

Decree-Law No. (11) of 2024 Regarding the Implementation of Tax on Multinational Enterprises

We, Hamad Bin Isa Al Khalifa, King of the Kingdom of Bahrain

Having reviewed the Constitution and in particular Article 38 thereof,

And the Civil and Commercial Procedures Law promulgated by Legislative Decree Law No. (12) of 1971, and its amendments;

And Legislative Decree No. (15) of 1976 promulgating the Penal Law, and its amendments,

And Legislative Decree No. (7) of the 1987 promulgating the Trade Law, and its amendments,

And the Legislative Decree No. (10) of 1992 promulgating the Commercial Agency Law, and its amendments,

And Civil Law No. (19) of the year 2001, adjusted by Legislative Decree No. (27) for the year 2017,

And Legislative Decree No. (21) of the year 2001 promulgating the Commercial Companies Law, and its amendments,

And Legislative Decree No. (46) of the year 2002 promulgating Criminal Procedures Law, and its amendments,

And Legislative Decree No. (64) of 2006, for the Central Bank of Bahrain and Financial Institutions, and its amendments,

And the Legislative Decree No. (27) of 2015 promulgating the Commercial Register, and its amendments,

And Law No. (1) of 2021 Approving the Accession of the Kingdom of Bahrain to the Multilateral Convention of Competent Authorities for the Exchange of Reports between the Relevant Countries,

And Legislative Decree No. (22) of 2021 promulgating the Law on Execution in Civil and Commercial Matters,
And Law No. (2) of 2022 approving the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI),

Following the presentation by the Prime Minister,

And after the approval of the Cabinet,

We hereby decree the following Law:

Chapter One: Preliminary Provisions

Article (1)

Definitions

Words and phrases contained in this Law shall have the meanings ascribed to each of them in the Law unless the context requires otherwise:

The Kingdom: Kingdom of Bahrain.

The Minister: The Minister responsible for financial affairs.

The Bureau: The National Bureau for Revenue established by Decree No. (45) of 2018.

Chief Executive Officer: Chief Executive Officer of the National Bureau for Revenue.

Regulations: The Executive Regulations issued for the implementation of the provisions of this Law.

Entity: Any legal person or arrangement that prepares or is required to prepare separate financial accounts. The term shall not include central or local government or their administration or agencies that carry out government functions.

Constituent Entity: An entity within a Group or a Permanent Establishment of a Main Entity that is part of a Group. A Permanent Establishment that is considered a Constituent Entity is treated as a separate entity from the Main Entity and from any other Permanent Establishment of that Main Entity. Furthermore, an Excluded Entity shall not be considered a Constituent Entity.

Ultimate Parent Entity: An Entity, other than a Sovereign Wealth Fund, that owns, directly or indirectly, a controlling interest in any other Entity and that is not owned, directly or indirectly, by another Entity with a controlling interest in it, or the Main Entity of a Group consisting of an Entity that has one or more Permanent Establishments provided that the said Entity is not part of another Group.

Main Entity: The Entity that includes the Financial Accounting Net Income or Loss of its Permanent Establishment in its financial statements.

Group: A Group is defined under one of the following terms:

- A. A collection of Entities that are related through ownership or control such that the assets, liabilities, income, expenses and cash flow of those Entities:
 - 1. Are included in the Consolidated Financial Statements of the Ultimate Parent Entity; or
 - 2. Are excluded from the Consolidated Financial Statements of the Ultimate Parent Entity solely on size or materiality grounds, or on the grounds that the Entity is held for sale.
- B. An Entity that is located in one jurisdiction that has one or more Permanent Establishments located in other jurisdictions provided that the Entity is not a part of another Group described in Paragraph A above.

Multinational Enterprise Group: A Group that includes at least one Entity or Permanent Establishment that is not located in the jurisdiction of the Ultimate Parent Entity, provided that a Sovereign Wealth Fund shall not be treated as a part of a Multinational Enterprise Group.

Permanent Establishment: A Permanent Establishment takes one of the following forms:

- A. A place of business (including a deemed place of business) situated in a jurisdiction and treated as a Permanent Establishment in accordance with an applicable tax treaty in force provided that such jurisdiction taxes the income attributable to it in accordance with the provisions of Article 7 of the Model Tax Convention on Income and on Capital or equivalent provisions in a similar convention.
- B. If there is no applicable tax treaty in force, a place of business (including a deemed place of business) in respect of which a jurisdiction taxes under its domestic law the income attributable to such place of business on a net basis similar to the manner in which it taxes its own tax residents.
- C. If a jurisdiction has no corporate income tax system, a place of business (including a deemed place of business) situated in that jurisdiction that would be treated as a Permanent Establishment in accordance with the Model Tax Convention provided that such jurisdiction would have had the right to tax the income attributable to it in accordance with Article 7 of the Model Tax Convention.

- D. A place of business (or a deemed place of business) that is not already described in Paragraphs A, B, and C above, through which operations are conducted outside the jurisdiction where the Entity is located provided that such jurisdiction exempts the income attributable to such operations.

Model Tax Convention: Model Tax Convention on Income and Capital of the Organisation for Economic Co-operation and Development (2017): Condensed Version 2017, OECD Paris.

The Model Rules: the document named “OECD (2021), Tax Challenges Arising from Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS” published in December 2021 or any subsequent versions as approved by a decision of the Minister.

Tax: The Tax imposed under the provisions of this Law.

Tax Due: The amount that is or will be due for payment to the Bureau for the Fiscal Year.

Minimum Rate: The minimum rate of fifteen percent (15%).

Acceptable Financial Accounting Standard: International Financial Reporting Standards (IFRS) and any other generally accepted accounting principles set out by the Regulation.

Authorised Financial Accounting Standard: A set of generally acceptable accounting principles permitted by an Authorised Accounting Body in the jurisdiction where that Entity is located.

Authorised Accounting Body: The body with legal authority in a jurisdiction to prescribe, establish, or accept accounting standards for financial reporting purposes.

Local Financial Accounting Standard: A financial accounting standard permitted or required to be used in the preparation of financial accounts under the laws of the Kingdom that is an Acceptable Financial Accounting Standard, or an Authorised Financial Accounting Standard where the latter is adjusted to prevent material competitive distortions.

Tax Return: The data and information specified for Tax purposes for a particular Fiscal Year, which shall be disclosed in accordance with a form prepared for such purpose by the Bureau.

Fiscal Year: An accounting period with respect to which the Ultimate Parent Entity of the Multinational Enterprise Group prepares its Consolidated Financial Statements, or, where no Consolidated Financial Statements are prepared, the Gregorian calendar year.

Flow-through Entity: An Entity to the extent it is fiscally transparent with respect to its income, expenditure, profit or loss in the jurisdiction where it was created unless it is tax resident and subject to a Covered Tax on its income or profit in another jurisdiction. A Flow-through Entity may be a tax transparent entity with respect to its income, expenditure, profit or loss to the extent that it is fiscally transparent in the jurisdiction in which its owner is located, or a Flow-through Entity is a reverse hybrid entity with respect to its income, expenditure, profit or loss to the extent that it is not fiscally transparent in the jurisdiction in which the owner is located.

Article (2)

Objectives of the Law

- A. The following objectives shall be considered when applying or interpreting the provisions of this Law:
1. Ensuring the application of a global minimum rate for a domestic top-up tax on Entities of Multinational Enterprise Groups located in the Kingdom in addition to the implementation and administration of that Tax in a manner that provides for outcomes that are consistent with the Model Rules.
 2. Establishing the principle of a safe harbor for the qualified domestic top-up tax to facilitate compliance by Multinational Enterprise Groups located in the Kingdom.
- B. The rules and guidance issued by the OECD in respect to the erosion and shifting of profits, and specifically the Model Rules, shall be taken into consideration when applying or interpreting the provisions of this Law, necessary regulations, or decisions to implement its provisions.

Chapter Two

Scope and Imposition of the Tax

Article (3)

Scope of the Tax

- A. Tax shall be imposed on Taxable Income for the Fiscal Year and is payable by a Filing Constituent Entity on behalf of a Constituent Entity located in the Kingdom which is a member of a Multinational Enterprise Group that meets the Revenue Test described in Paragraph C of this Article.

- B. Tax shall be imposed on Taxable Income for the Fiscal Year and is payable by a Filing Constituent Entity on behalf of a Joint Venture and its Joint Venture Subsidiaries which are located in the Kingdom, if any, where the Ultimate Parent Entity of the Joint Venture or Joint Venture Subsidiary is an Ultimate Parent Entity of a Multinational Enterprise Group that meets the Revenue Test described in Paragraph C of this Article.
- C. The Revenue Test for the Fiscal Year is considered met if the annual revenue of the Multinational Enterprise Group is equal or exceeds EUR 750 million in the Consolidated Financial Statements of the Ultimate Parent Entity for at least two of the four Fiscal Years immediately preceding that Fiscal Year. If one or more of the four Fiscal Years is longer or shorter than 12 months, the revenue threshold shall be adjusted proportionately for each of those Fiscal Years.
- D. Notwithstanding the provisions of Article 4, the revenue of Excluded Entities shall be taken into consideration for the purpose of determining whether the Revenue Test has been met.
- E. The Filing Constituent Entity shall pay Additional Current Tax and Additional Tax for Permanent Differences as calculated according to Paragraphs D and F of Article 9 of this Law, in addition to any amount due under the provisions of Paragraphs A, B, and C of this Article.

Article (4)

Excluded Entities

- A. Without prejudice to the provisions of Paragraph C of this Article, the provisions of this Law shall not apply to any of the following Excluded Entities:
 - 1. Government bodies.
 - 2. International organizations.
 - 3. Non-profit organizations.
 - 4. Pension funds.
 - 5. An investment fund that is an Ultimate Parent Entity.
 - 6. A real estate investment vehicle that is an Ultimate Parent Entity.
 - 7. Except for a pension service entity, an Entity where at least 95% of the value of the Entity is directly or indirectly owned by one or more Excluded Entities referred to in Clauses 1, 2, 3, 4, 5, and 6 of this Paragraph, whether directly or indirectly, provided that the Entity operates exclusively or almost

- exclusively to own assets or invest funds on behalf of Excluded Entities and it engages exclusively in activities ancillary to those performed by Excluded Entities.
8. Except for a pension service entity, an Entity where at least 85% of the value of the Entity is directly or indirectly owned by one or more Entities referred to in Clauses 1, 2, 3, 4, 5, and 6 of this Paragraph, whether directly or indirectly, provided that most of the Entity's income is primarily derived from gains or losses on shares or equity interests excluded from the computation of Constituent Entity Income or Loss.
- B. Subject to the provisions of Paragraph A of this Article, a Filing Constituent Entity may make a Five-Year Election not to treat an Entity referred to in Clauses 7 and 8 of Paragraph A of this Article as an Excluded Entity.
- C. The provisions of Articles 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29,30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, and 41 of this Law shall apply to Excluded Entities.
- D. The Regulations shall prescribe the rules, conditions, and controls and other matters necessary for the application of the provisions of this Article in a manner consistent with the Model Rules, administrative guidance, and commentary issued by the Organisation for Economic Co-operation and Development (OECD).

Article (5)

Entity Location

- A. The location of an Entity that is not considered a Flow-through Entity shall be as follows:
9. The jurisdiction in which the Entity is a tax resident based on its place of management, place of creation, or any other similar criteria.
10. The jurisdiction in which the Entity is created, where Clause 1 of this Paragraph shall not apply.
- B. The location of an Entity that is considered a Flow-through Entity is the jurisdiction in which it is established, provided that one of the following conditions is met:

1. It is the Ultimate Parent Entity of the Multinational Enterprise Group.
 2. Under the laws applicable in the jurisdiction, the Entity is required to apply rules consistent with the Income Inclusion Rule (IIR) in accordance with the Model Rules, administrative guidance, and commentary issued by the Organisation for Economic Co-operation and Development (OECD).
- C. An Entity that is considered a Flow-through Entity and shall not fall under Clauses 1 and 2 of Paragraph B of this Article shall be treated as a Stateless Constituent Entity.
- D. The Kingdom shall be the location of a Permanent Establishment if it has a place of business or a deemed place of business in the Kingdom in accordance with the rules and conditions specified by the Regulations. Otherwise, the Permanent Establishment shall be considered as a Stateless Constituent Entity.
- E. For the purposes of applying the provisions of this Law, an Entity that has a legal personality is considered a tax resident in the Kingdom if it is incorporated or established in accordance with the Kingdom's laws, or if it is incorporated or established under the laws applicable in a foreign jurisdiction and has its place of effective management in the Kingdom.
- F. The Regulations shall prescribe the rules and controls necessary to implement the provisions of this Article, particularly regulating matters related to Constituent Entities that are located in more than one jurisdiction and the change of a Constituent Entity's location within a Fiscal Year, in a manner consistent with the Model Rules, administrative guidance, and commentary issued by the Organisation for Economic Co-operation and Development (OECD).

Article (6)

Computation of Constituent Entity Income or Loss

- A. The Constituent Entity Income or Loss for a Fiscal Year shall be the Financial Accounting Net Income or Loss for that Fiscal Year.
- B. The Financial Accounting Net Income or Loss shall be the Net Constituent Entity Income or Loss for the Fiscal Year before making any consolidation adjustments aimed at eliminating intra-group transactions, in accordance with the Local Financial Accounting Standard of the Constituent Entity.

- C. The Regulations shall prescribe the rules, conditions, controls and other matters necessary for the application of the provisions of this Article in a manner consistent with the Model Rules, administrative guidance, and commentary issued by the Organisation for Economic Co-operation and Development (OECD).

Article (7)

Covered Taxes and Adjusted Covered Taxes

- A. The Covered Taxes of a Constituent Entity shall include:
1. Taxes recorded in the financial accounts of a Constituent Entity with respect to its income or profits, or its share of the income or profits of a Constituent Entity in which it owns an ownership interest.
 2. Taxes imposed in lieu of a generally applicable corporate income tax.
- B. The Adjusted Covered Taxes of a Constituent Entity for a Fiscal Year shall be equal to the current tax expense for that Fiscal Year, accrued in its Financial Accounting Net Income or Loss considered as Covered Taxes as set out in the Regulations.
- C. The Regulations shall prescribe the rules, conditions, and criteria necessary for the application of the provisions of this Article, including matters related to the determination of taxes which are considered to be Covered Taxes, the rules for the allocation of Covered Taxes, and the adjustments necessary for the computation of Adjusted Covered Taxes. The Regulations shall also specify taxes which are not considered to be Covered Taxes for purposes of computation of Tax, in a manner consistent with the Model Rules, administrative guidance, and commentary issued by the Organisation for Economic Co-operation and Development (OECD).

Chapter Three

Effective Tax Rate and Safe Harbour

Article (8)

Computation of the Effective Tax Rate

- A. The Effective Tax Rate for Constituent Entities located in the Kingdom and which are members of the same Multinational Enterprise Group shall be calculated according to the following formula:
- (Adjusted Covered Taxes for Constituent Entities located in the Kingdom ÷ Net Constituent Entity Income).
- B. The Net Constituent Entity Income referred to in Paragraph A of this Article means, the positive sum, if any, of the aggregate Constituent Entity Income of the Constituent Entities located in the Kingdom and the aggregate Constituent Entity Loss of the Constituent Entities located in the Kingdom.
- C. For the purposes of applying Paragraph A of this Article, the Adjusted Covered Taxes and Constituent Entity Income or Loss of investment entities shall be excluded from the computation of the Effective Tax Rate.
- D. The Effective Tax Rate for a Stateless Constituent Entity shall be calculated, for each Fiscal Year, separately from the Effective Tax Rate of other Constituent Entities.
- E. The Regulations shall prescribe the rules, conditions, and controls necessary for the application of the provisions of this Article, in addition to rules related to the computation of the Effective Tax Rate for minority-owned Constituent Entities, multi-parented Multinational Enterprise Group, investment entities and insurance investment entities. The Regulations shall also prescribe other matters in a manner consistent with the Model Rules, administrative guidance, and commentary issued by the Organisation for Economic Co-operation and Development (OECD).

Article (9)

Computation of the Tax

- A. Where the Effective Tax Rate under Article 8 of this Law is less than the Minimum Rate for a Fiscal Year, the Additional Tax Rate for Constituent Entities located in the Kingdom and which are part of the same Multinational Enterprise Group shall be calculated according to the following formula:
- (Minimum Rate – Effective Tax Rate as computed under Article 8 of this Law).
- B. The Taxable Income for the Constituent Entities located in the Kingdom, and which are part of a Multinational Enterprise Group shall be calculated according to the following formula:

(Net Constituent Entity Income as computed under Article 8 of this Law – Substance-based Income Exclusion as computed under Article 10 of this Law).

The Taxable Income shall be considered as zero if the result of the formula is less than zero.

The Filing Constituent Entity may make an Annual Election for a Fiscal Year not to deduct the Substance-based Income Exclusion from the Net Constituent Entity Income in accordance with this formula.

- C. The Tax Due by a Filing Constituent Entity for a Fiscal Year shall be calculated according to the following formula:

(Additional Tax Rate as calculated under Paragraph A of this Article X Taxable Income as calculated under Paragraph B of this Article) + (Additional Current Tax as described under Paragraph D of this Article + Additional Tax for Permanent Differences as described under Paragraph F of this Article).

- D. For the purposes of Paragraph C of this Article, Additional Current Tax means any amount of Tax for a Fiscal Year resulting from an adjustment in Covered Taxes or the Constituent Entity Income or Loss as a result of the recomputation of the Effective Tax Rate for a prior Fiscal Year.

- E. Additional Tax for Permanent Differences shall be payable if the following conditions are satisfied in a Fiscal Year for Constituent Entities which are located in the Kingdom and which are members of the same Multinational Enterprise Group, or for a Joint Venture located in the Kingdom and its Joint Venture Subsidiaries located in the Kingdom:

1. The Net Constituent Entity Income is equal to or less than zero.
2. The aggregate Adjusted Covered Taxes is less than zero.
3. The aggregate Adjusted Covered Taxes is lower than the product of the Net Constituent Entity Income and the Minimum Rate.

- F. The computation of Additional Tax for Permanent Differences shall be in accordance with the following formula:

(The absolute value of the aggregate Adjusted Covered Taxes – the absolute value of the product of Net Constituent Entity Income and Minimum Rate.)

- G. The Tax for each Stateless Constituent Entity shall be calculated, for each Fiscal Year, separately from the Effective Tax Rate for all other Constituent Entities.

- H. The Regulations shall prescribe the rules, conditions and controls necessary to implement the provisions of this Article, including matters related to imposing Additional Current Tax in addition to the rules for calculating Tax for minority-owned Constituent Entities, multi-parented Multinational Enterprise Groups, investment entities and insurance investment entities in a manner consistent with the Model Rules, administrative guidance, and commentary issued by the OECD.

Article (10)

Substance-based Income Exclusion

- A. The Substance-based Income Exclusion for a Fiscal Year shall be the sum of the following:
1. Certain payroll costs incurred by Constituent Entities located in the Kingdom, with a maximum of (9.6%) and a minimum of (5%) of those payroll costs.
 2. The carrying value of certain tangible assets of Constituent Entities located in the Kingdom at the end of the Fiscal Year, with a maximum of (7.6%) and a minimum of (5%) of the carrying value of those assets.
- B. The Regulations shall prescribe additional rules, conditions and controls necessary for the application of the provisions of this Article in addition to rules for computing the Substance-based Income Exclusion and other matters in a manner consistent with the Model Rules, administrative guidance, and commentary issued by the Organization for Economic Co-operation and Development (OECD).

Article (11)

Joint Ventures

- A. For the purposes of applying the provisions of this Law, a Joint Venture is an Entity whose financial results are reported using the equity method in the Consolidated Financial Statements of the Ultimate Parent Entity, provided that the Ultimate Parent Entity holds, either directly or indirectly, at least 50% of its ownership interests.

- B. For the purposes of applying the provisions of this Law, a Joint Venture Subsidiary is an Entity whose assets, liabilities, income, expenses and cash flows are consolidated by a Joint Venture according to an Acceptable Accounting Standard or would have been consolidated had the Joint Venture been required to consolidate such items in accordance with an Acceptable Financial Accounting Standard.
- C. Tax shall be computed for Joint Ventures and Joint Venture Subsidiaries as if they were Constituent Entities of a separate Multinational Enterprise Group and the Joint Venture was the Ultimate Parent Entity of that Group.
- D. A Permanent Establishment whose Main Entity is a Joint Venture or Joint Venture Subsidiary shall be treated as a separate Joint Venture Subsidiary.
- E. The Regulations shall prescribe rules, conditions and controls necessary to apply the provisions of this Article, including matters related to Entities that are not considered as Joint Ventures and other matters in a manner consistent with the Model Rules, administrative guidance and commentary issued by the Organisation for Economic Co-operation and Development (OECD).

Article (12)

De Minimis Exclusion

- A. The Tax for a Filing Constituent Entity for a Fiscal Year shall be equal to zero, if the Filing Constituent Entity notifies the Bureau of an Annual Election to apply the De Minimis Exclusion, provided that the following two conditions are met:
 - 1. The Average Constituent Entity Revenue of all Constituent Entities located in the Kingdom, which are members of the same Multinational Enterprise Group, is less than ten million Euro (EUR 10 million).
 - 2. The Average Constituent Entity Income or Loss of all Constituent Entities located in the Kingdom, which are members of the same Multinational Enterprise Group, is a loss or income less than one million Euro (EUR 1 million).
- B. For the purposes of Paragraph A of this Article, the Average Constituent Entity Revenue or the Average Constituent Entity Income or Loss is the average of the Constituent Entity Revenue or Constituent Entity Income or Loss for the current and the two preceding Fiscal Years.

- C. For the purposes of applying the provisions of Paragraphs A and B of this Article, the following should be considered:
 - 1. The Constituent Entity Revenue for a Fiscal Year is the sum of the revenue of all Constituent Entities referred to in Clause 1 of Paragraph A of this Article for that Fiscal Year, subject to the adjustments calculated according to the provisions of Article 6 of this Law.
 - 2. The Constituent Entity Income or Loss for a Fiscal Year is the Net Constituent Entity Income for all Constituent Entities referred to in Paragraph A of this Article, if any, or the Net Constituent Entity Loss.
- D. For the purposes of applying the provisions of Paragraph C of this Article, the Net Constituent Entity Loss means an amount equal to zero or a negative amount, if any, of the aggregate Constituent Entity Income of the Constituent Entities referred to in Paragraph A of this Article and the aggregate Constituent Entity Loss of the Constituent Entities referred to in Paragraph A of this Article.
- E. The provisions of Paragraph A of this Article shall not apply to Stateless Constituent Entities and investment entities. Additionally, the revenue and income of these Entities are excluded from the computation of the Average Constituent Entity Revenue and the Average Constituent Entity Income or Loss.
- F. For the purposes of applying the provisions of this Article, references to Constituent Entities are considered to include Joint Ventures and Joint Venture Subsidiaries.
- G. The Regulations shall prescribe the rules, conditions, and controls and other matters necessary for the application of the provisions of this Article in a manner consistent with the Model Rules, administrative guidance, and commentary issued by the Organisation for Economic Co-operation and Development (OECD).

Article (13)

Transitional Country-by-Country Reporting Safe Harbor

- A. For any Fiscal Year beginning on or before 31 December 2026 but not including a Fiscal Year ending after 30 June 2028, Tax shall be deemed to be zero where, with respect to the Fiscal Year concerned, any of the following conditions are met:

1. On the country-by-country report for the Fiscal Year in respect of the Multinational Enterprise Group, the following conditions are met:
 - a) The total revenue of the Constituent Entities located in the Kingdom which belong to the same Multinational Enterprise Group amounts to less than ten million Euro (EUR 10 million).
 - b) The total profit or loss before income tax for those Constituent Entities is less than one million Euro (EUR 1 million).
 2. An alternative Effective Tax Rate of the Multinational Enterprise Group for that Fiscal Year is equal to or greater than 16% for Fiscal Years beginning in 2025 and 17% for Fiscal Years beginning in 2026.
 3. The Multinational Enterprise Group's profit or loss before income tax in the Kingdom shown on the country-by-country report for the Fiscal Year is equal to or less than the Substance-based Income Exclusion amount as per Article 10 of this Law.
- B. This Article shall not apply to:
1. A Stateless Constituent Entity.
 2. A multi-parented Multinational Enterprise Group which does not report the information of the combined Groups in a single country-by-country report.
 3. A Constituent Entity that has entered into a hybrid arbitrage arrangement after 15 December 2022.
- C. This Article shall apply to Joint Ventures and Joint Venture Subsidiaries taking into consideration the following:
1. References to Constituent Entities are considered to include Joint Ventures and Joint Venture Subsidiaries as the case may be.
 2. The financial statements are used to determine whether the conditions in Paragraph A are met, rather than a country-by-country report.

- D. The Regulations shall prescribe the rules, conditions and controls necessary for the application of the provisions of this Article, including the requirements for the financial statements of Joint Ventures and Joint Venture Subsidiaries, in addition to other necessary related matters, in a manner consistent with the Model Rules, administrative guidance, and commentary issued by the Organisation for Economic Co-operation and Development (OECD).

Article (14)

Simplified Computation Safe Harbor

- A. The Tax for Constituent Entities located in the Kingdom for a Fiscal Year shall be equal to zero in any of the following cases:
1. The Constituent Entity Income, as determined under a simplified computation, is equal to or less than the Substance-based Income Exclusion for that Fiscal Year.
 2. The average annual revenue for all Constituent Entities located in the Kingdom for the Fiscal Year and two preceding Fiscal Years, as determined by a simplified computation, is less than ten million Euro (EUR 10 million), and the average Constituent Entity Income of all such Entities is less than one million Euro (EUR 1 million) for the current and two preceding Fiscal Years, or if such entities have a Net Constituent Entity Loss.
 3. If the Effective Tax Rate of all Constituent Entities located in the Kingdom is at least the Minimum Rate.
- B. The Regulations shall prescribe the rules, conditions, and controls necessary for the application of the provisions of this Article, including the simplified computation method and other matters in a manner consistent with the Model Rules, administrative guidance, and commentary issued by the Organisation for Economic Co-operation and Development (OECD).

Article (15)

Exclusion for Initial Phase of International Activity

- A. The Tax of Constituent Entities located in the Kingdom shall be reduced to zero where the Multinational Enterprise Group satisfies all of the following conditions:

1. Has Constituent Entities located in no more than six jurisdictions.
 2. The sum of the net book value of tangible assets of all Constituent Entities located in all jurisdictions, other than the Reference Jurisdiction, does not exceed fifty million Euro (Euro 50 million).
 3. None of the ownership interests in the Constituent Entities located in the Kingdom are held by a parent entity which applies the Income Inclusion Rule (IIR) as set out in the Model Rules, administrative guidance and commentary issued by the Organisation for Economic Co-operation and Development (OECD).
- B. For the purposes of Clause 2 of Paragraph A of this Article, the Reference Jurisdiction is the jurisdiction in which the Multinational Enterprise Group has the highest value of tangible assets when the global minimum tax rules first apply to that Group.
- C. Paragraph A of this Article shall not apply for any Fiscal Year that starts later than five years after the first day of the first Fiscal Year when the Multinational Enterprise Group entered in scope of the Model Rules, administrative guidance and commentary issued by the Organisation for Economic Co-operation and Development (OECD).
- D. The Regulations shall prescribe the rules, conditions and controls in a manner consistent with the Model Rules, administrative guidance and commentary issued by the Organisation for Economic Co-operation and Development (OECD).

Article (16)

Corporate Restructuring and Transfer of Assets and Holding Structures

The Regulations shall prescribe the rules, conditions and controls related to the transfer of assets and liabilities, restructuring and a Constituent Entity joining, merging, and leaving a Multinational Enterprise Group, the rules related to a multi-parented Multinational Enterprise Group and other matters in a manner consistent with the Model Rules, administrative guidance and commentary issued by the Organisation for Economic Co-operation and Development (OECD).

Chapter Four

Tax Procedures and Obligations

Article (17)

Registration and Deregistration Procedures

- A. The Filing Constituent Entity shall register with the Bureau in accordance with the rules, conditions and controls prescribed by the Regulations.
- B. The Bureau may, based on its assessment or available information, designate a Filing Constituent Entity, register any Constituent Entity located in the Kingdom or amend the registration information.
- C. The Bureau may require any Excluded Entity under the provisions of this Law to register for Tax.
- D. The Registrant shall submit a deregistration request to the Bureau in any of the cases prescribed in the Regulations. If the Registrant does not submit a deregistration request, the Bureau may, based on its assessment and available information, deregister the Registrant.
- E. The Regulations shall prescribe the rules, conditions and controls for the registration and deregistration procedures in a manner consistent with the Model Rules, administrative guidance and commentary issued by the Organisation for Economic Co-operation and Development (OECD).

Article (18)

Filing Constituent Entity

The following Entities shall appoint one among them as the Filing Constituent Entity, which shall be responsible for paying the Tax and handling all tax administration matters, including registration, filing of returns, making elections, and submitting notifications:

1. The Constituent Entities of a Multinational Enterprise Group that are located in the Kingdom and meet the Revenue Test specified in Paragraph C of Article 3 of this Law.
2. A Joint Venture and its Joint Venture subsidiaries.

The appointment shall be made by notifying the Bureau using a form designed for this purpose.

Article (19)

Financial Statements

- A. For the purposes of this Law, Consolidated Financial Statements shall mean:
1. The financial statements prepared by an Entity in accordance with an Acceptable Financial Accounting Standard, in which the assets, liabilities, income, expenses and cash flows of that Entity and the Entities in which it has a controlling interest are presented as those of a single economic unit.
 2. The financial statements of an Entity that have been prepared in accordance with an Acceptable Financial Accounting Standard, where the Entity meets the definition of a Group as specified under Paragraph B of Article 1 and prepares it in accordance with an Acceptable Financial Accounting Standard.
 3. The financial statements that have been prepared subject to adjustments to prevent any material competitive distortions, if the Ultimate Parent Entity has financial statements referred to under Clause 1 or 2 of this paragraph, which were not prepared in accordance with an Acceptable Financial Accounting Standard.
 4. Where the Ultimate Parent Entity does not prepare financial statements described in Clauses 1,2, and 3, the Consolidated Financial Statements of the Ultimate Parent Entity are those that would have been prepared if such Entity was required to prepare such statements in accordance with an Authorised Financial Accounting Standard that is either an Acceptable Financial Accounting Standard or another financial accounting standard that is adjusted to prevent any material competitive distortions.
- B. The Regulations shall prescribe the rules and controls necessary, including what constitutes a material competitive distortion, in a manner consistent with the Model Rules, administrative guidance, and commentary issued by the Organisation for Economic Co-operation and Development (OECD).

Article (20)

Elections

- A. An Annual Election or a Five-Year Election means an election made by a Filing Constituent Entity and is notified to the Bureau with respect to a Constituent Entity or a Joint Venture or a Joint Venture Subsidiary.
- B. A Five-Year Election is an election made by a Filing Constituent Entity and is notified to the Bureau in relation to a Fiscal Year (the election year) and all succeeding Fiscal Years until revoked by a Filing Constituent Entity.
- C. A Five-Year Election shall remain in place for a minimum of five consecutive Fiscal Years and may not be revoked for any one or part of those five Fiscal Years. If a Five-Year Election is revoked with respect to a Fiscal Year, a new election shall not be made with respect to the four Fiscal Years succeeding the revocation year.
- D. An Annual Election shall apply only for the Fiscal Year for which the election is made.
- E. The Regulations shall prescribe the rules, procedures and controls for making elections, in a manner consistent with the Model Rules, administrative guidance, and commentary issued by the Organisation for Economic Co-operation and Development (OECD).

Article (21)

Tax Return and Amendment Procedures

- A. The Filing Constituent Entity shall submit a Tax Return to the Bureau for each Fiscal Year, through the form prepared for this purpose within the period prescribed in the Regulations.
- B. If the Filing Constituent Entity, a Constituent Entity, a Joint Venture or a Joint Venture Subsidiary discovers an error in the Tax Return submitted to the Bureau or become aware of a necessary amendment, the Filing Constituent Entity shall immediately submit an amended Tax Return in accordance with the conditions, controls and procedures prescribed by the Regulations.
- C. The Filing Constituent Entity shall notify the Bureau, within the period prescribed in the Regulations, if the Revenue Test outlined in Article 3 is not met by the Multinational Enterprise Group represented by that Entity for a Fiscal Year.

- D. Upon notifying the Bureau in accordance with Paragraph C of this Article, the Filing Constituent Entity may choose not to submit a Tax Return for the Fiscal Year.
- E. The Regulations shall prescribe the required data for the Tax Return, its conditions, standards, forms, procedures, special cases for submission and the nature of the supporting documentation.

Article (22)

Payment of Tax

The Filing Constituent Entity shall pay the Tax Due for the Fiscal Year to the Bureau. The Tax Due for the Fiscal Year shall be paid by advance payments during the Fiscal Year and one or more installment payments during the Fiscal Year following that in respect of which Tax is due, in accordance with the rules, controls, procedures, and deadlines specified by the Regulations.

Article (23)

Tax Refund

The Filing Constituent Entity may submit a request to the Bureau for a Tax Refund if it has paid an amount exceeding the Tax Due or in cases specified by the Regulations. The Regulations shall govern all the rules, conditions, and controls related to Tax Refunds.

The Bureau shall decide on the refund request in accordance with the rules, controls, and procedures specified by the Regulations.

Article (24)

Currency

The computation and payment of all amounts determined in accordance with the provisions of this Law shall be made in Bahraini Dinar, unless otherwise specified by the provisions of this Law.

The Regulations shall prescribe the rules, conditions, and controls necessary to implement the provisions of this Article, including the amounts that shall be converted to Bahraini Dinar if they are in another currency, and the method for converting those amounts.

Article (25)

Record Keeping

- A. Constituent Entities that are members of the same Multinational Enterprise Group, Joint Ventures, and Joint Venture Subsidiaries located in the Kingdom shall, in a regular manner, keep and maintain records, accounting books, financial statements, invoices, and all documents and materials, whether paper or electronic, in a manner that enables the Bureau to verify the elements of Taxable Income computation and the Tax Due.
- B. The Filing Constituent Entity shall provide the Bureau with such records, accounting books, financial statements, documents, and materials upon request within the period deemed appropriate by the Bureau.
- C. All Constituent Entities, Joint Ventures, and Joint Venture Subsidiaries located in the Kingdom shall make all the records and books mentioned in Paragraph A of this Article available to the relevant Filing Constituent Entity.
- D. The Regulations shall prescribe the types of records, accounting books, financial statements, the periods, controls, and conditions that must be met when retaining them.

Chapter Five

Administrative Provisions and Dispute Resolution

Article (26)

Tax Audit

- A. The Bureau may carry out Tax Audits to verify the accuracy of the Tax Return or to ensure compliance by any person with the provisions of this Law. For the purpose of conducting its duties, the Bureau may request all necessary data, clarifications, and documents from any relevant party.
- B. The Regulations shall prescribe the rules, conditions, and controls necessary to implement the provisions of this Article, including governing the provisions related to Tax Audits.

Article (27)

Assessment of Tax Due

- A. The Filing Constituent Entity shall assess the Tax Due for the Fiscal Year in accordance with the provisions of Article 9 of this Law.

- B. Without prejudice to any criminal liability or administrative fines stipulated in this Law, the Bureau may reassess the amount of Tax Due based on the facts and circumstances available to the Bureau, if it is found that a Tax Return or an amended Tax Return submitted by the Filing Constituent Entity contains an error.
- C. The Bureau may not reassess the Tax Due for a Fiscal Year for which the Tax Due has previously been assessed pursuant to Paragraph B of this Article.
- D. Notwithstanding the provisions of Paragraph C of this Article, the Bureau may adjust the assessment of the Tax Due for a Fiscal Year that has previously been assessed if it becomes aware of facts and circumstances that were not available at the time of the prior assessment, subject to the provisions of Article 20.
- E. Without prejudice to any criminal liability or administrative fines stipulated in this Law, the Bureau may assess the Tax if adequate information is not provided to support the Tax Return or if a Filing Constituent Entity does not submit a Tax Return within the deadline specified in the Regulations.
- F. The Regulations shall prescribe the rules and controls necessary for the application of this Article.

Article (28)

Cases for Imposing Administrative Fines

- A. Without prejudice to criminal liability, the Bureau may impose an administrative fine on anyone who commits any of the following acts:
 - 1. Failure to apply for registration for tax purposes within the prescribed period, or applying for registration using incorrect information, provided that the imposed fine does not exceed one hundred thousand Bahraini Dinars.
 - 2. Failure to submit the Tax Return or delaying its submission beyond the prescribed period, provided that the imposed fine does not exceed (30%) of the Tax amount that should have been declared.
 - 3. Failure to pay the Tax or delaying its payment beyond the prescribed period, with a fine imposed at a rate of (1%) of the unpaid Tax Due amount or the unpaid advance payment for each month or part of

a month for which the Tax remains unpaid after its due date, provided that the fine does not to exceed 70% of the Tax Due amount.

4. Submitting incorrect data in the Tax Return that led to the computation of a Tax amount less than what is due, provided that the imposed fine does not exceed (30%) of the Tax amount that should have been declared. The fine shall not exceed (20%) of the Tax amount that should have been declared in the case of voluntary submission of the correct amended Tax Return.
 5. Submitting incorrect data in the Tax Return that does not result in underreporting the amount of Tax Due by virtue of this Law, the fine imposed in this case shall not exceed one thousand Bahraini Dinars.
- B. Without prejudice to criminal liability, the Bureau may impose an administrative fine not exceeding fifty thousand Bahraini Dinars on all who commit any of the following acts:
1. Obstructing or hindering the work of the Bureau's employees or its representatives, or failing to provide the Bureau any data, information, records, or documents that are required to be provided to the Bureau or made accessible to it in order for the Bureau to perform its duties under this Law.
 2. Failure to notify the Bureau of any changes to the registration application data or attachments to the Tax Return within the prescribed deadlines.
 3. Failure to provide the data, documents, records, accounting books, financial statements, invoices, or materials requested by the Bureau or delaying their submission.
 4. Failure to maintain records, accounting books, financial statements, invoices, and all documents and materials in a regular manner.
 5. Violating any of the provisions of this Law, the Regulations, or the implementing decisions.
- C. The administrative fine shall be imposed by a decision issued by the Bureau. The Bureau may publish a statement of the violation that has been proven to occur in the manner and method determined by the Bureau, provided that the publication does not occur until after the expiration of the Tax appeals period or the issuance of a final judgment confirming the violation, as applicable.

Article (29)

Joint Liability

- A. The following shall be jointly liable for the payment of Tax and administrative fines:
1. Constituent Entities of the same Multinational Enterprise Group in respect of the Tax Due and imposed fines on the Filing Constituent Entity.
 2. A Joint Venture or one or more of the Joint Venture Subsidiaries in respect of the Tax Due and imposed fines on the Filing Constituent Entity.
- B. Where an Entity that is liable to Tax under the provisions of Paragraph A of this Article is a Flow-through Entity that is not a legal person, then any person, other than a natural person, who holds ownership interests in that Entity during the Fiscal Year or any period during that year shall be jointly liable for the payment of Tax and administrative fines.

Article (30)

Payment of Tax and Administrative Fines in Instalments

The Bureau may approve the payment of the Tax Due or administrative fine in instalments at the request of the Filing Constituent Entity where sufficient reasons and justifications are available.

The Bureau withholds the right to revoke its approval of the request for the Tax Due or administrative fine instalments in case of failure to make payment within the specified deadlines or for any other reason deemed appropriate by the Bureau.

The Regulations shall prescribe the rules, conditions, and controls necessary to implement the provisions of this Article, including the cases in which the Bureau may revoke the payment in instalments of the Tax Due amount or imposed administrative fines.

Article (31)

Request for Review, Objection, and Appeal

- A. Any person against whom a decision or procedure is issued by the Bureau may submit a review request to the Bureau within sixty days from the date of notification of the decision or procedure, subject to the review request, after paying the prescribed fee.

- B. The Bureau shall issue its review decision on the review request within ninety days, and may extend this period for an additional similar period after notifying the concerned party. The concerned party shall be notified of the review decision regarding the review request through the methods prescribed in the Regulations, and the expiration of the specified periods without notifying the concerned party of the review result, shall be deemed as an implicit rejection.
- C. The concerned party may object to the review decision issued by the Bureau on the review request before the Tax Objections Committee within sixty days from the date of notification of issuing the review decision by the Bureau, or from the date it is deemed rejected. The concerned party may also object to the decision or procedure issued by the Bureau against them before the committee, within sixty days from the expiration of the deadline for submitting the review request, after paying the prescribed fee.
- D. The Committee shall issue its recommendation on the objection and submit it to the Minister or his delegate within ninety days from the date it is submitted to them. The Minister or his delegate shall issue a decision to approve, amend, or revoke the recommendation within thirty days from the date of its receipt. The concerned party shall be notified of the final decision regarding their objection through the legally prescribed methods. The expiration of the mentioned periods without notification of the objection result shall be deemed as an implicit rejection.
- E. The concerned party may appeal the decision of the Tax Objections Committee before the competent court within sixty days from the date of notification of the decision, or from the date the objection is deemed rejected. The concerned party may also appeal the decision or procedure issued by the Bureau, or the decision made on the review request, before the competent court within sixty days from the date of the expiration of the deadline for filing the objection.
- F. In all cases, the appeal before the competent court does not prevent the collection of the Tax Due or the administrative fine due subject to appeal, unless the court orders otherwise.
- G. The Regulations shall prescribe the rules and provisions necessary for the application of the provisions of this Article.

Article (32)

Tax Objections Committee

One or more committees, named the “Tax Objections Committee”, shall be formed by a decision issued by the Minister, and shall consist of a chairman and members with expertise in tax, finance, accounting or legal. The committee shall be responsible for reviewing the objections submitted to it in accordance with Article 31 of this Law. The Regulations shall prescribe the rules and procedures for the operation of the committee, the controls for convening its meetings, and all matters that ensure its independence and impartiality in performing its duties and reviewing the objections with integrity and efficiency.

Article (33)

Executive Bond and Precautionary Seizure

- A. The Tax Return and the final decision on the assessment of the Tax Due or the imposition of the administrative fine shall be considered an enforceable executive bond subject to forced execution in accordance with the provisions of the Execution Law in Civil and Commercial Matters.
- B. If the Bureau suspects that the Filing Constituent Entity may transfer or dispose of its assets in a manner that hinder the collection of taxes due or administrative fines, it may seek an expedited order from the judge for expedited matters to impose a precautionary seizure on the assets of the Constituent Entity, Joint Venture, or Joint Venture Subsidiaries, even if those assets are in the possession of third parties. The court may issue its order without summoning the other party.
- C. In applying the provisions of Paragraph B of this Article, the provisions of Part Four of the Civil and Commercial Procedures Law shall apply.

Article (34)

Statute of Limitations

A claim for the refund of Taxes wrongfully paid shall not be considered after five years from the date of payment of the Tax. The prescribed period for not considering the claim shall be interrupted by any cause for interrupting the statute of limitations as stipulated in the Civil Law or by submission of a refund request.

Chapter Six

Criminal Responsibility

Article (35)

Tax Evasion Offense

- A. Tax Evasion under the provisions of this Law includes intentionally committing any of the following acts:
1. Failure to register for Tax purposes.
 2. Failure to submit the Tax Return or pay the Tax Due within the prescribed deadlines for submitting the return or making the payment of the Tax or advance payments
 3. Submission of a Tax Return that includes incorrect data and information, or that contradicts the records, documents, accounting books, or financial statements.
 4. Alteration of data in commercial books, agreements, documents, records, data, materials, purchase or sales invoices, or any other materials with the intent of misleading the Bureau by understating profits, inflating losses, affecting the computation of the Tax Due, or obtaining a Tax advantage.
 5. Submission of incorrect, forged or counterfeit data, documents, records, accounting books, financial statements, or invoices with the intention of not paying the Tax Due in whole or in part, or to obtain a Tax deduction, exemption, refund, or any Tax advantage.
 6. Concealing or failing to disclose one or more activities subject to Tax.
 7. Destroying or concealing data, documents, records, accounting books, financial statements, invoices or materials that must be retained, thereby affecting the Bureau's ability to verify elements of income computation and the Tax Due.
 8. Failure to maintain records, accounting books, financial statements, and all documents, invoices, and materials that must be retained in a regular manner.

- B. Whoever commits any of the Tax Evasion offenses specified in Paragraph A of this Article shall be punished by imprisonment for a period of no less than three months and not exceeding five years, and by a fine of no less than the amount of the Tax Due and not exceeding three times its value, or by one of the two punishments. The offender or multiple offenders shall be jointly and severally liable for paying the Tax Due in cases that require it.
- C. The penalty stipulated in Paragraph B of this Article shall be doubled in case of repeated commission of the crime within six years from the date of the issue of the final conviction.
- D. Without prejudice to the criminal liability of natural persons, the Entity or legal person shall be held criminally liable where any of the crimes stipulated in this Law is committed in its name, on its behalf, or for its benefit by its, agents, representatives, or any of its employees, and shall be punished by a fine not exceeding twice the maximum fine prescribed for the crime.
- E. The responsible managers of the legal person, irrespective of their titles, who are in charge of the actual management of that person, shall be held liable if any of the crimes stipulated in this Law are committed as a result of their actions, omissions, consent, cover-up, or gross negligence.
- F. The High Criminal Court shall have jurisdiction over the crimes referred to in this Article, and its rulings may be appealed before the High Criminal Court of Appeal.
- G. The court shall expedite the hearing of Tax Evasion cases, and in all cases, the crime of Tax Evasion shall be considered a crime against honour and honesty.
- H. A criminal case for Tax Evasion crimes may only be initiated upon the request of the Chief Executive Officer or his delegate.
- I. The criminal case for the crimes stipulated in this Article shall lapse after ten years from the day the crime was committed.

- J. Without prejudice to any more severe penalty stipulated in any other law, it is permissible to settle all or some of the crimes stipulated in this Article. The Chief Executive Officer or his delegate may, upon a written request submitted by the accused or their representative, agree to a settlement in cases of Tax Evasion. Such a settlement may occur either before the initiation of legal proceedings, provided that the accused pays an amount equivalent to 100% of the Tax Due, or during the legal proceedings before the competent court, provided the accused pays an amount equivalent to 150% of the Tax Due. If a final judgment has been issued, a settlement is permissible in exchange for paying an amount equivalent to 175% of the Tax Due. These payments will be made in addition to the value of the Tax Due, if any. Acceptance of the settlement shall result in the termination of the criminal proceedings, and if the settlement is reached after a final judgement has been issued, the execution of the penalty shall be suspended by order of the judge.

Article (36)

Judicial Obligations

Judicial Obligations employees appointed by a decision of the minister concerned with justice affairs in agreement with the Minister shall have the authority of judicial officers for the purpose of enforcing the provisions of this Law and its implementing decisions with respect to criminal acts that fall within their areas of jurisdiction and related to their duties. In cases of exercising Judicial Obligations, public enforcement officers may be sought if necessary.

Chapter Seven

Final Provisions

Article (37)

The Bureau's Right to Request Information, Data and Documents

- A. All persons and public and private bodies in the Kingdom are required to provide the Bureau with the information, data, and documents it requests for the purposes of applying the Tax at both the local and international levels or for accountability procedures, within the period deemed appropriate by the Bureau.

- B. The Bureau may exchange information for Tax purposes as provided in this Law with tax authorities in countries with which the Kingdom has agreements, treaties, or international tax arrangements.
- C. The Bureau, its employees, and those responsible for implementing the provisions of this Law are obligated not to disclose any information, data, or documents obtained or accessed by virtue of their duties, whether during or after their service, except for the purpose for which access was granted, or if disclosure is requested by a court order in the Kingdom, or upon the request of a court, competent authority, or tax authority in a foreign country or jurisdiction pursuant to treaties or agreements to which the Kingdom is a party, or based on the consent of the data owner.

Article (38)

Tax Agents

No person may act as a Tax Agent unless they have obtained a license from the Bureau and have paid the prescribed licensing fees. The Bureau shall issue a decision specifying the conditions and procedures for granting and renewing the license, the duration of its validity, and regulating the work of Tax Agents, including matters related to supervision, inspection, and accountability.

The Filing Constituent Entity remains responsible to the Bureau for all its tax obligations, despite appointing a Tax Agent on its behalf.

Article (39)

Fees

Fees for services, the issuance of certificates, and licenses by the Bureau, as stipulated under the provisions of this Law, shall be determined by a decision issued by the Minister after the approval of the Cabinet.

Article (40)

Delegation of the Bureau's Tasks to Other Entities

The Bureau, after obtaining the approval of the Minister, may delegate some of its tasks specified in this Law to any governmental or non-governmental body.

Article (41)

General Anti-Abuse Rules

- A. For the purposes of applying the provisions of this Article to a transactions, an arrangement, or a series of arrangements carried out by an Entity, the Bureau may disregard the transaction, or the arrangement, or a series of arrangements that result in obtaining any Tax advantage and may determine the Tax liabilities based on just and reasonable adjustments.

- B. This Article applies to a transaction, arrangements, or any series of arrangements that may result in any of the following:
 - 1. Where the income from the transaction, or the arrangement, or the series of arrangements, or any part thereof, or their execution was not for a genuine commercial purpose considering all relevant facts and circumstances or for a non-financial purpose that reflects the economic reality.
 - 2. Where the primary purpose, or one of the primary purposes, of the transaction, or the arrangement, or the series of arrangements, or any part thereof, is to obtain a Tax advantage that defeats purpose or objective of this Law.

- C. The Regulations shall prescribe the rules, conditions, and controls related to this Article in a manner consistent with the Model Rules, administrative guidance, and commentary issued by the Organisation for Economic Co-operation and Development (OECD).

Article (42)

Transitional Provisions

- A. The Filing Constituent Entity shall take into account the deferred tax assets and deferred tax liabilities disclosed in the financial accounts of the Constituent Entities of Multinational Enterprise Groups, Joint Ventures, and Joint Venture subsidiaries, as relevant, to determine the Effective Tax Rate in the transition year and any subsequent year.

- B. Deferred tax assets arising from items excluded from the computation of the Constituent Entity Income or Loss, in accordance with Article 6 of this Law, shall be excluded from the application of the provisions of

Paragraph A of this Article when such deferred tax assets relate to transactions that took place after 30 November 2021.

- C. For the purposes of this Law, the acquirer's basis in the acquired assets shall be equal to the transferring Entity's carrying value of the transferred assets at the time immediately prior to disposal with deferred tax assets and liabilities determined accordingly. This provision applies to the transfer of assets, other than inventory, between Constituent Entities of Multinational Enterprise Groups, Joint Ventures and Joint Venture Subsidiaries after 30 November 2021 and before the commencement of a transition year.
- D. The Regulations shall prescribe the rules, conditions, and controls necessary to implement the provisions of this Article, including the rules for determining the treatment of deferred tax assets and liabilities and other related matters, in a manner consistent with the Model Rules, administrative guidance, and commentary issued by the Organisation for Economic Co-operation and Development (OECD).

Article (43)

Issuance of the Executive Regulations and Decisions

The Minister, after obtaining the approval of the Cabinet, shall issue the necessary Regulations and decisions to enforce the provisions of this Law in a manner consistent with the Model Rules, administrative guidance, and commentary issued by the Organisation for Economic Co-operation and Development (OECD).

Article (44)

Entry into Force

The Prime Minister and the Ministers, each in their respective capacities, shall enforce the provisions of this Law. The Law shall come into effect on 1 January 2025 and shall be published in the Official Gazette.