

Doing Business in Bahrain — Payroll Operations

1. Government requirements

Registration requirements

Employment contracts

The employment contract in Bahrain is usually in Arabic or English, although the official language (Arabic) version will be the legal copy of the employment contract. This should be signed by the employee and the employer.

Article 19 of the Labour Law states that the employment contract shall be made in writing in the Arabic language in two copies and each party shall receive a copy. If the contract is drafted in a foreign language, a translated version shall be attached.

The employment contract outlining the terms and conditions of employment must be in writing.

It must comply with the Labor Law for the Private Sector (Law No. 36 of 2012) “Labor Law” and its amendments, and any relevant laws, regulations and orders. Any term or condition in the contract which does not conform to the Bahraini law will be deemed null and void except to the extent it is more favorable to the employee.

Social insurance

All foreign and local staff are required to be registered with the Social Insurance Organization (SIO). The documents required for registration are:

1. Copy of employer’s Central Population Registry (CPR)
2. Copy of the Certificate of Registration (CR)
3. Copy of company contract

Usually, all registrations related to the SIO and employment contracts are made online, but it is necessary for the employer to be physically present to get a username and a password (admin access). All other tasks can be done online from the admin account. After completing the first step, the proceeding formalities may be carried out online (i.e., registering of employees, locals at the SIO and expats at the Labour Market Regulatory Authority (LMRA), annual update of salaries, payment of health insurance, payment of monthly social insurance or contributions). Social insurance must be paid in local currency. There is no charge to register employees in the database.

The LMRA regulates and controls work permits for expatriate employees and the self-employed, in addition to issuing licenses for manpower and recruitment agencies.

Ongoing compliance requirements

There is currently no PIT in Bahrain on earnings from employment. However, social insurance applies in Bahrain as described below, — to every person employed in Bahrain. The employer contribution is calculated at the following rates (on the employees' monthly basic salary including commissions, bonus, and recurring allowances such as social (if any), housing, and car):

- Bahraini workers: 12%
- Non-Bahraini workers: 3%

Employees are also required to contribute for social insurance at the following rates (calculated on the monthly basic salary including commissions, bonus, and recurring allowances such as social (if any), housing, and car):

- Bahraini workers: 7%
- Non-Bahraini workers: 1%

* The above rates apply up to an income ceiling of BHD4,000 per month, subject to a maximum contribution of BHD160.

(For employees whose salaries exceed BD4,000, the actual wages will be registered in the SIO records, while the subscription or contribution will be calculated on the basis of a maximum wage amounting only to BD4,000.)

2. Pension requirements

Registration requirements

All Bahraini workers employed in Bahrain and registered with SIO are eligible for pension as per the provisioning law of the SIO. Registration is done during general registration as above.

Ongoing compliance requirements

The ongoing compliance of the pension scheme is monitored by SIO on the basis of the criteria set in the provisioning law of SIO.

3. Employment obligations

LMRA

In line with its responsibilities to regulate the labor market in the Kingdom of Bahrain, the LMRA has set a number of rules and regulations to control and organize the relationship between the employer and their employees.

Registration and compulsory insurance

Employers must register their employees in the Kingdom of Bahrain with the Ministry of Labour and Social Development and receive a certificate of registration. They must also register their employees with the Social Insurance Organisation (SIO) and contributions must be paid monthly for compulsory insurances against pension fund and work-related injuries (for Bahraini employees), and against work-related injuries (for expat employees).

Annual leave

All employees are entitled to 30 calendar days annual leave with full pay. An employee may not waive this entitlement, or receive payment in lieu except in accordance with the law and on termination of employment.

Sick leave

In the event of illness which has to be certified by an approved doctor or hospital, an employee, subject to completion of three months of consecutive employment is entitled to a total of 55 absences during the same year in each year of employment. This is divided as follows:

- Fifteen days on full pay
- Twenty further days on half pay
- Twenty further days without pay

Pilgrimage

A Muslim employee, employed for five consecutive years, will be entitled to leave of 14 working days on full pay once during his or her period of employment to perform his or her "Haj" pilgrimage duty.

Maternity leave

A female employee is entitled to maternity leave of 60 calendar days on full pay and this period may be extended by a further 15 calendar days without pay. On her return, and until her child reaches six month of age, the employee shall be entitled to two breastfeeding periods per day of not less than one hour each. The employee shall also be entitled to two periods of half an hour per day to provide care for her child each until her child reaches one year of age.

4. Payroll requirements

Payroll requirements are governed by the Labour Law. There is no specific guidance for payslips; however, in general practice, payslips are released to employees monthly.

Effective January 2016, an annual health insurance fee of BHD22.5 must be paid by the employer for each Bahraini employee. In case the employer already provides medical/health insurance to its staff, the health insurance fee can be disregarded.

5. Banking requirements related to payroll

It is mandatory to have a local employment contract and salary transfer in Bahraini Dinar to a bank account, at the request of the employee.