REGULATORY ADVISORY UPDATE

Bahrain's First Transfer Pricing Guide

under the Global Minimum Tax (DMTT)

What every in-scope multinational group operating in the Kingdom must now do.

Issued: June 2026

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Why this is a turning point

Bahrain has long been a no-corporate-tax jurisdiction. The DMTT changes that for large multinationals — and transfer pricing is now a hard input into the tax base.

THE ONE-LINE TAKEAWAY

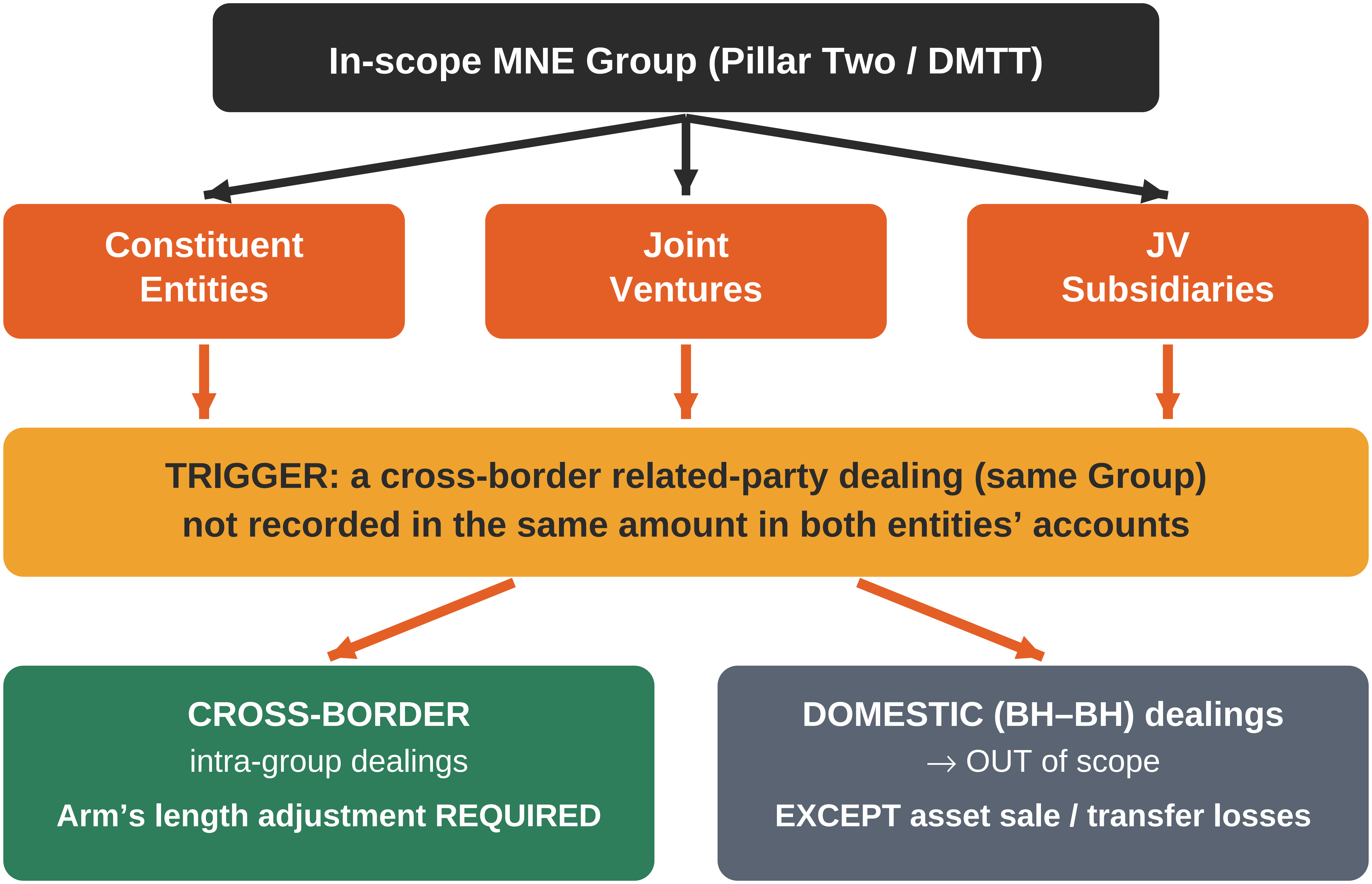
Where intra-group results are misstated, a Bahrain entity's financial accounting net income must be adjusted to an arm's length outcome — directly driving the GloBE ETR and top-up tax.

5
Prescribed TP methods

2
Documentation tiers

1
Arm's length standard

Who is in scope?



The arm’s length principle

Related parties are treated as independent enterprises. Compliance rests on two analyses — both must be documented.

1. FUNCTIONAL ANALYSIS

The economically significant functions, assets and risks of each party (FAR)

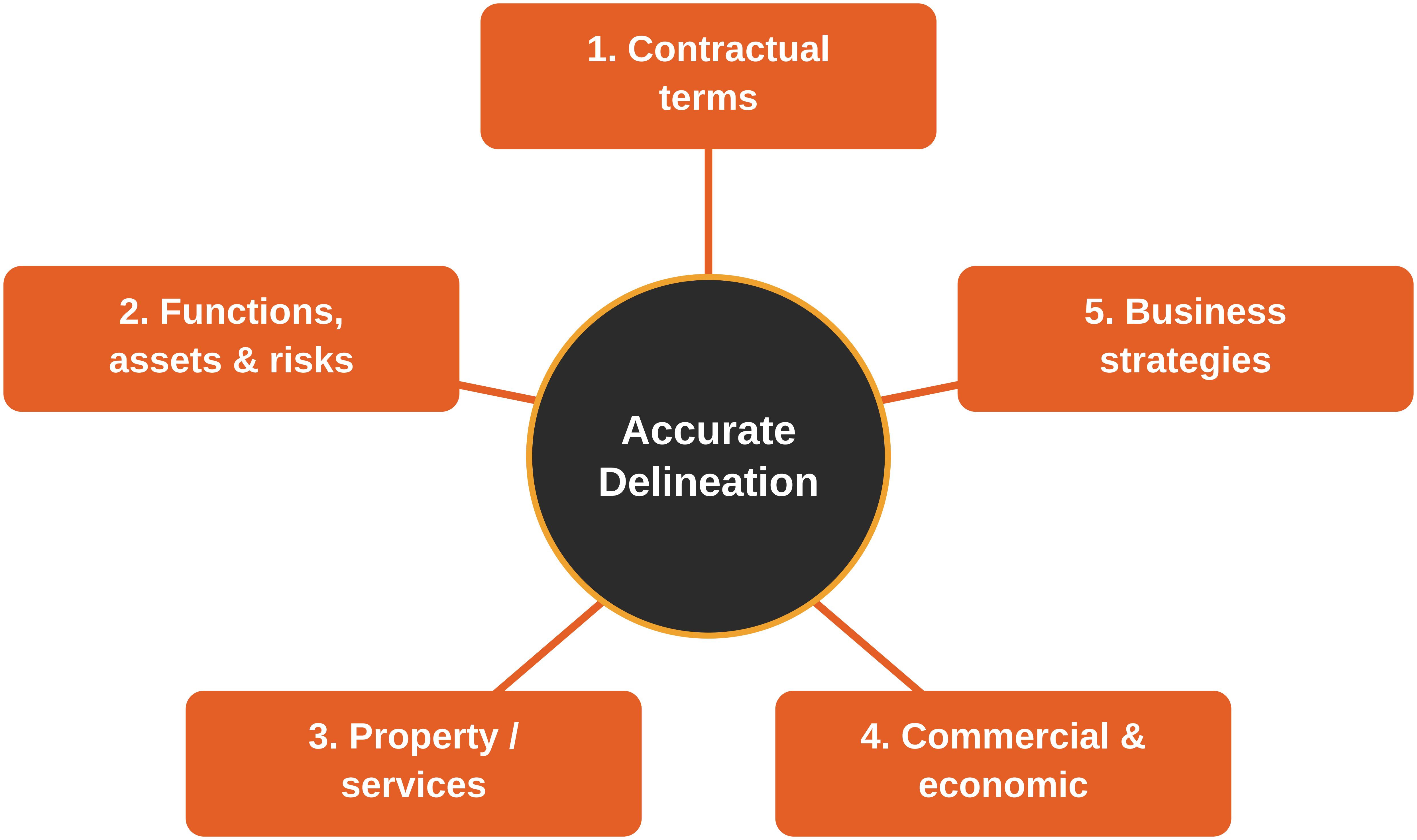
2. COMPARABILITY ANALYSIS

Do the controlled terms match what independent parties would have agreed?

Higher functions + more assets + greater risk
→ higher expected return

Aligning pricing with arm’s length ensures tax reflects where value is created and risk is assumed.

Five comparability factors



Together they pin down what was really agreed — the foundation for choosing a method.

The five prescribed methods

TRADITIONAL TRANSACTION

CUP
Comparable Uncontrolled Price

RPM
Resale Price Method

CPM
Cost Plus Method

TRANSACTIONAL PROFIT

TNMM
Transactional Net Margin

PSM
Profit Split Method

“MOST APPROPRIATE METHOD” rule — chosen on the facts; no need to run multiple methods

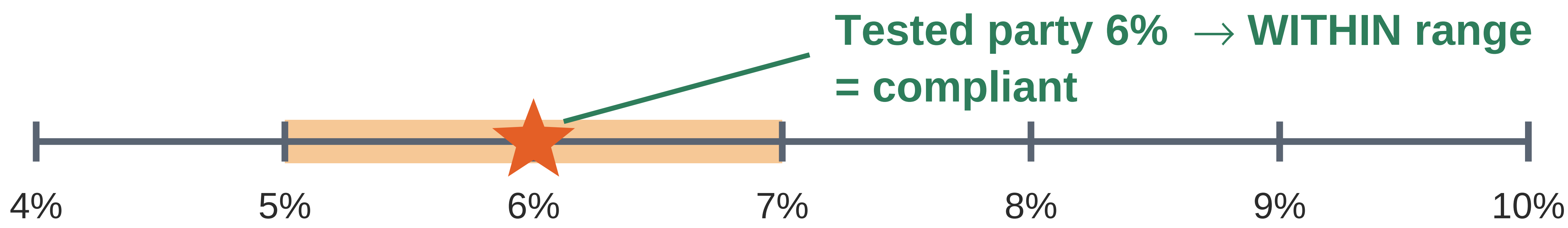
Tie-breaker 1
Traditional methods preferred over profit methods when equally reliable

Tie-breaker 2
CUP preferred over all other methods when equally reliable

Proving the outcome: the range

The Guide’s TNMM example: a tested party benchmarked against comparables with operating margins of 5%–7%.

Arm’s Length Range per the Guide: 5% – 7%



SBC COMMENTS

Support the range with a robust benchmarking set — Q1 / Median / Q3, not a bare min–max. If results fall outside, evaluate a documented self-adjustment before the NBR raises it.

Two-tier documentation

Prepared for each Fiscal Year — the evidence of compliance.

MASTER FILE

Group-wide blueprint

- Organisational structure
- Business & supply chain
- Intangibles & DEMPE
- Financing arrangements
- Financial & tax positions

LOCAL FILE

Bahrain entity detail

- Entity & management
- Each controlled transaction
- FAR + comparability
- Method & tested party
- APAs, ICAs & financials tie-out

Read with: DMTT Law 11/2024 • Regs 172/2024 • OECD TP Guidelines 2022

What it means for you

MNE groups / UPE	Bahrain results feed the GloBE ETR — mispricing raises top-up tax
Bahrain entities	Self-assess arm's length; adjust financial accounting net income
GCCs / shared services	Service charges & cost recharges under fresh scrutiny
Treasury	Loans, guarantees & cash pools tested under OECD TPG principles
Boards & audit committees	TP is now a tax-risk & governance item, not a formality

GCC convergence: align Bahrain with UAE (Art. 34/36) & KSA for one coherent regional story.

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Is your group ready for Bahrain DMTT TP?

1. Scope: confirm in-scope status & map Bahrain entities
2. Map every cross-border related-party transaction
3. FAR analysis, benchmarking & method selection
4. Build the Master File + Bahrain Local File
5. Align with UAE / KSA / GCC & the Pillar Two return

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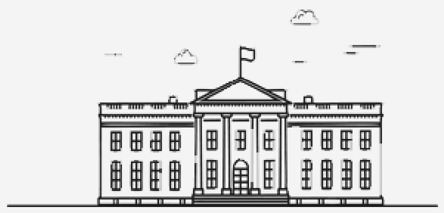

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2026 ITR WORLD TAX RECOMMENDED FIRM

- Recommended Firm 2026
- Notable Practitioner – TP 2026
- Recognised Corporate Tax Firm 2026
- Tier 2 Firm 2026
- Notable TP Firm 2026 & 2024

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