

Government Shareholdings  
Directorate



إدارة المساهمات الحكومية

No.

الرقم

Date 11<sup>th</sup> September, 2001

التاريخ

#### Press Release for Bahrain

#### Bahrain Participates in OECD Project On Harmful Tax Practices

The Government of Bahrain announced today that it is participating in the Organization for Economic Co-operation and Development's (OECD) initiative on harmful tax practices.

Bahrain is publishing the attached annex and thereby re-affirms its existing commitment to the principles of transparency and effective exchange of information in tax matters and outlines how it will continue to implement that commitment.

In discussions with the OECD held in March 2001, it became apparent that Bahrain substantially satisfies all the elements sought by this OECD project. Its commitment will further strengthen Bahrain's position as a leading, well-regulated financial centre, without changing Bahrain's policy on taxation and on promoting investment.

By virtue of this announcement, Bahrain will be recognised by the OECD as a co-operative jurisdiction in the OECD's efforts to address harmful tax practices and becomes the first country in the Cooperation Council for the Arab States of the Gulf to join the OECD's efforts. In addition, Bahrain will participate in Global Forum events that pertain to its commitment including the upcoming meeting of the Global Forum in September.

## ANNEX

The Government of Bahrain commits to the principles of Transparency and Effective Exchange of Information and will make the following phased changes to its laws and administrative practices, to the extent such laws or practices are not currently in place. Details of these measures and a specific timetable will be developed together with the OECD.

### 1. Effective Exchange of Information

- The Government of Bahrain will exchange all relevant information in civil and criminal tax matters when requested to do so by other tax authorities.
- The Government of Bahrain will establish legal mechanisms that allow tax information to be exchanged on a reciprocal basis with other tax authorities upon request. To this end, the Government of Bahrain is prepared to enter into information exchange agreements that require the timely and effective exchange of information for criminal tax matters by 31 December 2003 and for civil tax matters by 31 December 2005.
- This information will be provided without regard to whether or not there is an interest of Bahrain in the case or in obtaining the information.
- In the case of information required for the investigation and prosecution of criminal tax cases, the information will be provided without the requirement that the conduct being investigated would constitute a crime under the laws of Bahrain if it occurred in Bahrain.
- The Government of Bahrain will have administrative practices and resources in place so that the legal mechanism for exchanges of information will function effectively and can be monitored.

### 2. Transparency

- Bahrain will enact any further legislation necessary so as to ensure that information on beneficial ownership of companies, partnerships and other entities, of managers and beneficiaries of collective investment funds, and of those setting up and benefiting from trusts, is available to its authorities. This includes companies and other entities operating from Bahrain, but incorporated or established elsewhere. Beneficial ownership information will be subject to exchange under the tax information exchange agreements referred to in paragraph 1 above.

- Regulatory and/or tax authorities of Bahrain will have access to bank information to the extent that the information is relevant to a taxpayer's tax affairs in another state and such information will be subject to exchange under the tax information exchange agreements referred to in paragraph 1 above.
- The Government of Bahrain will require all companies, collective investment funds, managers, etc. carrying on business in Bahrain, to maintain up-to-date accounts which must be independently audited by firms acceptable to the regulatory authorities and filed with the concerned regulatory authorities (subject to possible exceptions, including a de minimis exception, to be developed together with the OECD, to be enacted in Bahrain by the appropriate authority). Bahrain agrees that such information will be subject to exchange under the tax information exchange agreements referred to in paragraph 1.

### 3. Other

- The Government of Bahrain will ensure that there are no non-transparency features of its tax system, such as rules that depart from accepted laws and practices, secret rulings or the ability of investors to "elect" or to "negotiate" the rate of tax to be applied.
- Furthermore, the Government of Bahrain will ensure that:
  - No new regime or practice is introduced that fails to comply with the principles of transparency and effective exchange of information.
  - No existing regime or practice is modified in such a way that after the modification it would not comply with the principles of transparency and effective exchange of information.
  - The existing practices regarding transparency and effective exchange of information are not reduced or curtailed.