

### Bahrain

Prepared by Lex Mundi member firm,  
Hassan Radhi & Associates



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# GUIDE TO DOING BUSINESS IN THE KINGDOM OF BAHRAIN

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|-----------------------------------|--|
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| <p><b>Limitation of scope</b></p> | <p>This guide is a brief overview on the subject. The information contained in this guide is only for the purpose of reference and is not intended to serve as legal advice.</p> |



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## 1.0 BAHRAIN AT A GLANCE



### 1.1 Introduction

The Kingdom of Bahrain is a fully sovereign, independent Islamic Arab State. The regime of Bahrain is hereditary constitutional monarchy. The Head of State is His Majesty the King, Sheikh Hamad bin Isa Al Khalifa. The Prime Minister is His Royal Highness, Prince Khalifa bin Salman Al Khalifa. The Crown Prince is His Royal Highness, Prince Salman bin Hamad Al Khalifa. Bahrain has a constitution. The system of government is democratic with power being in the hands of the people. Men and women are entitled to participate in public affairs and to enjoy political rights including the right to vote and to contest in elections.

### 1.2 Geography

Bahrain is an archipelago of 40 islands and lies in the middle of the Arabian Gulf between Saudi Arabia and Qatar. Frequently called the Pearl of the Arabian Gulf, Bahrain has a history of more than 5,000 years of civilization, from the mists of time to a vibrant present under a stable and prosperous government. Its name is derived from the Arabic words "Ethnain Bahr" meaning "two seas". It is nearly 25 kilometers off the eastern coast of Saudi Arabia and north of the Qatar peninsula. Bahrain is linked with Saudi Arabia by a causeway.

### 1.3 Land Area

Bahrain's land area is approximately 780 square kilometers (301 square miles). Bahrain is low lying, with a maximum elevation of 134 meters high above sea level in the "Mountain

of Smoke". Apart from a narrow fertile strip along the North and Northwestern coast, it is generally rocky and bare. The limestone bedrock is covered with varying depths of dry or salty sand dunes, which is not conducive to plant with the exception of some little wild plants that bear the difficult conditions and arid regions.

The majority of the population lives on the largest three islands. The capital, Manama, is situated in the northeastern tip of the largest island and is linked by a causeway to the neighboring island of Muharraq, where Bahrain's modern international airport is located.

#### 1.4 Position (Geographical Coordinates)

The Kingdom of Bahrain is located centrally on the southern shores of the Arabian Gulf, to the right of Saudi Arabia and North State of Qatar. The geographical coordinates of Bahrain are 26.157130 N, 50.524354 E.

#### 1.5 Population

The population of Bahrain currently is 1,484 (in thousands). Bahrainis constitute of 47.30% of the total population, while non-Bahrainis constitute of 52.70% by the year 2019. Males and Females constitute approximately 62% and 38% consecutively.

Foreign residents belonging to India, Pakistan, Bangladesh, Middle East, Iran, Philippines, Europe and East Asia constitute the expatriate population of Bahrain.

## Kingdom of Bahrain

**System:** Constitutional monarchy

**Capital City:** Manama

**Surface Area:** 780 km<sup>2</sup>

**Population:** 1,484,000

- Bahrainis: 702,000
- Non-Bahrainis: 782,000
- Male: 921,000
- Female: 563,000

**Time Zone:** GMT +3:00

**Currency:** Bahraini Dinars

**Official Language:** Arabic

**Religion:** Islam

**Weekends:** Friday and Saturday

**Weather:**

- Dec to Feb: 19° C (66°F)
- Jun to Aug: 36° C (97°F)

**Electricity:** 220-240 volts at 50 hertz

**Country Code:** +973

## 1.6 Climate

Bahrain's weather is hot in summer and mild in winter. Between December & February the weather is cool with an average temperature of 19°C (66°F) and winds blow from the North.

The average temperature between June and August is 36°C (97°F) with a high percentage of humidity, while the average rainfall is about 62mm.

## 1.7 Religion

Islam is the dominant religion of the Kingdom believed by the vast majority of the population. There are also other places of worship for other religions like Christianity and Hinduism.

## 1.8 Time

Three hours ahead of GMT - (GMT +3:00).

## 1.9 Official Language

The official language in Bahrain is Arabic. However, English is widely used in the business and corporate sector.

## 1.10 Money and Currency

The Bahraini Dinar (BD) is the official currency used in Bahrain which composed of 1,000 fils, and is available in the following denominations: 5 fils, 10 fils, 25 fils, 50 fils, 100 fils, 500 fils, 1 BD, 5 BD, 10 BD and 20 BD.

At present, the exchange rate of BD with the US Dollar is fixed at 1 BD = US\$ 2.65 or US\$1=377 Fils.

Money can be conveniently exchanged at any commercial bank or moneychanger.

## 1.11 Business Hours in Bahrain

The working week, number of working hours and timings vary from organization to organization.

Government offices function from 07:00 to 14:15 and work Sunday to Thursday. Commercial organizations have independent timings and their working hours vary. But the commonly adopted hours are 08:00-16:00 or 09:00-17:00 and they operate either 6 days a week or 5 days a week-Saturday to Thursday or Sunday to Thursday.

Commercial banks are mostly open from 07:30 to 13:00, Sunday to Thursday, although some banks' branches are open in the evenings and during Saturdays also.

Shops and supermarkets are mostly open from 08:30 to 12:30 and 16:00 to 20:00. However there are many supermarkets, which are open 24 hours, seven days a week.

During the holy month of Ramadan, when Muslims fast during daylight hours, business life slows measurably and Muslim employees are allowed shorter working hours-six. All restaurants and eateries remain closed during the hours of fasting and it is prohibited to drink or eat in public during such period.

There are no cultural or religious prohibitions on the way the business is conducted. Islamic financing coexists with traditional financing which permits charging of interest in respect of commercial transactions. The courts of Bahrain award interest in disputes of commercial nature.

### **1.12 Weekends**

Fridays and Saturdays are the days of official public holiday of all government offices as well as most companies and banks, excluding those that work half days on Thursdays.

### **1.13 Infrastructure**

Bahrain combines a modern infrastructure and comparatively liberal society with an authentic Gulf experience. There are privately owned telecommunication networks, including direct trunk dialing and telex and internet facilities. The country is well connected by road and cars are mostly used for transportation. Public transportation and private taxis are available. There is no rail transportation although it is intended to be introduced in the future. Bahrain is connected to Saudi Arabia with a causeway. The construction of a causeway to connect Bahrain with Qatar is planned to be undertaken.

The Bahrain International Airport, situated in Muharraq, is the most efficient in the region with its new terminal and with more than 35 airlines operating. Gulf Air, the national carrier, has its administrative head office in Bahrain. Bahrain is well connected on the international air map and has direct or connecting flights from and to every important city of the world. The major sea port of Bahrain is Khalifa Bin Salman Port strategically located at Hidd in Bahrain, the

heart of the Arabian Gulf area, is self-sufficient and provides its own range of support services.

The Bahrain Government has recognized the need to promote an expanded industrial base and encourages the setting up of capital-intensive industrial establishments as well as small and medium-scale industrial enterprises. The Bahrain Government has developed industrial sites for the benefit of entrepreneurs.

### 1.14 Public Services

The distribution of electricity and water in Bahrain is the responsibility of the Electricity and Water Authority. The production of electricity and water (reverse osmosis of sea water) is undertaken by both government and private agencies.

The Sustainable Energy Authority in Bahrain is responsible for enhancing the efficiency of sustainable energy and monitoring the performance of the sustainable energy sector in Bahrain.

The production of gas and processing are the responsibility of the majority state-owned Bahrain National Gas Company.

### 1.15 Electricity

220-240 volts at 50 hertz

Plug system: trio electric socket (British system).

### 1.16 Country Code

Bahrain country code number: +973

### 1.17 Public Holidays

|   |   |
|---|---|
| <b>1<sup>st</sup> January</b>   | New Year  |
| <b>1<sup>st</sup> May</b>   | Labor Day   |
| <b>16<sup>th</sup>, 17<sup>th</sup> December</b>                      | Bahrain's National Day and His Majesty King Hamad bin Isa AlKhalifa's Accession to the Throne |
| <b>1<sup>st</sup> Muharram</b>  | Islamic New Year (Hijri)  |
| <b>9<sup>th</sup>, 10<sup>th</sup> Muharram</b>                       | Ashura Days   |
| <b>12<sup>th</sup> Rabi'a AlAwal</b>                                  | Birth of Prophet Mohammed   |
| <b>1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> Shawal</b>          | Eid AlFitr  |
| <b>10<sup>th</sup>, 11<sup>th</sup>, 12<sup>th</sup> Dhu AlHijjah</b> | Eid AlAdha  |

## 2.0 GENERAL CONSIDERATIONS

### A. INVESTMENT POLICIES

#### 2.1 Promotion of Investment

It has been the policy in Bahrain to welcome investment into the region. Although wholly or partially government-owned enterprises dominated the economy in the past, laws and regulations have been streamlined since 1990 to make the business climate conducive for foreign investment. Foreign investors are welcome to set up licensed production and export industries and commercial firms are also encouraged to set up their regional offices and distribution centers.

The Economic Development Board (**EDB**) is a dynamic Government agency with an overall responsibility for formulating and overseeing the economic development strategy of Bahrain, and for creating the right climate to attract direct investment into Bahrain. The EDB is also responsible for attracting inward investment into Bahrain, and is focusing on seven target economic sectors namely, financial services, downstream industries, tourism, business services, logistics, healthcare, education and training. In addition, the EDB offers an investor facilitation service to first-time investors who are interested in investing in Bahrain. This service includes acting as the first point of contact, understanding the objectives of investors, providing them with information regarding the relevant procedures for setting up business, and helping them form a network of contacts in Bahrain.

With government encouragement, Bahrain has long been established as the principal banking and financial center of the Gulf region.

#### 2.2 Rate of Inflation

The inflation rate in Bahrain was recorded at 2.7 percent in 2018.

#### 2.3 Foreign Investment

The Government of Bahrain has a generally liberal approach to foreign investment and is eager to improve Bahrain's attractiveness to international investors and businesses. As a result of this initiative, companies, fully owned by foreign corporate entities, are encouraged in Bahrain. Nevertheless, certain restrictions still exist in the real estate,

construction sector and retailing industry. It is possible for the 100% foreign owned companies in Bahrain to have provisions in the constitution documents of such companies whereby the meetings of the shareholders and the board of directors can be held outside Bahrain. It is also possible to establish joint stock companies with 2 shareholders and single person companies with limited liability.

In general Bahrain encourages foreign investment but investments remain subject to approval from the respective supervisory regulatory governmental authority. Investment activities are undertaken in accordance with the regulations organizing different economic activities. The regulator—Central Bank of Bahrain (**CBB**) and the Ministry of Industry, Commerce and Tourism (**MOICT**)—are customer-friendly and are eager to assist investors for the mutual benefit of investors and Bahrain.

Bahrain offers several advantages to foreign investors including a no personal or corporate taxation regime, no restriction on capital and profit repatriation, a developed infrastructure with excellent transportation and communication facilities, and duty-free access to Gulf Cooperation Council (**GCC**) member states for products manufactured in Bahrain.

In an effort to streamline licensing and approval procedures, the MOICT operates the Bahrain Investors Center (**BIC**) and the online companies' registration portal (Sijilat) for both local and foreign companies seeking to register in Bahrain. Applications for setting up companies and conducting all related companies affairs are now fully automated, whereby an applicant will access the portal, fill in the required information and upload the required documents on Sijilat system. This system is linked to various relevant regulators to whom the application will be sent for approval. An applicant will therefore be in a position to monitor the progress of his/her/its application by checking the status thereof on the system. In addition to the online "Live Chat" on Sijilat portal, BIC is designed as a "one-stop shop" providing all commercial licensing and registration support services. Representatives from all relevant ministries and private sector areas like telecommunications, legal, banking, and consulting institutions are present at the BIC.

The MOICT adopted the International Standard Industrial Classification of All Economic Activities (ISIC), Rev. 4 issued by the United Nations. The list of activities and restrictions applicable thereon may be found on designated search engine for commercial activities on (<https://www.sijilat.bh/>).

### **Exemption from local ownership restrictions**

When an activity requires a minimum local ownership, foreign investors may still be able to exercise such restricted business activities by applying for an exemption from the Cabinet of Ministers through the MOICT.

## **2.4 Types of Businesses**

Bahrain is a melting pot of multifarious business activities. Bahrain offers a wealth of trade and investment opportunities in a number of sectors. Initially Bahrain started off in the petroleum, oil and gas sector but soon diversified into a range of other sectors.

Bahrain's reputation as the financial center of the Middle East, together with its strong infrastructure, has attracted numerous multinational financial institutions to establish offices in the Kingdom.

Bahrain's early leadership in financial services was based on the development of a strong business infrastructure, including world-class telecom and IT systems. That in turn attracted a wide range of professional and business support services, including legal, accountancy, consultancy, recruitment and other professional services. Bahrain is considered a regional pioneer for financial technology (Fintech) by establishing Bahrain Fintech Bay to reinforce the Kingdom's position as a Fintech hub for the Middle East and North African region.

Production of aluminum is a major industry in Bahrain. Tourism is another major industry.

## **B. DIPLOMATIC RELATIONS**

### **2.5 Diplomatic relationships**

Bahrain is a member of the World Trade Organization (WTO). Bahrain is a full active member of the United Nations (UN), the Organization of Arab Petroleum Exporting Countries (OAPEC), G.C.C, the Organization of the Islamic Conferences, Arab League, the World Bank, International Monetary Fund (IMF), International Bank for Reconstruction and Development, Islamic Development Bank and the Geneva Convention. Bahrain also has significant diplomatic ties with most of the leading countries of the world.

Bahrain has signed Free Trade Agreement (FTA) with the United States of America in 2004.

## 2.6 Travel Restrictions

Passport holders of the GCC states (Kuwait, Oman, Saudi Arabia and the United Arab Emirates) are allowed visa free entry into Bahrain, with the exception of Qatari citizens who require security clearance and permits before being allowed entry into Bahrain. All other visitors to Bahrain regardless of purpose of visit require visas. Nationals of 67 countries can obtain visa on arrival. They include nationals of US, UK, France, Germany, Russia, South Korea, Japan, China and several states from the European Union and South America. Also, nationals of 114 countries can apply for online visas. Details can be obtained from the website: <https://www.evisa.gov.bh/>.

Since Bahrain is a small archipelago there are no restrictions of travel within Bahrain, except for a maritime curfew from 6pm to 6am in certain designated areas implemented since 2011.

## C. GOVERNMENT

### 2.7 Government and Politics

Bahrain is a constitutional monarchy headed by the HH Shaikh Hamad Bin Isa Al Khalifa. The head of government is the Prime Minister, HH Shaikh Khalifa Bin Salman Al Khalifa, who presides over a cabinet of 24 members. In 2001, over 98.4% of Bahrainis overwhelmingly approved the adoption of the National Action Charter pursuant to which the new Constitution was adopted in 2002. Bahrain has a bicameral legislature with a lower house, the Chamber of Deputies, elected by universal suffrage and the upper house, the Shura Council, appointed by the King. Both houses have forty members. The inaugural elections were held in 2002, with parliamentarians serving four-year terms. The King has created the Supreme Judicial Council to regulate the country's courts and institutionalize the separation of the administrative and judicial branches of government. Elections were last held in November and December 2018.

### 2.8 Judicial System

According to the new Constitution, which came into effect on 14 February 2002, Bahrain is a sovereign independent Arab Islamic State. Although Article 2 of the Constitution provides that the Islamic *Sharia* (Islamic law) is the main source of legislation, general matters and private transactions are governed mainly by laws derived from modern legislation. The judicial system is impartial and everyone has recourse to the courts.

The judiciary in Bahrain is organized into four separate types of courts: the civil law courts, the criminal law courts, the courts of Shari'a and the Constitutional Court.

The Civil and Commercial Procedures Act govern the civil courts. Adjudication of all civil and commercial cases, including all cases involving personal status of non-Muslims fall within the mandate of the civil courts. The courts of minor causes (the lower courts and the court of execution) have one judge with jurisdiction over minor civil and commercial disputes. The High Civil Court consists of one judge or more (depending on the administrative jurisdiction of the court in question as defined by the Supreme Judicial Council resolutions) with jurisdiction over larger civil and commercial disputes and personal status cases involving non-Muslims. Appeals are made at the Civil High Court of Appeal or the High Civil Court (as the case may be), which is presided over by at least three judges. The criminal law courts adjudicate criminal cases. The lower criminal court, which is headed by a single judge rules on misdemeanor crimes. The High Criminal Court has at least three judges and rules on felonies. Appeals are made at the Criminal High Court of Appeal or the High Criminal Court (as the case may be), which also has three judges. Both the civil and criminal court systems have a Court of Cassation, the final appellate court.

The Shari'a Law Courts have jurisdiction over personal status cases involving Bahraini and non-Bahraini Muslims. There are two levels: the Senior Shari'a Court and the High Shari'a Court of Appeal. At each level there is a Sunni Shari'a Court with jurisdiction over all personal status cases brought by Sunni Muslims, and a Jaafari Shari'a Court with jurisdiction over cases brought by Shi'a Muslims. The High Shari'a Court of Appeal is composed of a minimum of two judges. In the event of a disagreement, the Ministry of Justice provides a third judge and the decision will be based on a majority vote.

The Constitutional Court was established pursuant to Article 106 of the Constitution and its mandate is to rule on the constitutionality of laws and statutes. The Constitutional Court consists of a president and six members, all appointed by the King's royal decree. These seven judges serve 9-year terms and cannot be removed before their terms expire. The King may refer draft laws to the Court to determine the extent of their agreement with the Constitution. The Court's determination is final and "binding on all state authorities and on everyone," according to the Constitution.

Commercial Courts were also introduced in the Bahraini courts system with an innovation of a case management phase when the matter falls within the jurisdiction of senior commercial courts (for claims exceeding BD5,000/- in value). Commercial disputes are defined under Ministerial Order No. 82 of the year 2019.

Apart from the above, military courts are also provided for by the Constitution. However their jurisdiction is confined to military offences committed by members of the Defense Force, the National Guard, and the Security Forces.

## 2.9 Dispute Resolution

There is no political method of resolving the dispute in Bahrain. The conventional dispute resolution means in Bahrain is through the courts of law. There are three levels of dispute resolution—Court of First Instance, Appeals Court and the Court of Cassation. Depending on the complexity of the case and also the appointment of an expert, the First Instance Court may take 6 months to 1 year to render its judgment, the Appeals Court may take 6 months to 1 year to render its judgment and the Cassation Court may take 9 to 12 months to render its judgment. Alternate dispute resolution (**ADR**) means like arbitration, mediation and conciliation are also employed in Bahrain. The most popular form of ADR in Bahrain is arbitration.

Arbitration procedures are largely a contractual matter. Increasingly, Bahraini companies, in dealings with both local and foreign firms, include arbitration procedures in their contracts. Parties also have the option of referring disputes under the procedures established under the Arbitration Law, the rules of GCC Commercial Arbitration Center, the rules of the BCDR-AAA or under the provisions of foreign arbitral bodies such as LCIA or ICC. If the parties to an agreement agree to refer their disputes to arbitration, then the courts of Bahrain will decline to assume jurisdiction provided that the court's non-jurisdiction is brought to the court's attention at the earliest point of time and prior to filing of submission on merits.

The courts of Bahrain recognize the right of the parties to subject their agreement to foreign law. The party relying on foreign law must prove the foreign law and submit documents in Arabic to prove the foreign law. However, the foreign law should not be repugnant to the public order of Bahrain. The courts of Bahrain also recognize the right of the parties to resolve their disputes in a foreign jurisdiction. However, a Bahrain court

will enforce a foreign judgment in Bahrain only if the relevant foreign country enforces Bahraini judgment on reciprocal basis. Bahrain is signatory to “Agreement for the Execution of the Judicial Judgments of the Gulf Co-operation Council (GCC) Member States” and, consequently, judgments rendered by a court in a GCC country is enforceable in Bahrain. Bahrain is also a party to the Riyadh Convention of 1983, whereby judgments issued in the countries signatory thereto shall also be enforceable, subject to satisfaction of certain conditions.

Since Bahrain is a signatory to the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitration Awards, foreign arbitral awards can be effectively enforced subject to the provisions of New York Convention.

Legislative Decree No. 30 of 2009 with respect to Bahrain Chamber for the Resolution of Economic, Financial and Investment Disputes established the Bahrain Chamber for Dispute Resolution (**BCDR**). Pursuant to this law, if a disputes involves a claim more than BD 500,000 and is between financial institutions licensed by the CBB, or between them and other institutions, companies and individuals, or if a dispute is an international commercial dispute, BCDR shall have jurisdiction to resolve the dispute, not the courts. A dispute is international if the domicile of one party to the dispute or the place in which it is being enforced is an important part of the obligations arising out of commercial relations or if the place to which subject of the dispute is most related is outside Bahrain. The BCDR also has powers to hear the disputes which the parties voluntarily agree in writing to resolve through BCDR. An appeal against the judgment or award of BCDR may be filed before the Court of Cassation on certain limited grounds whose decision is final and no further appeal lies.

There are no multi legal systems in Bahrain except that Sharia courts apply Law No. 19 of the year 2017 promulgating the Family Law in respect of personal status of Muslims irrespective of their nationality.

## **D. ENVIRONMENTAL CONSIDERATIONS**

### **2.10 Environmental Regulation**

Bahrain is highly conscious of the vitality of environment in the development of the nation. Article 9 of the Constitution casts an obligation on the state to take all necessary measures for the protection and conservation of the environment.

Public Commission for the Protection of Marine Resources, Environment and Wildlife is the regulatory authority for environment in Bahrain. There are many regulations and laws in Bahrain covering various aspects of environment protection and conservation. Legislative Decree No 21 of 1996 with respect to environment and Ministerial Order No. 10 of 1999 with respect to environmental standards (Air and Water) are examples of such initiatives.

## E. INTELLECTUAL PROPERTY

### 2.11 Intellectual Property - General

In 1994, Bahrain enacted Legislative Decree No. 7 ratifying the WTO Agreements. Therefore by virtue of Article 37 of the Constitution of Bahrain, the provisions of the TRIPS Agreement and the entire provisions of the Paris and Berne Conventions, as a result of them having been concluded and ratified, have become an integral part of the national Law of Bahrain.

Bahrain has the membership to the following WIPO treaties:

- a) WIPO Convention, since June 1995.
- b) Paris Convention (Industrial Property), since October 1997.
- c) Berne Convention (Literary and Artistic Works), since March 1997.
- d) PCT (Patent Cooperation Treaty), since March 2007.
- e) Madrid Protocol (Registration of Marks), since December 2005 .
- f) Nice Agreement (International Classification of Goods and Services), since December 2005.
- g) WCT (WIPO Copyright Treaty), since December 2005.
- h) WIPO Performances and Phonograms Treaty, since December 2005.

### 2.12 Intellectual Property Right Laws

Bahrain offers adequate protection to intellectual rights as it has well defined laws in this respect. Copyright is regulated by Law number 22 of the year 2006 with respect to protection of Author's rights and Attendants Rights, which was amended by virtue of Law number 12 of the year 2008, Law number 3 of the year 2011 and Law number 5 of the year 2014. Trademark is governed by Legislative Decree number 6 of the year 2014. Patents are governed by Law number 1 of the year 2004 with respect to Patents, amended by virtue of Law number 14 of the year 2006. In addition the Ministry of Industry, Commerce and Tourism issued Order number 115 of 2011 with respect to Procedure of Issuing Patents. Bahrain ratified the

GCC Patents Regulations by virtue of Law number 12 of the year 2004. Business Secrets are regulated by Law number 7 of the year 2003 with respect to Business Secrets, amended by virtue of Law number 35 of the year 2005 and Law number 12 of the year 2006. . The geographical indicators are governed by the provisions of Law number 16 of the year 2004 with respect to geographical indicators as amended by Law number 16 of 2006

In 2009, the Kingdom of Bahrain passed the Law No. 29 of 2009 with respect to Ratifying the Protocol amending the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).



## 3.0 INVESTOR INCENTIVES

### 3.1 General Considerations

The Government of Bahrain has a liberal and positive approach to foreign investment and is eager to improve Bahrain as an ideal destination to international investors and businesses. As part of its program to diversify the economy, the Government of Bahrain actively encourages foreign private investment, especially in sectors which are export-oriented and do not compete directly with established local enterprises. All significant investments, whether by Bahraini or foreign firms, must go through the regulatory approval process depending on the relevant sector in which such investment is being made.

### 3.2 Specific Incentives

Bahrain offers a host of incentives for the foreign investors, the principal incentives can be enumerated as follows:

- a) 100 % foreign ownership allowed for certain categories of business.
- b) No personal, corporate or withholding tax.
- c) The Bahrain Development Bank (BDB) which had its inception in 1992 has been providing long term and soft loans to priority sectors like agricultural establishments, industrial projects and small industries.
- d) Duty-free access to GCC member states for products manufactured in Bahrain.
- e) Duty-free import of materials and machinery for manufacturing and duty-free merchandise for re-export.
- f) Other customs facilities.
- g) No restriction on capital and profit repatriation subject to anti-money laundering laws and regulations.
- h) Absence of any exchange control.
- i) Procedures for obtaining commercial licenses have been streamlined, and all the necessary formalities can usually be accomplished within one week for representational offices.
- j) Private entities may freely establish, acquire, and dispose of interests in business enterprises subject to the respective regulators.
- k) Efficient Capital Market and Portfolio Investment.
- l) Well-defined laws and business friendly policies.

## 4.0 TAX

There are no taxes payable with respect to income, withholding or capital gains under existing Bahraini laws. There are no currency or exchange control restrictions currently in force under Bahraini law and the free transfer of currency into and out of Bahrain is permitted, subject to any anti-money laundering regulations and international regulations in force from time to time.

This has been one of the predominant considerations, which has contributed for great influx of foreign investors in the Bahrain. Apart from social insurance deductions mandated by law to cover the pension and employee sicknesses or disabilities, the only deduction that an employer is obliged to make from the employee's salary is 1% deduction payable to the government, which will be utilized to pay allowance to unemployed Bahraini nationals.

The social insurance and disability insurance payable is as below:

Bahraini employees – 12% (payable by employer) & 6% (payable by employee)

Salaries of over BHD4,000 per month are ignored for social security contributions with respect to the proportions exceeding the cap of BHD4,000.

Non-Bahraini employees – 3% (payable by employer)

Bahraini employees are eligible for pension pursuant to the aforesaid deduction from their salaries and non-Bahraini employees are eligible to receive leaving indemnity payment, as described elsewhere.

The above notwithstanding, certain taxes are imposed on oil, gas and petroleum companies. Municipal taxes are also payable by individuals or companies renting property in Bahrain.

The corporation is not subject to tax either on its Bahrain income or its worldwide income.

Bahrain has introduced the Value Added Tax Law No. 48 of 2018 for the imposition of value added tax on certain products and services.

## 5.0 FINANCIAL SECTOR

Bahrain has the enviable distinction of being the financial hub of the region. There has been tremendous growth principally owing to potent infrastructure in this sector and the stellar efforts of the regulating authority, the CBB.

The Central Bank of Bahrain and Financial Institutions Law 2006 promulgated by Decree Law 64 of 2006 regulates the functioning of CBB, the financial regulator for Bahrain. It maintains sound reporting and accounting arrangements, which strictly adhere to the best international practice. The CBB has been responsible for the regulation of all banking and related financial institutions from its founding. The CBB has established a close working relationship with international institutions that are active in the area of financial sector supervision and regulations, and the development of good corporate governance practices. These relationships have allowed the CBB to develop a world-class regulatory system that ensures that Bahrain's financial institutions operate on equal standard to those in place in major international financial centers. The supervision and regulation of the insurance sector and the capital markets sector all fall within the CBB's area of responsibility.

CBB is continually streamlining its regulations with respect to the financial sector and has in place seven Rulebooks to govern its licensees. The CBB, in its capacity as the regulatory and supervisory authority for all financial, insurance and capital market institutions in Bahrain, issues regulations that licensees are legally obliged to comply with. Most of these regulations are contained in the CBB Rulebooks.

The Rulebook is divided into 7 Volumes, covering different areas of financial service activities. Volume 1 covers all conventional banks licensed by the CBB, Volume 2 covers Islamic banks, Volume 3 covers Insurance sector, Volume 4 covers Investment Business, Volume 5 covers specialized activities such as Money Changer, Financing Companies, Administrators, Trust Service Providers, Microfinance Institutions, Ancillary Services, Leasing Companies and Representative Offices, Volume 6 covers Capital Market and Volume 7 covers Collective Investment Undertakings.

## 6.0 CUSTOMS

The Directorate General of Customs is the regulating authority. It operates with the aspiration of achieving the following goals:

- a) To enact appropriate Customs regulations so as to facilitate a smooth exchange of goods and services between Bahrain and other countries.
- b) To implement Customs regulations and policies which promote Bahrain as an ideal investment and trading center in the Gulf Region.
- c) To develop Customs regulations and procedures that are in compliance with global standards and conform to the latest technological advances.
- d) To provide a high quality Customs service, which will bring about a high level of customer satisfaction.
- e) To strive for better co-ordination and enhanced co-operation in matters concerning Customs activities with local, regional and international organizations.

### 6.1 Customs Law and Tariffs

The Unified Regulation Law of the GCC is the principal law governing Customs in Bahrain. Procedures specific to visitors, bonded warehouse, transit, exporting, importing, clearing agents, prohibited and restricted categories and payment methods have been formulized.

Bahrain is a member of the World Trade Organization (WTO) since 13 December 1993. Bahrain applies its Customs Tariff according to the H.S. Codes, issued by the World Customs Organization (WCO). The following are the broad categories of the customs duty:

- a) Free duty - Vegetable, fruits, fresh and frozen fish, meat, books, magazine and catalogues.
- b) 5% duty - All other imported items like clothes, cars, electronics items and perfumes.
- c) 100% duty - Tobacco and Tobacco related products. These are also evaluated based on the quantity or weight, and the higher value is taken into consideration for duty.

- d) 125% duty – Alcohol.

## 6.2 Customs Facilities and Incentives

The Bahrain Customs provides various facilities to all the different sections of the trading and business industries, which can be availed by foreign investors. These include:

- a) Customs duties exemption on goods of Arabic origin.
- b) Priority release of the goods with high value.
- c) Duty free transit facility.
- d) Duty drawback system.
- e) Bonded warehouse facilities.
- f) Duty exemption for goods of GCC origin.
- g) Priority clearance of consignment.
- h) Facility for temporary importation.
- i) Import of goods for exhibition on refundable customs deposit.
- j) Duty free shops.

## 6.3 Import and Export Requirements

Importers must be registered with the MOICT and the Bahrain Chamber of Commerce and Industry.

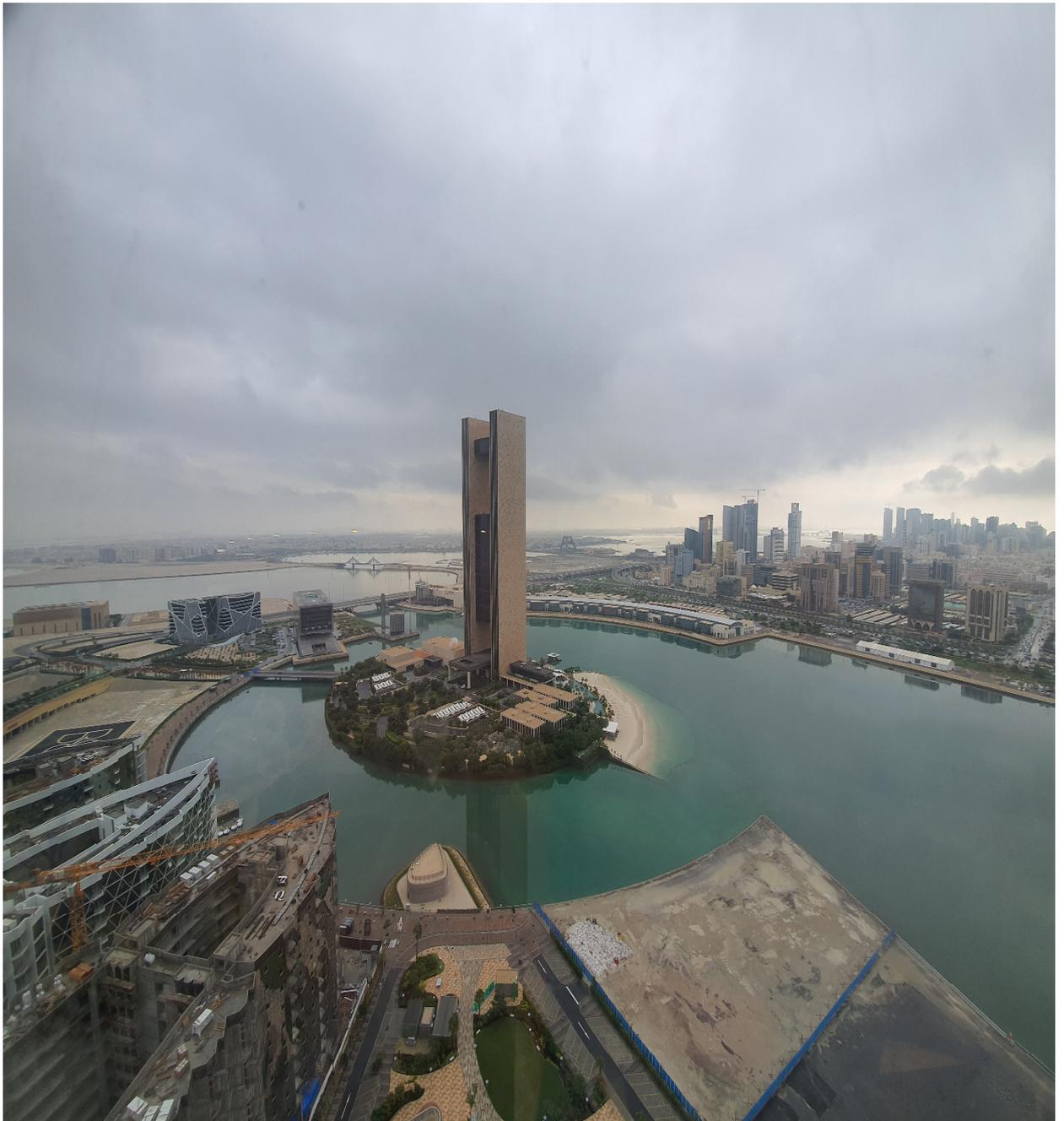
Imports are governed by the Bahrain Customs Law and regulations and are further subject to the specific laws enacted by the Ministry of Commerce and Agriculture and the Ministry of Health. These specific laws include Legislative Decree No 3 of 1985 Governing the Control of Imported Foodstuffs and the packaged food labeling law, which is provided by Ministerial Order No 12 of 1985 with respect to Endorsing a Gulf Standard Specification as a National Specification.

At the time of Customs clearance of imported goods, the following documents have to be submitted:

- a) Delivery Order issued by the Shipper or the Liner's Agent.
- b) Supplier's Invoice in triplicate.
- c) Packing List in duplicate.
- d) Certificate of Origin.
- e) Insurance Certificate.
- f) Bill of Lading (in duplicate).
- g) Bank payment Voucher or bank receipt.
- h) Statistical declaration in case the goods reach their final destination in one of GCC states.

There is no Customs duty for goods exported out of Bahrain. Exporters are required to submit the following documents for statistics purpose only:

- a) Customs Bill of Entry/Customs Declaration
- b) Invoices
- c) Bill of lading (manifest)



## 7.0 BUSINESS ENTITIES AND ARRANGEMENTS

### 7.1 General Considerations

In order to conduct business activities in Bahrain, entities must have a legal presence under the provisions of Decree Law No. (21) of 2001 Promulgating The Commercial Companies Law (**CCL**). All commercial companies are governed by the provisions of the CCL together with the executive regulations thereof and the ministerial orders implementing such law issued by the Minister of Industry, Commerce and Tourism (**MOICT**). In addition, companies may also be subject to other laws and regulations depending on the nature of their activity. Specifically, companies that are licensed by the CBB to provide regulated services are subject to the laws and regulations concerning the regulated services. The CCL provides for a wide business structures that can be established under its provisions.

#### A. BUSINESS ENTITIES

### 7.2 Limited Liability Company (WLL)

It is a company in which the partners are not less than 2 and not more than 50, and who are responsible only to the extent of their shareholding in the capital. Non-Bahrainis who wish to establish a company in Bahrain may do so through the formation of a Bahraini limited-liability company. Articles 265 to 271 of the CCL govern company with limited liability. Further, the partners may not resort to public subscription for raising share or loan capital.

The name of the company must be followed by the words 'Company with limited liability', or 'W.L.L.' for short. One or more managers, who need not be partners, manage the company. There is no requirement in the law for a board of directors unless the number of partners exceeds 10. A manager has full power to bind the company with his signature unless restrictions are contained in the memorandum of association or subsequently resolved by the partners by a resolution passed at the general meeting and registered with the Commercial Registry. A percentage of profits of the company must be set aside each year for depreciation, and 10 per cent of the net profits thereafter must be set aside to build up a compulsory reserve until the amount of such reserve equals 50 per cent of the capital of the company. The capital should be sufficient to cater to the object of the company. The capital of the company shall be divided into parts (shares) of equal value of not less than fifty Bahraini Dinars (BD 50) each. A part shall be indivisible and non - negotiable. The company shall not be

incorporated unless all cash shares are distributed among the partners, and the value thereof has been paid up in full; and the in kind shares are delivered to the company. A WLL company is not permitted to undertake insurance or banking activities or the investment of funds for the account of third parties.

The procedure for formation of a company with limited liability commences by reaching an agreement between the partners regarding the terms of the memorandum of association, which is prepared in a draft form. This document shall deal with such aspects as the life of the company, objects, share capital, appointment or election of managers or board of directors' and their rights and duties and proceedings at general meetings.

The following documents need to be submitted to the MOICT:

- a) Name, address, occupation, nationality, and copy of passport of the manager(s) or board of directors (if applicable);
- b) Application fee;
- c) A certificate from a commercial bank in Bahrain with regard to deposit of share capital;
- d) Expert's report for assessment/evaluation of 'in-kind' shares, if any; and
- e) Draft of the Memorandum of Association.
- f) Lease agreement or proof of ownership of the place of business/office.

If the shareholder is a *corporate entity*, the following must also be submitted:

- a) Its certificate of incorporation;
- b) Corporate resolution to be a partner in the company;
- c) Its Memorandum and Articles of Association;
- d) Latest audited financial statement;
- e) A Resolution of the Board of Directors resolving to establish the company; and
- f) A Power of Attorney in favor of an authorized person to act on behalf of the company to establish and register the company.

If the shareholder is an *individual*, and a non-GCC citizen, the following documents shall be submitted:

- a) Copy of passport;
- b) A Curriculum Vitae setting out the applicant's education and career along with a copy of the certificate of professional qualifications;
- c) Bank Reference; and

- d) A Power of Attorney in favor of an authorized person appointed to act on behalf of the applicant to establish and register the company.

The MOIC shall direct that approval be sought from other regulators if the company's activities come under the supervision of such regulators such as the CBB, National Health Regulatory Authority or the Telecommunications Regulatory Authority. On final approval by the MOIC, the Arabic version or a bilingual Arabic/English version of the approved memorandum of association is signed by the authorized representatives in the presence of the Notary Public, and notarized by the Notary Public. A copy of the notarized memorandum of association together with the following is filed with the Company Registry:

- a) A certificate from a Bank in Bahrain certifying that the share capital of the company has been deposited; and  
b) Payment of the appropriate annual registration fee.

If the documents are complete and satisfactory in all respects, the Directorate of Company Affairs will issue the Certificate of Registration. On issuance of this Certificate, the company is incorporated and acquires its legal personality.

### **7.3 Joint Stock Company (Closed) (CJSC)**

A joint stock company (closed) may be incorporated with two or more shareholders. The shares of the company may not be offered to the public in a public offering. The name of the company shall be followed by 'BSC (c)'.

A board of directors of not less than 3 members, who may be elected or nominated by the shareholders, if the Articles of Association so permits, shall manage the company. The capital shall be sufficient to meet the objectives of the company and may not be less than BD 250,000. The shares of CJSC shall not become negotiable except after paying the full value of the issued shares. Excluded from this are assignments of shares between founders. However, there is no prohibition for new shareholders to be inducted in the company by increasing the share capital of the company. The build-up of compulsory reserves is similar to the WLL company. Further, the procedure for formation is also very similar to that of a WLL company except that there must be two incorporation documents, namely, the Memorandum of Association and Articles of Association.

#### 7.4 Single Person Company (SPC)

A single natural or corporate person, Bahraini or non-Bahraini, may incorporate a one-person company. The proprietor of the capital of the company shall not be liable except to the extent of the capital allocated for the company.

The minimum capital requirement for the establishment of this company depends on its activity, and the owner's liability is limited to the capital. The company may be managed by the owner of the capital or by a Manager. A single person company shall not undertake insurance or banking activities or the investment of funds for the account of third parties. The company may not be established or its capital increased or borrowing made for its account through public subscription. The company may not issue negotiable shares or bonds of any kind. The owner of the company's capital shall separate his own financial account and the company's capital. The incorporation formalities of a one-person company are similar to that of a WLL company including the Articles of Association and Declaration of Association.

#### 7.5 Holding Company (HC)

A holding company is a company, the purpose of which is to own shares in Bahraini or foreign joint stock companies or limited liability companies, or to participate in the establishment of such companies and to manage them and provide loans thereto and guarantees them before third parties. A HC is permitted to own more than 50 per cent of the capital of its subsidiary, and it may take the form of a joint stock company, a company with limited liability, or a single-person company.

The objects of a HC shall be:

- a) To manage its affiliates or to take part in managing the other companies in which it participates and to provide the necessary support therefor;
- b) To invest its funds in shares, bonds, and securities;
- c) To own the necessary properties and movables for carrying on its business within the limits permitted by law;
- d) To provide loans, guarantees and finance for its affiliates; and
- e) To own industrial ownership rights such as patents, trade and industrial marks, concessions, and other intangible rights, and to exploit and lease them to its own affiliates or to others.

### **7.6 General Partnership Company (GPC)**

Two or more persons, Bahrainis and non-Bahrainis, may form a general partnership company. The liability of partners is unlimited, and they are jointly and severally liable with respect to the company's debts and commitments.

The name of the partnership shall consist of the name of one or more of the partners, adding thereto the words '& Co', or any indication that a partnership exists.

Each partner is deemed in the capacity of a merchant who undertakes trade under the company's name. The bankruptcy of the company is construed to be bankruptcy of all partners. The company's creditors shall have a claim on the company's assets, and shall have also a claim on the private assets of any partner who used to be a member of the company at the time of contracting. All partners are jointly liable towards the company's creditors, and any agreement to the contrary shall not be valid towards third parties.

### **7.7 Simple Commandite Partnership (SCP)**

This company consists of several partners, which are of two kinds, namely:

- a) Joint partners; and
- b) Sleeping partners.

Joint partners are jointly and severally liable for the obligations of the company to the extent of their assets. Sleeping partners, on the other hand, are not involved in the management of the company and are not liable for the obligations of the company except to the extent of their shares in the capital.

### **7.8 Public Joint Stock Companies (PJSC)**

A public joint stock company consists of a number of persons who have subscribed to it by negotiable shares. The liability of the shareholders is limited to the extent of the value of their shareholding. The number of promoters of a joint stock company may not be less than two, except in the case of companies formed by the Government or in which the Government is associated in its formation.

The capital of a PJSC is required to be adequate to realize its objectives. The minimum capital shall not be less than one million Bahraini Dinars (BD

1,000,000). The company shall have an issued capital. The articles of association of the company may specify an authorized capital for the company, which may not exceed the issued capital by ten times. The issued capital shall be fully subscribed. Each subscriber shall pay at least one fourth of the nominal value of the cash shares, provided that the remaining balance of such value shall be paid within a period of not more than five years from the date of incorporation of the company. The name of the company shall be followed by 'BSC'. The incorporation of such type of entity shall take place pursuant to the provisions of the CCL.

### **7.9 Branches of Foreign Companies**

Foreign companies, which have been incorporated and registered outside Bahrain, may establish branches, agencies or offices (BR) without being subject to the provisions relative to formation of companies. The BR shall print on all its papers, documents and publications in legible Arabic the full name of the company, its address, head office and the name of the agent. The BR must obtain prior license from the MOIC and any other relevant regulator and register with the Commercial Registry and fulfill any other conditions laid down by the Minister of Commerce. The BR must provide a security from the head office to ensure performance of its obligations. The Minister of Commerce may stipulate that one or more additional security be provided by the BR. The BR shall deposit with the MOIC a copy of the constitutional document of its head office and its amendments and shall deposit a copy of the audited financial statements of its head office within six months from the expiry of the financial year.

A BR licensed as a representative office (REP) may only gather financial, economic and commercial information, carry out general promotional activities and provide general assistance of a non-specific nature to resident and non-resident customers of its head office.

### 7.10 Ready Reckoner

The below mentioned ready-reckoner can be used to principally evaluate the aforementioned business entity structures and their respective attributes under the provisions of the CCL.

| Business Entity Structure<br>→                               | WLL             | CJSC | SPC | HC  | GPC | SCP | PJSC | BR  | REP |
|--|-----------------|------|-----|-----|-----|-----|------|-----|-----|
|  | Attributes<br>↓ |      |     |     |     |     |      |     |     |
| Local Presence Requirement                                   | Yes             | Yes  | Yes | Yes | Yes | Yes | Yes  | Yes | Yes |
| Full Foreign Ownership (Depending on the company objectives) | Yes             | Yes  | Yes | Yes | Yes | Yes | Yes  | Yes | Yes |
| Registration Requirement                                     | Yes             | Yes  | Yes | Yes | Yes | Yes | Yes  | Yes | Yes |
| Local Operations Allowed                                     | Yes             | Yes  | Yes | Yes | Yes | Yes | Yes  | Yes | No  |
| Banking / Insurance Activity Permitted                       | No              | Yes  | No  | No  | No  | No  | Yes  | No  | No  |
| Minimum Partners Required                                    | 2               | 2    | 1   | @   | 2   | 2   | 2    | N/A | N/A |
| Permission to Operate as Holding Company                     | Yes             | Yes  | Yes | N/A | No  | No  | Yes  | No  | No  |

**Key:** @ - Depends on the business entity adopted

**B. BUSINESS ARRANGEMENT****7.11 Commercial Agencies**

Commercial agency agreements are specially recognized under Bahrain law. Commercial agencies in Bahrain shall at least have 51% local Bahraini ownership and are registered under any of the forms as provided under the CCL. All commercial agency agreements must be registered with the Commercial Registry of the Directorate of Commerce and Companies' Affairs in the MOIC. Upon registration, the agency agreements are governed by the provisions of the Legislative Decree No.10 of 1992 (as amended) with respect to the Commercial Agency (**Commercial Agencies Law**). Any unregistered commercial agency shall not be recognized under the provisions of the Commercial Agencies Law.

The philosophy for issuing a law of commercial agencies lies in providing fair protection to the foreign principal, the local agent and, above all, the local consumers. Commercial agency contracts may be made for definite or indefinite periods. If the agency is governed by the provisions of the Commercial Agencies Law, upon termination of the relationship the agent is entitled to a claim against the principal for compensation if he can prove that his activity resulted in apparent success in promoting the principal's products or in increasing the number of his customers but the principal's termination of the agency contract has prevented him from obtaining profit or commission.

## 8.0 OPERATION OF BUSINESS AND DISSOLUTION

### 8.1 Operating Obligations

All the corporate entities established under the CCL are required to follow the provisions mandated by the legislation. The CCL contains definitive provisions on general requirements, establishment, administration, capital, financial, dissolution, merger and conversion, all of which should be strictly adhered to by the respective entity.

In general, CCL mandates companies to maintain accounting books and records in order to reflect the organized operations of such entity. There are also other statutory requirements under the CCL with regard to maintaining proper records and registers. Unless otherwise provided for in the company's articles of association, the entity shall have its financial year starting on the 1st of January and ending on the 31st of December of each year.

In addition to the respective entities being subject to the rules and regulations governing supervision and licensing by the authorities concerned with their respective activities, the MOIC supervises the companies subject to the provisions of the law in respect of the implementation thereof and the proper enforcement of its provisions and the provisions of the articles of association of these companies. In addition, if the companies offer regulated activities that are regulated by the CBB, then CBB ensures that the companies comply with the legal and regulatory provisions.

There are no restrictions on advertising except in respect of certain merchandise such as cigarettes and alcohol. Local counsel can be engaged on an ad hoc basis, if necessary. The hourly rate of lawyers may vary from BD 100 to BD 250 depending on the seniority and experience. Law No. (35) of 2012 With Respect to Protection of the Consumer deals with, among others, the protection of Consumers' rights in Bahrain.

The cost of construction is BD 220 to 250 per square meter. Permits are required to undertake construction activities which are given by the Municipality authorities. It usually takes 2 to 4 weeks to obtain authorization for construction if environmental clearance is not required.

The investors are free to enter into local contracts and it is permissible for the law of another country to govern the contracts. It is quite common for facility agreements for large amounts to be governed by English law.

There are no price control laws. There is no mandatory requirement to register a product.

There is no prohibition on the repatriation of capital while the corporation is still ongoing subject to anti money laundering laws and regulations.

There are no restrictions on the manner, time or place of sale of goods.

The investors can join the Bahrain Chamber of Commerce. The fees are BD 20. There are no mandatory trade practices.

## **8.2 Dissolution/Insolvency/Bankruptcy - General**

Definitive provisions on the subject of winding-up and liquidation of the entity are contained in Part Twelve of the CCL. In specific, Article 320 of the CCL enumerates the various instances necessitating the dissolution of the commercial entity, which are as follows:

- a) On the expiry of its specified term unless the company's memorandum or articles of association provides for its renewal.
- b) On achieving the objectives for which the company was incorporated.
- c) Upon the destruction of all or most of its assets to the extent that it becomes useless for it to continue.
- d) Upon the unanimous resolution by all partners to dissolve it before the expiry of its term, unless the company's memorandum or articles of association provides for certain majority.
- e) On the merger of the entity with another entity.
- f) Also, the commercial registration of the company can be struck off by a substantiated decision adopted by the MOIC, if the entity does not undertake its activities for one year from the date of the completion of its incorporation procedures or if it suspends its activities for a continued period exceeding one year without acceptable justification.

The new bankruptcy law promulgated by Law No. (22) of 2018 has replaced the old bankruptcy law promulgated by Law No. (11) of 1987.

The new law aims at helping business to continue as a going concern – directing at reorganization to the extent possible and avoiding liquidation ,

whereas the old law's focus was on adjudication of bankruptcy and distribution of assets.

This spirit of the new law is embedded in Article 2 of the new law which provides that the objectives of the new law includes preserving and protecting the Bankruptcy Estate/Assets, optimizing (maximizing) the value of the Bankruptcy Estate to the greatest extent possible and reorganizing the debtor and avoiding liquidation as far as reasonably possible.

### **8.3 Dissolution/Insolvency/Bankruptcy - Banks**

The CBB may, pursuant to a justified resolution, assume the administration of an entity licensed by it or may appoint an external administrator to conduct its administration if (a) the licensee becomes insolvent or appears most likely to be insolvent; or (b) if the license is amended or cancelled pursuant to the licensee's failure to satisfy any of the license conditions or fails to start business within six months from the date of the license; or (c) the licensee continued to provide regulated services which resulted in inflicting damages to financial services industry in Bahrain

The CBB or the appointed administrator (with the prior approval of the CBB) shall submit within a period of two years from the commencement of the administration of the licensee, a petition to the competent court for compulsory liquidation of the licensee or otherwise to terminate the administration and restore the management to the officials of the licensee.

## 9.0 LABOR LAW

### 9.1 Law and Regulation

The Labor Law for the Private Sector Decree No. 36 of 2012 (**Labor Law**) is the principal legislation governing and regulating the relationship between the employer and the employee in the private sector.

### 9.2 Employment - General Considerations

There are no obligations to train the employees. Contracts of employment are envisaged to be in written form, in Arabic or accompanied by an Arabic translation. However, in the absence of written contracts workers can prove the conditions of employment by all legal methods of proof. Employment contracts that are less favorable to the worker than the provisions of the Labor Law are null and void. Employers are required to post work regulations showing weekly days of rest, hours of work and rest period.

Employers are not permitted to hire migrant workers or expatriates without valid work permits. Foreign workers must possess a valid passport, residence permit and a work permit. The duration of a work permit is two years. A worker is permitted to remit his wages from the country where he is employed to his country of origin.

Article 37 of the Labor Law provides that a worker's wage shall be fixed according to an individual employment contract, collective employment contract or the employment regulations in the company. If the wage is not fixed by any of the aforesaid methods, a worker shall be entitled to wage according to the professional practice in the area. If there is no custom and practice to determine the wage, the court shall determine the wage based on equity.

The prescribed working hours are forty-eight hours per week and shall be eight hours per day. Under no circumstances shall the hours of work exceed 60 hours per week. During the month of Ramadan, hours are limited to six hours per day and thirty-six hours per week for Muslim workers only.

Employees are entitled to thirty days paid leave per year after one year of service. Further, an employee is entitled fifty-five days of sick leave per year. This period is categorized into fifteen days of sick leave on full pay,

twenty days of sick leave on half pay and twenty days without pay. Sick leave can be accumulated up to 240 days.

If an employer has 1 or more employees, the employer must subscribe to the General Organization for Social Insurance. There are currently two classifications of benefit:

- (a) Old Age, Disability and Death (covering Bahrainis only): The employer is required to contribute 12%, and the employee 6%;
  - (b) Employment Accident and unemployment (for all employees): The employer is required to contribute 3%;
- In addition, all employees are required to contribute 1% which is utilized to pay unemployment benefit to Bahraini nationals.

### **9.3 Employment - Hiring and Termination**

There is no minimum wage stipulated in the law. The employment of expatriate workers is subject to obtaining work permits. The Labor Market Regulatory Authority (**LMRA**) is the authority which decides on whether work permits may be granted to expatriate employees. Application should be submitted to the LMRA for work visas for expatriate staff and this is usually available between 1 to 3 weeks. The fees payable to LMRA for work permit is BD 200. In addition, monthly payment of BD 5 is payable in respect of each of the first 5 expatriate staff, the amount increases to BD 10 each starting for the 6<sup>th</sup> expatriate staff onwards.

The normal working hours of employees is 8 per day and 48 per week, although many corporations have 5 day working week with 40 hours work week. However, an employer may require the employee to work for extra hours if circumstances so require, subject to that working hours per day shall not exceed 10 hours. Anyone working more than 8 hours per day or 48 hours per week is entitled to be paid overtime at 1.25 or 1.5 times the wages depending on whether the overtime was performed during the day or night.

Employment contract can be for a fixed period or for an indefinite duration. If fixed period contracts are terminated prior to the contract termination date, the employees may claim compensation. On termination, the affected employees may claim compensation and the court will grant compensation if the termination of the contract is for an unjustified cause which will be the salary for the remaining period of the contract, or if the parties agree, lesser compensation (minimum three months' salary or the unexpired term of the contract, whichever is less). At least one month's notice must be given for termination of indefinite period contracts. On

such termination, the affected employees may claim compensation and the court will grant compensation if it concludes that the termination is for an unjustified cause (at the rate of 2 days' salary for each completed year of service (minimum of one month and maximum 12 months' salary). The employer does not have a continuing obligation towards dismissed employees. Disputes between the employer and the employee are adjudicated on a fast track basis.

Adequate skilled and unskilled labor is available for business in Bahrain in view of availability of expatriate employees who make the bulk of the work force. It is noteworthy that more than 50% of the Bahraini population is non-Bahraini.

Upon termination of employment, a worker must be paid immediately his wages and all the accrued benefits due to him. However, should the worker terminate his employment, the employer is required to pay all wages and all benefits due within a period not exceeding 7 days from the date the worker terminated his employment.

The employer or the employee may terminate the contract by serving one month's notice, however either party may claim compensation for the termination of the contract if such claim is justified. Bahraini workers are covered by an insurance scheme such that they get pension after retirement. Non-Bahraini workers and Bahraini worker whose wages exceed BD 4,000 to the extent which exceeds the aforesaid amount are entitled to payment of leaving indemnity, which is based on their period of employment. The leaving indemnity is calculated on the basis of fifteen days' wages for each year of the first three years of service and one month's wages for each year of service thereafter. If a worker is dismissed from service for a justified cause, then the said worker shall not be entitled to receive notice pay or compensation.

#### **9.4 Health and Safety Standards**

The law generally states that an employer must provide occupation safety. Employers are responsible for training new employees on safety standards, proper use of equipment, and for providing them with the necessary equipment. Also, employers must provide first aid facilities and means of emergency treatment conditions.

In accordance with orders made by the Minister of Health in agreement with the Minister of Labor Affairs and Social Development. In the case of a work accident, the injured worker must receive treatment in a Government Medical Institution or private medical institution at the discretion of the

employer. The employer must bear the full cost of treatment, including the supply of medicines and transportation expenses incurred.

### **9.5 Freedom of Association and Trade Unions**

The Constitution of Bahrain, pursuant to Article 27, recognizes the right of the workers to form associations and trade unions on national bases and for lawful objectives and by peaceful means.

Worker representation is based on Workers Trade Union Law, which came into force in 2002 revoking the system of Joint Labor-Management Committees (JLC) that was originally envisaged under the Labor Law. The trade union structure consists of workers trade union and the Bahrain General Workers Trade Union Federation (BGWTUF), both are collectively known as Trade Union Organization. The Trade Union Organization aims at protecting and defending the lawful rights of its members and to improve the working conditions. The court shall reinstate a dismissed worker if it is established that he was dismissed for his association with trade union.

Collective bargaining for drawing up labor strategies is encouraged under Bahraini Law. Workers shall have the right to go on strike in defense of their interests in accordance with the restrictions stipulated by the law. The contract of employment will be suspended, as a result of practicing this right by the worker, during the period of strike. Pursuant to Article 107 of the Labor Law, workers resorting to strike without complying with the legally prescribed requirements with respect to the exercise of the right to strike can be dismissed from service without notice or compensation.

## 10.0 IMMIGRATION REQUIREMENTS

### 10.1 General Considerations

The General Directorate of Immigration and Passports is the regulatory authority for immigration into Bahrain. In specific, immigration and residence are governed by the provisions of Aliens Act (Immigration and Residence) of 1965 (the **Aliens Act**) and Ministerial Order No. 25 of 1976 concerning Entry Visa for Bahrain, as amended by Ministerial Order No. 50 1990 (**Ministerial Order on Entry**).

If a person intends to reside in Bahrain for a period exceeding four weeks he is required to obtain a residence permit. The residence permit is issued subject to the provisions of the Aliens Act. GCC nationals are not required to have a visa in order to enter Bahrain.

### 10.2 Entry Visa

There are no immigration quotas. No vaccination is required for entry into Bahrain. Work Permits and Medical Certificates are required for those intending to work in Bahrain. Pursuant to Article 1 of the Ministerial Order on Entry, a non-Bahraini cannot enter Bahrain without a valid passport and an entry visa. The entry visa for visiting purposes shall not be issued to a non-Bahraini if the Embassy discovers any evidence in the documents submitted thereto or from the applicant's circumstances that the latter intends to work in Bahrain.

Notwithstanding the above, passport officers may issue entry visas to non-Bahrainis belonging to certain specified nationalities, who do not hold visa issued prior to their arrival. The nationals of 69 countries including most EU countries, Australia, Canada and USA may obtain visas on arrival at Bahrain International Airport or King Fahad Causeway if holding valid passports and return/onward tickets for touristic or business stays. The application fee is BD4. Meanwhile nationals of 116 countries may apply for a visa online.

The said visas shall be for a period of 72 hours or 7 days. To obtain the entry visa the following conditions must be satisfied:

- a) The applicant must be a holder of a valid passport and possess a return ticket for leaving Bahrain.

- b) The applicant must not be one of the persons banned from entering Bahrain in accordance with the orders to be issued for this purpose.
- c) Entry into Bahrain shall not be for the purpose of employment in the Kingdom of Bahrain.
- d) The applicant shall not pose a threat to the security, public order or national interest of Bahrain.

The various categories for the purpose of entry visa are as follows:

- i) Tourists.
- ii) Businessmen.
- iii) Merchants known for their business activities.
- iv) Businessmen who are attending meetings, conference or exhibitions in Bahrain.
- v) Transit passengers.
- vi) Wife and children of the person who is employed in Bahrain.
- vii) Those who are serving the families having the nationality of one of the GCC states, and entering the Country in the company of these families and they have a residence permit of one of the GCC states.
- viii) Residence of one of the GCC states who have a valid residence permit for a period of no less than 6 months at the time of applying for the visa and have actually resided for similar periods before.
- ix) Those in respect of whom there have been directives from the Directorate of Immigration and Passports for the issue of such visas to them. Such directives shall be issued respectively in each individual case.

The Nationality, Passport and Residence Affairs have simplified the process of obtaining a visa whereby the visitor may know the type of visa required, application fees and maximum duration of stay through answering three simple question. This service may be accessed via [www.evisa.gov.bh](http://www.evisa.gov.bh).

### 10.3 Work Visa

In order for an expatriate to take up work in Bahrain, he must have a valid Work Permit issued by LMRA and a valid Medical Certificate. In order to obtain a Work Permit, the following documents must be submitted:

- a) A copy of the Commercial Registration (**CR**) of the sponsor (not required in case of housemaids and the like) and attach a copy of the Central Population Registry (**CPR**) card.
- b) A copy of the Applicant's valid passport.

On arrival at the airport, a Residence Permit will be issued to the expatriate employee. However, the employer must present such worker before the Bahraini health authorities within thirty days as from the date of his arrival to Bahrain and obtain a health certificate in order to continue to work.

The fee for work visa is Bahraini Dinar 200.

#### 10.4 Family Visa

The Family Visa is only available to the wife and children of the expatriate. The documents required to obtain the family visa are as follows:

- a) Letter from local sponsor.
- b) Certificate from employer that his salary is over Bahraini Dinar 250.
- c) Copy of CR of the company where the expatriate works.
- d) Copy of residence permit of the employee.
- e) Copy of CPR of the employee (both sides).
- f) Copy of passport of each family member.



## 11.0 EXPATRIATE EMPLOYEES

- 11.1** The cost of living in Bahrain is approximately equal to the western countries. The inflation rate in Bahrain was recorded at 2.1 percent in 2018 according to the World Bank.
- 11.2** Cars travel on the right side of the road (as in the U.S.). A person with a driver's license from the western hemisphere will easily get a driver's license in Bahrain without a driving test. However, persons from other jurisdictions will be required to undergo a driving test and to attend a driving seminar. Usually the person intending to obtain a driver's license takes training from a teacher-driver for approximately 22 hours at a cost of BD 5 per hour. The fee for the driving test is BD 10.
- 11.3** Good schools are available in Bahrain—British and American curriculum schools as well as schools from other countries such as India, Pakistan and Bangladesh, besides many English-curriculum schools run by others. The fees for British School are (for 2019-2020) from BD 2,859 (Nursery) to BD 7,398 per year (Year 13/A Level). Another prestigious school charges BD 3,138 to BD 7,662 per year.
- 11.4** All kinds of housing is available from apartments to villas—from BD 250 to 2,500 per month. Expatriates can own property in certain areas. Expatriates usually find housing after they enter the country. There are no taxes in Bahrain and therefore, there is no requirement for investor subsidizing housing and receiving tax benefits. However, the tenant pays the Municipality tax in the amount of 10% of the house rent.
- 11.5** Expatriates can import personal belongings and no duties are payable on such personal belongings. The personal belongings should be cleared through customs.
- 11.6** There are good private hospitals available in Bahrain and most expatriates utilize the services of these hospitals.
- 11.7** Moving costs vary from corporation to corporation. Some high level corporations pay moving costs to their high level employees. There are no tax allowances on moving costs since there are no taxes in Bahrain apart from the Value Added Tax.

- 11.8** There is no tax liability on expatriates. However, 1% of the salary is deducted by the employer and paid to the government to take care of unemployment benefits for Bahraini and expatriate nationals. The Labor Law does not mandate any allowances to be paid to expatriates. However, the allowances to be paid to expatriates will vary from company to company. Usually either a house or housing allowance is provided to expatriates. Medium and High level employees are provided with car or car allowance and return air trip every year or every two years. ■



## ANNEXURE I

### CONTACT DETAILS OF IMPORTANT AUTHORITIES AND GOVERNMENTAL AGENCIES



#### *Bahrain Chamber of Commerce and Industry*

PO Box: 248

Manama

Bahrain

Tel: +973 17380000

Fax: +973 17380123

Website: <https://www.bcci.bh/en>

Email: [bcci@bcci.bh](mailto:bcci@bcci.bh)

#### *Bahrain Economic Development Board*

P.O. Box: 11299

Manama

Bahrain

Tel: +973 17 58 99 99

Fax: +973 17 58 99 00

Website: <https://bahrainedb.com/>

Email: [investorenquiries@bahrainedb.com](mailto:investorenquiries@bahrainedb.com)

#### *Central Bank of Bahrain*

PO Box: 27

Manama

Bahrain

Tel: +973 17547777

Fax: +973 17530399

Website: <https://www.cbb.gov.bh/>

***Bahrain Bourse***

PO Box: 3203  
Manama  
Bahrain  
Tel: +973 17261260  
Fax: +973 17256362  
Website: <https://www.bahrainbourse.com/>  
Email: [info@bahrainbourse.com](mailto:info@bahrainbourse.com)

***Nationality, Passports and Residence Affairs***

***Ministry of the Interior***

P.O. Box: 331  
Manama  
Bahrain  
Tel: +973 1739 9777  
Fax: +973 17533278  
Website: <https://www.npra.gov.bh/en/>

***Ministry of Finance & National Economy***

P.O Box: 333  
Manama  
Bahrain  
Tel: + 973 17575000  
Fax: + 973 17532853  
Website: <https://www.mofne.gov.bh/>

***Ministry of Foreign Affairs***

PO Box: 547  
Manama  
Bahrain  
Tel: +973 17227555  
Fax: +973 17212603  
Website: <https://www.mofa.gov.bh/>  
Email: [contacus@mofa.gov.bh](mailto:contacus@mofa.gov.bh)

***Ministry of Information Affairs***

PO Box: 1001  
Manama  
Bahrain  
Tel: +973 17871111  
Website: <https://www.mia.gov.bh/>

*Ministry of Industry, Commerce & Tourism*

P.O Box: 60667

Manama

Bahrain

Tel: +973 17568000

Website: <https://www.moic.gov.bh/en/>

*Ministry of Interior*

PO Box: 13

Manama

Bahrain

Tel: +973 17390900

Website: <http://www.interior.gov.bh/en/>

Email: [info@interior.gov.bh](mailto:info@interior.gov.bh)

*Ministry of Labour & Social Development*

PO Box: 32333

Manama

Bahrain

Tel: +973 17873777

Website: <http://www.mlsd.gov.bh/en>

*National Oil & Gas Authority*

PO Box: 1435

Manama

Bahrain

Tel: +973 17312644

Fax: +973 17293007

Website: <http://www.noga.gov.bh/noga/>

*National Bureau for Revenue*

Tel: +973 77773333

Website: <https://www.nbr.gov.bh/>

Email: [vat@nbr.gov.bh](mailto:vat@nbr.gov.bh)

*eGovernment*

Website: <https://www.bahrain.bh/>

*Labour Market Regulatory Authority*

PO Box: 18333

Manama

Bahrain

Tel: +973 17506055

Fax: + 973 17552643

Website: <https://www.lmra.bh/>

Email: [lmra@lmra.gov.bh](mailto:lmra@lmra.gov.bh)

*Bahrain Chamber for Dispute Resolution*

PO Box: 20006

Manama

Bahrain

Tel: +973 17 511 311

Fax: +973 17 511 300

Website: <https://www.bcdr-aaa.org/>

Email: [info@bcd-aaa.org](mailto:info@bcd-aaa.org)

*Ministry of Justice*

PO Box: 450

Manama

Bahrain

Tel: +973 1751 3000

Website: <https://www.moj.gov.bh/en/home>

Email: [moj-pr@moj.gov.bh](mailto:moj-pr@moj.gov.bh)

*Survey and Land Registration Bureau*

PO Box: 332

Manama

Bahrain

Tel: 97317204050

Website: <https://www.slr.gov.bh/home/index>

Email: [info@slrb.gov.bh](mailto:info@slrb.gov.bh)

## ANNEXURE II

### CONTACT INFORMATION OF EMBASSIES AND CONSULATES



The following are the telephone numbers of embassies and consulates in Bahrain.

| Country           | Phone         |
|-------------------|---------------|
| Albania           | +973 17530808 |
| Algeria           | +973 17740659 |
| Bangladesh        | +973 17233925 |
| Brunei            | +973 17720222 |
| Canada            | +973 17536270 |
| China             | +973 17723093 |
| Cyprus            | +973 17598800 |
| Czech Republic    | +973 17764961 |
| Denmark           | +973 17216473 |
| Egypt             | +973 17720005 |
| Eritrea           | +973 17721817 |
| France            | +973 17298660 |
| Germany           | +973 17745277 |
| Hellenic Republic | +973 34600206 |
| Hungry            | +973 17694115 |
| India             | +973 17712683 |
| Indonesia         | +973 17400164 |
| Iraq              | +973 17741472 |
| Ireland           | +973 17728555 |
| Italy             | +973 17252424 |
| Japan             | +973 17716565 |
| Jordan            | +973 17291109 |
| Kuwait            | +973 17534040 |
| Lebanon           | +973 17579001 |
| Libya             | +973 17722252 |
| Malaysia          | +973 17564551 |

| Country                           | Phone         |
|-----------------------------------|---------------|
| Morocco                           | +973 17180444 |
| Nepal                             | +973 17725583 |
| Netherlands                       | +973 17530704 |
| Norway                            | +971 26211221 |
| Oman                              | +973 17293663 |
| Pakistan                          | +973 17244113 |
| Palestine                         | +973 17276099 |
| Philippines                       | +973 17721234 |
| Portugal                          | +973 17456688 |
| Russia                            | +973 17725222 |
| Saudi Arabia                      | +973 17537722 |
| Senegal                           | +973 17821060 |
| South Korea                       | +973 17531120 |
| Spain                             | +973 17380285 |
| Sri Lanka                         | +973 17660408 |
| Sudan                             | +973 17717959 |
| Sweden                            | +973 17339799 |
| Switzerland                       | +973 17517780 |
| Syria                             | +973 17722484 |
| Thailand                          | +973 17274142 |
| Tunisia                           | +973 17714149 |
| Turkey                            | +973 71533448 |
| United Arab Emirates              | +973 17748333 |
| United Kingdom                    | +973 17574100 |
| United Nations Information Center | +973 17311676 |
| United States                     | +973 17242700 |
| Yemen                             | +973 17822110 |

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