

Dear Valued Client,

Standard Chartered Bank has embarked on a Value Added Tax ("VAT") implementation initiative to comply with the Government of Bahrain's recently issued VAT Law<sup>1</sup>, which will be introduced in the Kingdom effective from 1 January 2019. The objective of this initiative is to ensure a smooth transition to the VAT regime.

In view of this and for your attention, we have set out the following points on some of the key areas of the VAT Law impacting financial services:

- **Imposition of VAT:**
  - a. As a VAT registered business, Standard Chartered Bank will be required to charge and collect VAT at a rate of 5% on certain financial services provided to our clients, where this is prescribed under the VAT Law and deposit the VAT with the National Bureau for Taxation ("NBT") effective from 1 January 2019.
  - b. The supply of Financial Services where the consideration for the service is explicitly determined as a fee, commission, or commercial discount or similar shall be considered taxable from a VAT perspective.
  - c. Other supplies of Financial Services, if remunerated by way of an implicit margin or similar shall be exempt from VAT (for example, interest on loans).
  - d. Standard Chartered Bank will publish revised Service & Price Guides on its website to indicate revised VAT prices effective from 1 January 2019. The list of impacted fees and charges includes but is not limited to those mentioned in our Service & Price Guides.
  - e. Where VAT is chargeable, we will debit your account for the VAT amount in the same way and at the same time as we debit your account for the underlying fee, charge or commission. Where applicable, we will provide you with a valid Tax Invoice when services have been delivered or rendered or upon receipt of any amounts in advance.
  - f. Banks cannot waive the imposition of VAT payable in respect of the various fees and charges under the VAT Law.

- **Islamic Banking:**

The VAT treatment for Islamic financial products that are Shariah compliant shall be treated as the equivalent non-Shari'ah product if their intended objective is similar, and materially achieve the same result.

- **Transitional Provision:**

In certain cases where payments are received prior to 1 January 2019 in relation to services that spans over the implementation date, VAT will be applicable in respect of the supply of services relating to 2019. Therefore, Standard Chartered Bank reserves the right to raise an additional tax invoice for the VAT due in respect of any supply of services relating to 2019, even where (pre-) payments have been received in 2018 or earlier, where applicable.

- **Acceptance of supplement to the existing Agreements<sup>2</sup>:**

Our agreements shall include appropriate tax clauses to ensure that the responsibility for VAT payments is clear. As such, we have issued a supplement (refer Appendix) to all the existing agreements to include a specific VAT clause. Your continued engagement with Standard Chartered Bank will be taken as your acceptance of the addition of the supplement, as set out in the Appendix to our existing Agreement with you, as applicable.

- **VAT Registration:**

Standard Chartered Bank is registered with the NBT for VAT purposes. Our VAT Account Number is 200000411500002.

Standard Chartered Bank will continue updating its website ([www.sc.com/bh](http://www.sc.com/bh)) with new developments relating to the introduction of VAT in the Kingdom of Bahrain. In the meantime, for further information please visit the website of the NBT<sup>3</sup>, which contains information on the VAT Law and some FAQ's on the introduction of VAT.

Please note that this communication does not purport to constitute tax advice and should be used for information purposes only.

Should you have any queries please reach out to your usual point of contacts. Thank you for banking with us.

<sup>1</sup> Pursuant to issuance of the "Decree-Law Number 48 for the Year 2018 Promulgating the Value Added Tax Law" and "Resolution No. 12 of 2018 Related to Issuing the Executive Regulations of the VAT Law" in the Kingdom of Bahrain

<sup>2</sup> "Agreements" herein refers to all agreements executed between Standard Chartered Bank and the customer. Where existing agreements are silent on any clauses set out in Appendix, the overriding clauses to the extent of Value Added Tax Clause mentioned in appendix will apply. All other clauses shall remain consistent.

<sup>3</sup> <https://www.tax.gov.bh>

## Appendix– Supplement to the existing agreements

All payments to be made by you in connection with our banking agreement are calculated without regard to any goods and services tax, consumption tax, value added tax or any tax of a similar nature. If any of these types of taxes is payable in connection with the payment, you must pay us an additional amount equal to the payment multiplied by the appropriate rate of tax. You must do so at the same time as making the payment.

Where the banking agreement straddles the VAT implementation date of 1 January 2019, Standard Chartered Bank reserves the right to levy VAT in accordance with VAT Law on the proportion of services that have been carried out post the VAT implementation date and assign a value accordingly, where applicable, even where (pre-)payments have been received before 01 January 2019.

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<sup>2</sup> "Agreements" herein refers to all agreements executed between Standard Chartered Bank and the customer. Where existing agreements are silent on any clauses set out in Appendix, the overriding clauses to the extent of Value Added Tax Clause mentioned in appendix will apply. All other clauses shall remain consistent.

<sup>3</sup> <https://www.tax.gov.bh>