

Tax Alert



18 October 2022

What is a VAT field audit?

VAT audits by the National Bureau for Revenue play a critical role in ensuring compliance with the Bahrain VAT laws and Executive Regulations (Bahrain VAT laws). In addition to requests for information/queries via email or through the taxpayer portal, the NBR also has the right to conduct in person VAT field audits. A VAT field audit will commence with the NBR issuing a Notice of Visit (through the taxpayer portal and/or email). The notice period for the visit can be as short as a few days.

The Notice of Visit will generally be in relation to a specific tax period to be examined. However, during the visit the NBR may expand the audit to include additional tax periods. The Notice of Visit will generally specify the following:

- The factory, shop, establishment, office or warehouse to be visited
- The tax period(s) under review
- The date and timing of visit
- Documents to be kept ready before the visit
- Details of the NBR personnel conducting the audit

Under the Bahrain VAT laws, the NBR has the power to do any of the following during a field visit:

- Check records, documents, bank statements and financial statements
- Collect data for further examination
- Interview relevant staff (this may not be restricted to the finance or the in-house VAT team)
- Inspect and access IT systems
- Record violations
- In certain instances, close the premises on a precautionary basis if the NBR suspects serious breaches

What should Bahrain businesses do?

Important steps for a smooth VAT field audit include:

- Gather the documents required for the audit while also staying conscious of the scope of information provided to the auditor
- Provide well-organized documents that are easy to understand (invoices, reconciliations, VAT return workings)
- Be ready to provide necessary explanations in relation to any queries the NBR auditor may have
- Disclose any inadvertent errors to the NBR (you may wish to seek advice from your tax advisor prior to doing so)
- Assign one person from your company or appoint a tax agent to manage the discussion with the NBR auditor
- Co-operate with the NBR audit team in alignment with the taxpayer's rights and obligations under the Bahrain VAT laws

Field audits can be quite onerous and time-consuming. Providing incorrect or incomplete information can potentially lead to disputes and penalties. Therefore, taxpayers should strongly consider taking the assistance of their tax advisor who can be appointed as a tax agent to represent them.

For a detailed discussion on how the above updates may impact your business, [contact us](#).

Mubeen Khadir

Partner - Head of Tax & Corporate Services

T: +973 3222 6811

E: mubeenkhadir@kpmg.Com

home.kpmg/bh

© 2022 KPMG Fakhro, a Bahrain partnership registered with the Ministry of Industry and Commerce (MOIC), Kingdom of Bahrain and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

Throughout this release, “we”, “KPMG”, “us” and “our” refers to the global organization or to one or more of the member firms of KPMG International Limited (“KPMG International”), each of which is a separate legal entity.

KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.