

Bahrain NBR Updates VAT Guidance on Transfer of a Going Concern (TOGC)

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To (inside your company): Head of Tax • CFO • M&A / Corporate Development Teams • Legal Counsel

Executive takeaways

- The National Bureau for Revenue (NBR) has issued updated guidance on when the transfer of a business qualifies as a TOGC.
- A valid TOGC is not a taxable supply, meaning no VAT is charged on the transaction, providing significant cash flow benefits.
- The business must be a functioning economic unit capable of operating independently after the transfer.
- The buyer must intend to continue operating the same kind of business.

What changed & why it matters

- **Clarified Conditions** — The NBR has published a public clarification with more detailed examples and interpretation of the conditions required to treat a business sale as a VAT-free Transfer of a Going Concern. *Why it matters:* This provides greater certainty for buyers and sellers on how to structure their deals to qualify for this relief.
- **Compliance Risk** — Failure to meet all conditions could result in an unexpected and substantial VAT liability. *Why it matters:* Parties involved in M&A deals must carefully review their transaction structure and documentation against this new guidance.

Action checklist

- When planning an asset sale or purchase, assess if the assets constitute a business capable of separate operation.
- Ensure the Sale and Purchase Agreement explicitly states the transaction is a "transfer of a going concern."
- Verify that the buyer is registered for VAT in Bahrain at the time of the transfer.
- Confirm and document that the buyer intends to carry on the same kind of business.
- Ensure all assets essential for the continued operation of the business are included in the transfer.

Impact matrix

Compliance	M
Systems/ERP	L
Finance/Cash	H
Operations	M
Documentation	H
Training/Change	L

Timeline

- Now — distribute updated NBR guidance
- 30 days — review ongoing M&A transactions
- Quarter — update internal M&A checklists

Take Away

The updated TOGC guidance from Bahrain's NBR reinforces that VAT relief on business sales is not automatic. It requires careful planning and precise documentation to prove that an entire, operational business unit is being transferred. Both buyer and seller should proactively structure their deals to meet these clarified criteria to avoid significant, unplanned VAT costs.

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