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**Law No. (40) of 2017 regarding the Excise Tax**

We, Hamad bin Isa Al Khalifa King of the Kingdom of Bahrain.

Having reviewed the Constitution, in particular Article (87) thereof;

Civil and Commercial Procedures Law promulgated by Legislative Decree No. (12) of 1971, as amended;

Penal Code promulgated by Legislative Decree No. (15) of 1976, as amended:

Commerce Law, promulgated by Legislative Decree No. (7) of 1987, as amended;

Civil Law promulgated by Legislative Decree No. (19) of 2001;

Commercial Companies Law promulgated by Legislative Decree No. (21) of 2001;

Legislative Decree No. (10) of 2002 Approving the "Law" of the Unified Customs System for the Countries of the Cooperation Council for the Arab States of the Gulf (GCC);

Legislative Decree No. (39) of 2002 regarding the General Budget as amended;

Criminal Procedures Law promulgated by Legislative Decree No.(46) of 2002 as amended;

Law No (16) of 2014 regarding the Protection of State Information and Documents ;

Legislative Decree No. (27) of 2015 regarding the Commercial Registry

Law No (18) of 2016 regarding on limited investment partnerships;

And the Law No (39) of 2017 ratifying the Unified Excise Tax Convention for the Countries of the Cooperation Council for the Arab States of the Gulf (GCC);

The Shura Council and the Council of Representatives have approved the following law, which we have ratified and enacted:

**Chapter One**

**Introductory Provisions Article (1)**

a)In this Law, the following terms and expressions shall have the meaning assigned to them, unless the context requires otherwise:

Kingdom: kingdom of Bahrain

Ministry: Ministry of Finance.

Minister: Minister of Finance.

Convention: Unified Excise Tax Convention for the Countries of the Cooperation Council for the Arab States of the Gulf (GCC) ratified by Law No. (39) of 2017.

**Registrar**: The person registered with the Ministry for tax purposes in accordance with the provisions of this law.

**Production of excise goods**: Any business that includes the manufacture of excise goods in the Kingdom, their cultivation, or changing their composition, to the extent that it entails the imposition of tax.

Tax period: The period in which the due tax is calculated.

**Regulations:** Implementing regulation of this Law.

(b)  Except as provided in paragraph (a) of this Article, the words and expressions contained in the law shall have the meanings assigned to them in the Convention.

**Article (2)**

In the implementation of the provisions of this Law, the provisions set forth in Unified Excise Tax Convention for the Countries of the Cooperation Council for the Arab States of the Gulf (GCC) ratified by Law No. (39) of 2017 shall be observed and applied to what have not been specifically mentioned in text by this Law.

**Article (3)**

Excise Tax is levied on the following excise goods, according to the tax rates assigned beside each of them:

1-Tobacco (100%)

2-Soft Drinks (50%)

3-Energy Drinks (100%)

**Chapter Two**

**Tax Imposition, Accrual and Suspension**

**Article (4)**

Subject to the article (4) hereof, excise goodsshall be released for consumption according to the mechanism and procedures provided for in the Regulation.

**Article (5)**

The transference of excise goods under a tax suspension arrangement within the Kingdom shall be in accordance with the mechanism and procedures provided for in the regulation.

**Article (6)**

The regulation shall determine the rules of procedures relating the tax in the duty free shops and markets.

**Chapter Three**

**Registration for the Purposes of Tax**

**Article (7)**

Any person who wishes to conduct any of the following activities shall file an application for registration for tax purposes with the Ministry:

1- Importing excise goods.

2- Producing excise goods.

3- Acquiring excise goods under a tax suspension arrangement

The Ministry shall register the applicant if his application meets the conditions and procedures provided for in the regulations.

**Article (8)**

The registrar shall notify the Ministry -in writing- upon the occurrence of any events that could affect his registration thereof, as set out in the regulation.

**Article (9)**

A) Registration shall be cancelled upon a decision issued by the Minister in any of the following cases:

1)    A written request from the registrar to cancel the registration.

2) The registrar fails to carry out the registered activity, within the period indicated in the regulation.

(B) The Ministry shall notify the registrar in writing of the registration cancellation decision.

**Article (10)**

Without prejudice to the other obligations and duties of the registrar - provided for in the Convention – the registrar shall be responsible for the following:

1- Safety of excise goods

2- Enabling the Ministry to fulfil its supervisory roles

3- Any other responsibilities provided for in the regulation.

**Chapter Four**

**Licensing for the Tax Warehouse**

**Article (11)**

A- To obtain a tax warehouse license, the license applicant shall be registered and shall fulfil the conditions, procedures and requirements set forth in the regulation.

B- The regulation shall determine the conditions that must be met in the management of the tax warehouse that is engaged in any activity subject to license.

**Article (12)**

The regulation shall specify the license duration and the license renewal and amendment conditions and procedures.

**Article (13)**

(a) The license shall be cancelled pursuant to a decision issued by the Minister in any of the following cases:

1) A written request from the license holder to cancel it.

2) If the license is not used for the purpose for which it was intended within the time period specified in the regulations.

3)    If the licensed company expires.

B)  In the event of the demise of the licensee, the license shall be transferred to the Licensee’s successor. The regulation determines the license transfer conditions and procedures.

c) The Ministry shall, upon cancellation or expiration of the license, inform the licensee or the Licensee’s successor- in writing about that.

d)The regulation set out the procedures for handling the excise goods stored at the tax warehouse following the cancellation or expiration of the license and any other related procedure. The licensee or the licensee’s successor shall bear all the resulting financial costs.

**Chapter Five**

**Tax Declaration and Payment**

**Article (14)**

A- The registrar shall submit a tax return to the Ministry for the tax period as indicated in the regulations, provided that the tax period is not less than one month or does not exceed one year.

B- The Ministry may exclude importers from submittingtax returns, according to the conditions and procedures set forth in the regulations.

**Article (15)**

Tax due on imported or locally produced excise goods in a Member State shall be collected according to the applicable provisions established to the collection of customs taxes (duties).

The amount of tax due on locally produced excise goods in the Kingdom shall be paid on the date they are released for consumption.

At all events, unless the goods are under a tax suspension arrangement, tax shall be paid according to the tax return, unless the examination result shows a difference between it and the tax return, where in that case, tax shall be paid based on such result.

The minister shall issue, in coordination with the concerned authorities, the required decisions for execution thereof.

**Chapter Six**

**Exemptions**

**Article (16)**

A) Diplomatic and consular authorities, international organizations and heads and members of the diplomatic and consular corps accredited in the Kingdom shall be exempt from the tax- on condition of reciprocity – according to the conditions and procedures set forth in the regulations.

B) excise goods carried by passengers arriving to the Kingdom shall be exempt from the tax, provided however that such goods shall not be in a commercial capacity and shall fulfil the conditions and controls set forth in Legislative Decree No. (10) of 2002 approving the "Law" of the Unified Customs System for the Countries of the Cooperation Council for the Arab States of the Gulf (GCC)

**Chapter Seven**

**Tax Recovery**

**Article (17)**

Tax paid on excise goods is entitled to recovery in the following cases:

1-Excise goods which have been released for consumption in the Kingdom, in case of export or re-export for business purposes outside the Gulf Cooperation Council territory.

2- Use of excise goods in the production of other excisable goods.

3- Tax paid on excise goods already released for consumption in the Kingdom which have been moved in a later stage to a country from the countries of the Cooperation Council for the Arab States of the Gulf, is eligible for tax recovery paid for the Kingdom.

A decision shall be issued by the Minister determining the mechanism and procedures of tax recovery.

**Article (18)**

Any person who mistakenly recovers the tax amount or is exempted from it either totally or partially, shall repay the entire amount payable thereby.

**Chapter Eight**

**Judicial Officers**

**Article (19)**

Employees who are appointed by a decision made by the Minister concerned with Justice affairs, in agreement with the Minister, shall be granted the powers of judicial officer over the execution of the provisions of this law hereof, with respect to offences taking place within their respective area of competence and relating to their job duties. These employees shall be entitled to access and close Tax Warehouses or the relevant stores provisionally, detect violations and produce the required reports. If the shop was a property intended for residence, a permission shall be obtained from the Public Prosecution.

**Chapter Nine**

**Administrative Fines**

**Article (20)**

a)       Except for tax evasion cases provided for in article (26) of this Law, administrative fines shall be imposed on each person who:

1- Breaches the provisions of paragraph (A) of article (14) hereof at a percentage neither exceeds (25%) nor below (5%) of the tax value that should have been declared.

2) Abstains from paying the tax within the period indicated in the regulation, at a percentage of (5%) of the unpaid tax amount for each month or part of a month the tax amount is unpaid.

Without prejudice to any crime stipulated in any other law, an administrative fine of a maximum of five thousand dinars shall be imposed on any person who:

1- Prevents or impedes the Ministry staff from performing their job duties.

2- Abstains from providing any information required by the Ministry

3- Breaches any other provision of the Law or the regulation.

**Article (21)**

The payable amount of tax shall be paid in conjunction with signing off the administrative fines stipulated in article (20) hereof.

**Article (22)**

In the event of repeating the same violation within three years from the date of the Ministry’s decision of proving the violation, the imposed administrative fine may be doubled against the offender according to such decision or the license may be suspended for a maximum period of six months or both.

**Article (23)**

The administrative fine decision imposed by the Minister or his delegate shall cover the amount of tax due. The decision may request in its wording the publication of its content at the expense of the offender in a local newspaper or by any other appropriate means of publication, depending on the type, gravity and effects of the violation committed, and after the decision is deemed final.

The decision imposing an administrative fine is considered an executive obligation that is applicable for enforcement in accordance with the Civil and Commercial Procedures Law promulgated by Legislative Decree No. (12) of 1971.

**Article (24)**

A person against whom an administrative fine decision has been issued may file a complaint with the Minister within thirty days from the date of notification thereof.

The Minister shall rule on the grievance within fifteen days of the date of its submission. The Ministry shall notify the complainant of the decision issued regarding his grievance through a registered letter of acknowledgment of receipt. The expiration of this period without notifying the complainant of the grievance decision shall be deemed as a rejection.

The Minister’s decision to reject the complaint may be appealed before the competent court within thirty days from the date of notification of the rejection of the complaint or from the date on which the complaint was considered rejected.

**Article (25)**

The regulation shall specify the administrative fine calculation controls and collection mechanism.

**Chapter Ten**

**Tax Evasion**

**Article (26)**

For the purposes of the provisions of this article, tax evasion means the following:

1- Entering or attempting to enter excise goods into the Kingdom or moving such goods outside the Kingdom without the partial or full tax payment.

2- Producing, transferring, acquiring, storing, transporting or receiving excise goods with unpaid due tax with the intent of evading the due tax payment.

3-    Providing incorrect, fraudulent or fabricated documents, returns or records or placing false labels with the intent of evading due tax or recovering it unlawfully.

4- Carrying out any activities referred to in article (7) hereof without registration.

**Chapter Eleven**

**Criminal Penalty**

**Article (27)**

Any person who engages in any form of tax evasion, as referred to in article (26) of this law, shall be punished by imprisonment for at least one month and not exceeding one year and fined at an amount not less than one time the amount of tax due and not exceeding two times the amount of the tax due or one of these two punishments. Moreover, the offender shall be condemned to pay the amount of tax due.

In case of a repeat offence within three years of the date of the final judgement, the court may rule to double the maximum sentence imposed, and temporarily suspend or permanently repeal the licence.

**Article (28)**

Without prejudice to any criminal liability of the natural person, the legal person shall be criminally punished by double the amount of the fine if any of the crimes referred to herein has been committed in his name, for him or for his benefit.

**Article (29)**

The court may order the confiscation of the contraband excise goods and the transport means prepared for this purpose, or their equivalent value, if it is not possible to confiscate them.

**Article (30)**

Without prejudice to any more severe penalty provided for by any other law, reconciliation may be applied in all or some of the crimes referred to in article (26) of this law.

The Minister or his delegate may, based on a written request from the person concerned, accept reconciliation in tax evasion cases, be it prior to the filing of a lawsuit or during its hearings and before the preliminary judgment is rendered, if the concerned person paid an amount equivalent to the minimum imposed fine for the crime in addition to the amount of the tax due.

Reconciliation shall entail the end of criminal proceedings.

**Chapter Twelve**

**Final Provisions Article (31)**

The Ministry may offer financial rewards to anyone- excluding the Ministry staff- who contributes in detecting violations and offences provided for in this Law. The regulation shall set the amount of the reward and conditions and controls for rewarding.

**Article (32)**

The Minister shall promulgate - after the approval of the Council of Ministers - the implementing regulation of this law within one month from the execution date.

**Article (33)**

The Prime Minister and the ministers– each within his jurisdiction- shall implement this Law, and it shall come into force fifteen days after its publication in the Official Gazette.

**King of the Kingdom of Bahrain**

**Hamad bin Isa Al Khalifa**

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