FEB 2026

Bahrain Advances Pillar Two Implementation

Domestic Minimum Top-Up Tax Introduced

Background

As part of its adoption of the OECD/G20 Pillar Two Global Minimum Tax framework, the Kingdom of Bahrain introduced a Domestic Minimum Top-Up Tax (DMTT) through Decree-Law No. 11 of 2024, which was issued and published in the Official Gazette in September 2024. The law provides for the levy of a domestic top-up tax to ensure a minimum effective tax rate of 15% on profits of in-scope multinational enterprise groups and is applicable to financial years beginning on or after 1 January 2025.

Scope and Applicability

The Domestic Minimum Top-Up Tax (DMTT) ensures in-scope MNE groups are subject to a 15% minimum effective tax rate under the OECD Pillar Two (GloBE) framework. The Domestic Minimum Top-Up Tax (DMTT) applies to large multinational enterprise (MNE) groups with operations in Bahrain and is implemented in alignment with the OECD Global Anti-Base Erosion (GloBE) Model Rules. The regime operates on a jurisdictional basis, ensuring that income attributable to Bahrain is subject to a minimum level of taxation, regardless of the group's global legal or tax structure.

The DMTT applies to multinational enterprise (MNE) groups that have consolidated global revenues of at least EUR 750 million in at least two of the four immediately preceding fiscal years, in line with the OECD Pillar Two rules.

Excluded Entities

- Government Bodies
- International organizations
- Pension Funds
- Investment fund that is an ultimate parent entity ("UPE")
- Real Estate Investment vehicle that is UPE
- Entity, other than a pension service entity, subject to meeting certain conditions

Bahrain steps into the Pillar Two era with a 15% Domestic Minimum Top-Up Tax—bringing global minimum tax rules into effect for large MNEs from 1 January 2025.

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Bahrain Introduces Domestic Minimum Top-Up Tax (DMTT)

Bahrain has implemented a **15% Domestic Minimum Top-Up Tax** in line with the OECD Pillar Two (GloBE) framework to ensure large multinational groups pay a minimum effective tax rate on Bahrain profits.

Who is impacted?

- **MNE Groups with consolidated global revenue ≥ EUR 750 million**
- **Applies on a jurisdictional basis in Bahrain**
- **Certain exclusions apply (e.g., government entities, pension funds, qualifying investment entities)**

How does it work?

If Bahrain's Effective Tax Rate (ETR) is below 15%, a top-up tax applies:

Top-Up Tax = (15% – Bahrain ETR) × Excess Profits

Where:

- **Excess Profits = Net Constituent Entity Income – Substance-Based Income Exclusion**
- Adjusted Covered Taxes are determined under OECD GloBE rules

How Can SBC Help?

- ✓ **Pillar Two impact assessments and Bahrain-specific ETR modelling**
- ✓ **DMTT readiness reviews and gap analysis**
- ✓ **GloBE data mapping and calculation support**
- ✓ **Compliance framework design and reporting assistance**
- ✓ **Ongoing advisory on governance and documentation requirements**

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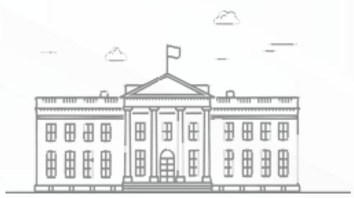
Our Global Presence

UAE
SBC TAX Consulting LLC
202 &309, Al Nasr Plaza Commercial Building, Oud Metha Metro Station Exit 1, Dubai, UAE

UAE (ABU DHABI)
SBC TAX Consulting LLC
Unit 801– 4A, 8th Floor, Al Saman Tower-A, Hamdan Bin Mohammed Street (Beside Capital Park), Al Danah, Abu Dhabi
P.O. Box: 26053

INDIA
SBC LLP
Suite 5, Level 3, Reliance Cyber Ville, Madhapur, Hitech City, Hyderabad – 500081



USA
SBC LLC
8 The Green, Suite A in the City of Dover, Delaware - 19901

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+971 58 606 0939 info@sbcllc.ae www.sbcllc.ae SBC UAE

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