limited partner may not participate in the management of the business and if this is done, the limited partner will be jointly and severally liable for the partnership's liabilities in the same way as the general partners. All general partners must be Bahraini nationals and at least 51% of the capital must be owned by Bahraini partners.

Association in Participation ('Joint Venture')

Also known as a joint venture, an association in participation, is a company that does not enjoy a separate legal personality. Joint ventures are formed by the conclusion of a Memorandum of Association specifying the rights and obligations of the partners and the division of profits and losses. Joint ventures are not subject to any prescribed formalities.

Joint Stock Company

A joint stock company is a pure shareholding company in which all of the members are liable for company debts to the extent of the nominal value of their shares. This type of company can take the form of an exempt joint stock company, a closed joint stock company or a public joint stock company. While the public joint stock company requires a minimum of 51% Bahraini ownership, the exempt and closed joint stock companies may be 100% foreign owned. All forms of the joint stock company must maintain permanent offices in Bahrain.

Public stock companies may only be established by permission from Ministry of Commerce. Two founding shareholders are required in order to establish a public stock company. Together they must subscribe for a minimum of 10 percent of the shares of the company.

Closed stock companies are formed in the same manner as public stock companies. Five founding shareholders are required to establish a closed stock company. The minimum share capital of a closed stock company is BD 250,000.

Limited Partnership by Shares

A partnership limited by shares consists of at least one general partner and at least ten shareholders. Management is the responsibility of the general partners and they are liable, to the extent of their entire assets, for the debts and commitments of the partnership. The shareholding partners are not responsible for the debts of the partnership, except to the extent of the value of their shares in the partnership. Shareholding partners may not interfere in the management of the partnership, and if they do so, they are personally liable for losses caused as a result thereof.

Limited Liability Company

The limited liability company, a shareholding company in which the shares are not open to public subscription, is one of the forms of doing business most commonly used by foreign investors. The company must have at least two and no more than fifty shareholders who are liable for the debts of the company only to the extent of their respective interest in the capital. At least one shareholder must be a Bahraini national, and the total shareholdings by Bahrainis may not be less than 51%. The words "With Limited Liability" must follow the name of the company. Limited liability companies may not engage in banking, insurance or brokerage activities.

Single Person Company

A single natural or corporate person, Bahraini or non-Bahraini, may incorporate a one-person company. The proprietor of the capital of the company shall not be liable except to the extent of the capital allocated for the company.

The minimum capital requirement for the establishment of this company is BD50,000, and the owner's liability is limited to the said amount. The company may be managed by the owner of the capital or by a Manager. A single person company shall not undertake insurance or banking activities or the investment of funds for the account of third parties. The company may not be established or its capital increased or borrowing made for its account through public subscription. The company may not issue negotiable shares or bonds of any kind. The owner of the company's capital shall separate his own financial account and the company's capital. The incorporation formalities of a one person company are similar to that of a W.L.L. company.

Holding Company

A holding company is a company that is incorporated to own shares in Bahraini or foreign, joint-stock companies or limited-liability companies. A holding company is permitted to own more than 50% of the capital of its subsidiary, and it may take the form of a joint stock company (public/closed), limited liability company, or single person company.

Foreign investment entities

A foreign investor may operate as a limited liability company, single-person company, closed joint stock company, branch office, regional office, or holding company. The choice of legal vehicle is based on the size of the company and investors' requirements.

One hundred percent foreign ownership is permitted in certain circumstances and for certain activities. Otherwise, foreign ownership may be limited to 49%. Examples of sectors open to 100% foreign investment include technology, tourism, healthcare, education, manufacturing, and business services.

Audit requirements

The Bahrain Commercial Companies Law requires all joint stock, limited liability, and single person companies to perform an annual audit.

For financial institutions quoted on the Bahrain Bourse (BHB), there is an additional requirement to publish quarterly financial statements reviewed by their external auditors. Every joint stock companies quoted on the BHB are required to hold an Annual General Meeting within six months from their year end. For banks this period is reduced to three months.

Dissolution and liquidation of business entities

The Commercial Companies Law contains provisions relating to the winding-up and liquidation of companies and the dissolution of partnerships and other entities. Article 320 specifies the various instances necessitating the dissolution of solvent entities, as follows:

1. On the expiry of its specified term unless the company's memorandum or articles of association provides for its renewal.
2. On achieving the objectives for which the company was incorporated.
3. Upon the destruction of all or most of its assets to the extent that it becomes useless for it to continue.
4. Upon the unanimous resolution by all partners to dissolve it before the expiry of its term, unless the company's memorandum or articles of association provides for certain majority.
5. On the merger of the entity with another entity.

Also, the commercial registration of the company can be struck off by a substantiated decision adopted by the Ministry of Industry and Commerce, if the entity does not

undertake its activities for one year from the date of the completion of its incorporation procedures or if it suspends its activities for a continued period exceeding one year without acceptable justification.

For insolvent entities, which are unable to proceed with conducting business as a result of incurring substantial losses, or as a result of the loss or destruction of all or a substantial part of their assets, the guidance on winding-up is as follows:

- A partnership may be dissolved when one of the partners is declared bankrupt or insolvent.
- Detailed rules regulate the appointment of liquidators and the liquidation process. Liquidators are obliged to notify creditors of the commencement of the liquidation and to invite them to submit their claims. Liquidators may also advertise for creditors if the identity and domicile of the creditors are not known.
- The law provides that the costs and expenses of the liquidation will take priority over the debts owed to the company's creditors. Following the payment in full of all debts owed to creditors, the remaining assets of the company are divided among the company's shareholders pro rata to their respective holdings.

Annual statutory filing

A company's financial statements, its directors' report, and the auditor's report must be filed with the Directorate of Company Affairs at the Ministry of Industry and Commerce.

Financial institutions are required to file with the Central Bank of Bahrain, annual accounts within three months of the year end, and quarterly financial reports within two months of each quarter end.

3. Taxation - overview of Bahrain's system

Corporate Taxation

There is no corporate tax on companies, except for oil, gas and petroleum companies which are engaged in exploration, production, or refining, regardless of their place of incorporation. The tax rate is 46% of net profits generated in Bahrain.

Personal Taxation

There is no income tax for individuals.

Social Insurance Tax

Social insurance contributions (which cover old age, disability, and death) are payable for Bahrainis at a rate of 15% of basic wages of which 9% is the employer's contribution and 6% is the worker's contribution. An additional 3% of basic wages, borne by the employer, is paid for all workers (both Bahrainis and expatriates) to provide cover against employment injuries. All employees also contribute 1% to cover unemployment.

Payroll Tax

Companies with more than 50 employees must either provide an approved training scheme or pay a training levy of 1% of the salaries of Bahraini employees and 3% on the salaries of expatriate employees.

Indirect Taxes

Withholding Tax

There are no withholding taxes on interest, dividends, fees or royalty payments.

Sales Tax

Sales tax applies to gasoline sales only, which is levied at a rate of 12%. In addition, a 5% government levy on gross turnover is imposed on hotel services and entertainment.

Municipal Tax

A municipal tax of 10% is levied on the rental of commercial property and residential property occupied by expatriates.

Stamp Duty

Stamp duty is levied on property transfers on the basis of the transfer value of title deeds as follows:

Up to BD 70,000: 1.5%; from BD 70,000 to BD 120,000: 2%; above BD 120,001: 3%

(The amount payable will be discounted by 10% if settled within three months from the purchase date).

Double taxation agreements

Bahrain has signed treaties for the avoidance of double taxation and prevention of fiscal evasion with the following countries:

Algeria, Austria, Barbados, Belarus, Belgium, Bermuda, Brunei, Bulgaria, China, Czech Republic, Egypt, Estonia, France, Hungary, Iran, Ireland, Isle of Man, Jordan, Korea, Lebanon, Luxemburg, Malaysia, Malta, Mexico, Morocco, Netherlands, Pakistan, Philippines, Seychelles, Singapore, South Africa, Sri Lanka, Sudan, Switzerland, Tajikistan, Thailand, Turkey, Turkmenistan, United Kingdom, Uzbekistan, and Yemen.

Tax filling and payment deadlines

Companies are required to file an estimated income tax declaration on or before the 15th day of the third month of the tax year (calendar year). Tax must be paid in 12 monthly installments.

Social insurance tax returns must be filed and paid monthly.

4. Employment

Foreign Visa

Visas are required by all visitors to Bahrain except passport holders of the Gulf Cooperation Council (GCC) States. All other visitors require one of the following visas.

Two Weeks Tourist Visas

Applicants must possess valid, up-to-date passports and a return or onward ticket. A visa fee of BD 5 (\$12) is applied and can be obtained at entry at the Bahrain International Airport. Tourist visas don't allow visitors to engage in any employment.

72 hour / 7 day Visas

Obtained on arrival at the Bahrain International Airport or at the King Fahad Causeway. In addition to a passport, the passenger must have a confirmed return/onward journey ticket for the visa application to be processed. A visa fee of BD10 (\$24) and BD15 (\$36) is applied respectively.

Foreign personnel - employment license, permit and residence permit

Anyone wishing to live and legally work in Bahrain will need to apply for the following visas and permits:

Work Visa

Submitted to and issued by Labour Market Regulatory Authority.

Residency Permit (Family Visa)

Submitted to Labour Market Regulatory Authority and issued by General Department for Nationality & Passport Residence.

How to recruit staff

Private recruitment agencies play a major role in the placement of workers across different fields in Bahrain. Agencies in western countries deal with most managerial jobs in Bahrain, while agencies in India, Sri Lanka, Pakistan, Korea, the Philippines, and Thailand supply most of the manual labourers.

Employment procedures

Employers are required to give priority of employment to Bahraini nationals and thereafter to other Arab nationals, whenever both are available and possess the capacity and competence as required by the nature of employment.

Employers must register their employees with the Ministry of Labour and Social Affairs and receive a certificate of registration. In addition, all foreign employees must be registered with the Labour Market Regulatory Authority (LMRA) and receive a valid residence permit and work permit.

Cost of employment

Cost of employment in terms of salaries, wages and benefits in Bahrain, depends on the background of the employee. There are no officially mandated national pay scales and no national minimum wage. Salaries and benefits are determined by market forces.

Welfare benefits

Employers are not required to provide welfare benefits to employees. However, contributions must be paid monthly for compulsory insurances against old age, disability and death (Bahrainis only), and against work-related injuries including death (all employees).

Termination of employment

A contract entered into for a period of definite duration automatically terminates at the end of the prescribed period, unless the parties continue to abide by its terms after its expiry. A contract entered into for a period of indefinite duration is terminable by either party giving no less than thirty days' notice, unless a longer notice period is expressly agreed. Termination by reason of redundancy is potentially lawful.

Trade union

Workers in the private sector, including foreign workers, have the right to belong to trade unions in Bahrain. Under the Workers Trade Union Law (2002) workers of any establishment, of any particular sector, activity, or profession may establish their own trade union. Only one trade union is allowed at each workplace and all unions must belong to the General Federation of Bahrain Trade Unions.

Workers in the private sector are protected against anti-union dismissal, and the law provides for the possibility of reinstatement. A lawful strike can only be called after three-quarters of the members of the union's general assembly approve of the action. Strikes however are prohibited in vital and important facilities such as security, civil defence, airports, ports, hospitals, transportation, telecommunications, electricity and water.

5. Accounting

Accounting regulations and standards

In Bahrain, the accounting and auditing profession is regulated by the government. The professional accounting bodies have no regulatory authority to issue licenses to accountants and auditors or to establish accounting and auditing standards.

The Directorate of Commerce and Company Affairs under the Ministry of Industry and Commerce (MOIC) is responsible for regulating financial reporting and controlling the accounting and auditing profession.

Reporting

The Commercial Companies Law 2001 governs the financial reporting requirements in Bahrain. All corporate entities established under the Commercial Companies Law are required to maintain adequate accounting books and records in order to reflect the operations of such entities and submit annual audited financial statements to MOIC.

Under the Commercial Companies Law 2001, listed companies in Bahrain are required to prepare annual financial statements (comprising a balance sheet, income statement, and a cash flow statement) in compliance to certain extent with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

Listed companies are required to publish audited financial statements within 60 days after the end of the financial year.

Islamic financial institutions

Islamic financial institutions are required to comply with the guidelines issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). The AAOIFI is an Islamic international autonomous non-for-profit corporate body that is responsible for preparing accounting, auditing, governance, ethics and Shari'a standards for Islamic financial institutions and the industry.

6. Intellectual Property Rights

General rules

Intellectual property rights in Bahrain are protected under the following national laws:

- Trademarks Law No. 11 of 2006
- Patents and Utility Models Law No. 1 of 2004, as amended by Law 14 of 2006.
- Industrial Design Law No. 6 of 2006
- Designs of Integrated Circuits Law No. 5 of 2006
- Copyright and Neighbouring Rights Law No. 22 of 2006
- Trade Secrets Law No. 7 of 2003, as amended by Law No. 35 of 2005

Bahrain is also a party to, and has ratified, the following treaties and conventions on intellectual property rights:

- Paris Convention for the Protection of Industrial Property
- Berne Convention for the Protection of Literary and Artistic Works
- Patent Law Treaty
- Rome Convention
- Trademark Law Treaty
- World Intellectual Property Organization (WIPO) Copyright Treaty
- WIPO Performances & Phonograms Treaty
- Madrid Protocol
- Patent Cooperation Treaty
- Nice Agreement
- Gulf Cooperation Council Patent Law
- Bahrain-US Free Trade Agreement

Patents

Patents, trademarks and designs are protected in Bahrain under the Patent and Utility Models Law No. 1 of 2004, as periodically amended. Protection is based on registration at the Patent Office.

The term of protection for patents is 20 years and for utility models ten years from the filing date or from priority date if priority is claimed. The right to a patent or utility model may be assigned or transferred through succession or license.

A patent or utility model is required to be worked. If the patentee does not meet the working requirements within three years from the date of grant or four years of the date of application, whichever is longer, then the patent or utility model will be subject to compulsory licensing under the provisions of the law.

Designs

A design registration is valid for ten years from the filing date and is renewable for one additional term of five years.

Trademarks

Trademark rights are acquired by registration. However, a trademark application can be opposed successfully upon producing sufficient proof of the prior use of the mark in Bahrain and elsewhere in the world. A trademark registration is valid for ten years from the filing date and is renewable for periods of ten years each.

Copyrights

Law No. 22 of 2006 related to Copyright and Neighboring Rights was issued on June 25, 2006, to govern the protection of copyright and related rights in Bahrain

The Copyright Law protects authors of intellectual property such as books, pamphlets and other writings, lectures, sermons, theatrical works, musical works, musical compositions, cinematographic works, works of drawing, painting, architecture, sculpture, engraving, photographic works, works of applied art, illustrations, maps, plans, sketches and three-dimensional works as well as computer programs. The law also provides protection for neighboring rights including works of performers, producers of sound recordings and broadcasting organizations.

Copyright protection period for the economic rights of the authors consists of the author's life plus 70 years following his death.

Protection against infringement of intellectual property right

There are no specialized intellectual properties courts in Bahrain, however, there are various administrative and judicial methods which protect and enforce rights of intellectual property holders.

Intellectual property rights holders may file a petition with the court to stop or prevent infringement. Infringers found guilty by the court are punishable by fine and/or imprisonment, and any counterfeit goods identified will be seized and destroyed.

7. Investing in Bahrain

Introduction

Bahrain prides itself on being a premier investment location in the Middle East Region. Bahrain's internationally acclaimed strong financial regulations, economic and political stability, strategic location and strong legal framework have transformed it into a high standard investment and commerce destination.

Ease of entry and setting up business

To assist international firms wishing to set up new companies in Bahrain, the Bahraini government offers a "fast track" commercial registration procedure for qualifying companies.

Pro-business environment

In an effort to attract and encourage foreign investment, Bahrain has created a remarkable economic environment that, when considered with its geographic location, is exceptionally pro-business. Hundreds of international corporations, including many in the Global 500, have chosen Bahrain as their base of operations in the Middle East for this reason. The specific efforts implemented are numerous:

- Bahrain has a highly favorable tax environment, with no taxes on personal or corporate income, and no withholding tax or VAT.
- Raw materials, imported semi-finished commodities, imports required for development projects, machinery for manufacturing, and goods imported for re-export are all exempt from duties in Bahrain.
- International investors and companies are guaranteed 100% ownership of their interests in sectors including: technology, tourism, healthcare, education and training, manufacturing services, business services, and industrial services.
- Bahrain has taken the pioneering move to allow foreign investors 100% ownership of land in predetermined areas. Investors setting up their operations in Bahrain may choose to lease government land through the Ministry of Finance and National Economy, or to purchase land in one of several designated sites open to foreign ownership. International investors may also own residential property in a number of tourist developments.
- Bahrain does not restrict capital repatriation, guaranteeing full financial transferability of profits and dividends.

Infrastructure

Telecommunication

Bahrain is one of the most technologically advanced countries in the region. The country's telecommunications provider has built an extensive and fully digitized

network. Consumers have access to WiMAX, ISDN, ATM, and LANConnect, International Direct Dialing to more than 200 countries, and mobile fax and data service through the GSM network.

Utilities

Bahrain also has well-developed utilities and road networks. There are three major desalination plants and all tap water is desalinated. The whole country has direct access to electricity. The road network, which is constantly upgraded, connects all of the areas on the main island.

Transportation

Bahrain benefits from excellent transport links throughout the region with easy access to Gulf markets, especially Saudi Arabia (King Fahd Causeway is a 30 minute 25km drive) and as of 2013, the Bahrain-Qatar Friendship Causeway will provide direct access to Qatar (30 minute drive).

Travel

Bahrain's world class airport has links to principal global finance and business centers. It is the regional hub for Lufthansa, Cathay Pacific and Air India. Gulf Air, Bahrain's national carrier, has the biggest network in the Middle East connecting to over 40 destinations.

Trade ports

The Khalifa Bin Salman port is strategically located to serve the large and rapidly developing northern Gulf markets such as Iraq, Iran, Kuwait and Saudi Arabia. It has an annual volume of 2.5 million tonnes and 15 container berths, with throughput capacity of up to 1.1 million TEUs (twenty foot equivalent units).

Financing

In addition to credit from banks and financial institutions in Bahrain, two additional financing options are available: the Bahrain Bourse, which offers equity financing, and the Bahrain Development Bank (BDB). The BDB provides financing arrangements to investors of any nationality, but demands that they have good credit. Eligible projects must be registered and licensed in accordance Bahraini law. Economic viability needs to be supported by an independent, recognized consulting house. The maximum loan exposure to projects is BD 500,000.

Availability of skilled labour

Labor costs in Bahrain are one-third of those in industrial countries. Highly trained, bilingual, non-transient and versatile, Bahraini citizens represent a highly competitive workforce.

8. Listing rules in Bahrain

Bahrain Bourse (BHB)

The Bahrain Bourse (BHB) presents investors with the opportunity to raise equity financing, provided that listing conditions are met. The Central Bank of Bahrain (CBB) regulates and supervises Bahrain's capital markets with its chief priority being to maintain a transparent, fair and orderly market by upholding and enforcing international standards and protecting the investor, thereby protecting Bahrain's integrity and reputation as the region's financial hub.

The CBB regulates and supervises all applications for the listing of securities and any other instruments offered to the general public, approving applications on the fulfillment of requirements and disclosures.

The CBB also enforces international disclosure standards, in order to enhance the transparency of the marketplace, and supervises the stock exchange, the clearing, settlement, depository and custodial systems, brokerage firms and market makers.

Listing Requirements for Domestic Companies

Compliance with the following rules is a prerequisite for admission of Bahraini public stock companies on the Exchange:

1. The company must comply with the Commercial Companies Law No. 21 for 2001 applicable to stock companies.
2. The company shall have been in existence for two Gregorian years, and shall provide two audited annual balance sheets.
3. The paid-up capital of the company must not be less than BD 1,000,000 (One Million Bahraini Dinar), or the equivalent in any other currency, and the issued shares must not be less than 500,000 shares. At least 50% of the value of the issued shares must be paid-up.
4. The issued share market value must not be less than the paid-up percentage of the share par value.
5. The volume of trading in company shares must not be less than the minimum limit specified by the Exchange.
6. The number of registered shareholders in the company's records must not be less than 100.
7. The rights and obligations of each class within each listed issue must be equal.

8. The net value of the assets of the company must be approximately 20% greater than its paid-up capital.
9. The annual sales volume must not be less than BD 500,000.
10. The company must have realized profits in the two consecutive years preceding the date of submission of the application.
11. The company must issue semi-annual financial statements.
12. The company must publish annual financial reports and audited financial statements within three months after the end of the company's fiscal year.
13. The ordinary general assembly (AGM) of the company must convene at least once a year within the three months following the end of the company's fiscal year.
14. The company must maintain a transfer office and a registration office in the Kingdom of Bahrain.
15. The company must comply with the listing agreement.
16. The company shall have a sound financial position in terms of its assets, liquidity, balanced financial structure and efficient performance.
17. The company must publish its financial statements and results of operations in daily media prior to its shares being approved for trading on the Bahrain Bourse.
18. Any other conditions as stipulated by the board from time to time.

Listing Requirements for Foreign Companies

Companies interested in listing their shares on the Bahrain Bourse are required to comply with the following conditions, subject to Resolution No. 6/1996:

1. The company must either be a public stock company, duly listed on the stock exchange in the country of incorporation, or a closed company which has been established for at least three years.
2. The company's paid-up capital must not be less than US\$10,000,000.

3. The company must have realized net profits from its principal activities for the last three years preceding the listing application.
4. There must not be any restrictions, whether in the company's articles of association or by the laws of the country of the company's incorporation, on the freedom of transfer of share ownership between traders.
5. The company's financial position must be sound.
6. The number of registered shareholders of the company must not be less than 100.
7. The company shall issue an audited semi-annual balance sheet and an audited annual balance sheet.
8. The company shall assign a representative office in the Kingdom of Bahrain to undertake the registration of shares, distribution of dividends, issuance of financial reports, and other related issues.
9. The company shall comply with the BHB's listing agreement.

Listing Requirements for Mutual Funds

The Exchange adopts simple listing requirements, the most important of which are:

Pre-listing Requirement

1. A formal listing application from the Fund's Manager.
2. A copy of the CBB's approval.
3. A copy of the issuer's Memorandum and Articles of Association.
4. A copy of the Fund's prospectus.

Post-listing Requirement

1. Payment of the listing fees stated below.
2. The Fund should comply with the terms of the listing agreement signed with the Exchange.
3. The Fund should notify the Exchange with periodic net assets value per unit (NAV) and other performance reports.

Listing requirements for Local and Foreign Bonds

Local Bonds are issued in accordance with the provisions of the Commercial Companies Law (Number 28/1975).

1. Foreign Bonds should have been issued in accordance with the relevant laws of their country of origin.
2. The foreign Bond issuer must obtain CBB approval prior to listing the Bond on the Exchange.
3. The Bond issuer should have been incorporated for at least two years prior to the issue.
4. The financial position of the Bond issuer should be sound.
5. The Bond issuer should have a paid-up capital of not less than USD \$10,000,000.
6. The Bond issuer must comply with the listing agreement signed with the Exchange.
7. The Bond issuer must appoint a representative office in Bahrain, to register the Bonds, distribute dividends, prepare reports and undertake other relevant matters.
8. The Bond issuer must publish its balance sheet and the results of its operations in the local media.

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