

KINGDOM OF BAHRAIN

VAT EDUCATION SERVICES

DECEMBER 2019

VERSION 1.1



الجهاز الوطني للإيرادات
National Bureau for Revenue



VAT TREATMENT OF EDUCATIONAL SERVICES

The supply of educational services and related goods and services by kindergartens, pre-primary, primary, secondary and higher education institutions is subject to the zero-rate.

In order for the zero-rate to apply:

- The school or educational institution must be licensed by the competent authority in Bahrain and
- Supplies must be provided directly to a student who is enrolled in that school or institution.

Certain educational services are not subject to the zero-rate (and will be subject to the 5% rate), including:

- Professional education; and
- Vocational training, unless such vocational training is provided by a polytechnic educational institution which is licensed by the competent authority in Bahrain.



VAT TREATMENT OF GOODS AND SERVICES RELATED TO EDUCATIONAL SERVICES

Goods and services that are related to the provision of educational services and are mandatory will be taxable at the zero-rate.

This includes:

1. Subscription fees, application fees or any form of administration fee
2. Printed and digital books and reading material which is educational in nature and are directly related to the curriculum
3. Student accommodation supplied by the institution to enrolled students, provided that such accommodation has been constructed or adapted specifically for student use
4. Activities and trips organized by the educational institution for its students if these directly relate to a specific educational curriculum.



GOODS AND SERVICES NOT CONSIDERED AS RELATED TO EDUCATIONAL SERVICES

If goods or services are not related to educational services, the VAT liability of each of the supplies will need to be assessed on a case-by-case basis. Some examples of supplies that will not be related to educational services and will therefore be taxable at the 5% standard rate are:

1. School uniforms
2. Food and beverages supplied at the educational institution
3. Stationery
4. Activities and trips organised by the educational institution for recreational purposes
5. Electronic devices supplied by the educational institution

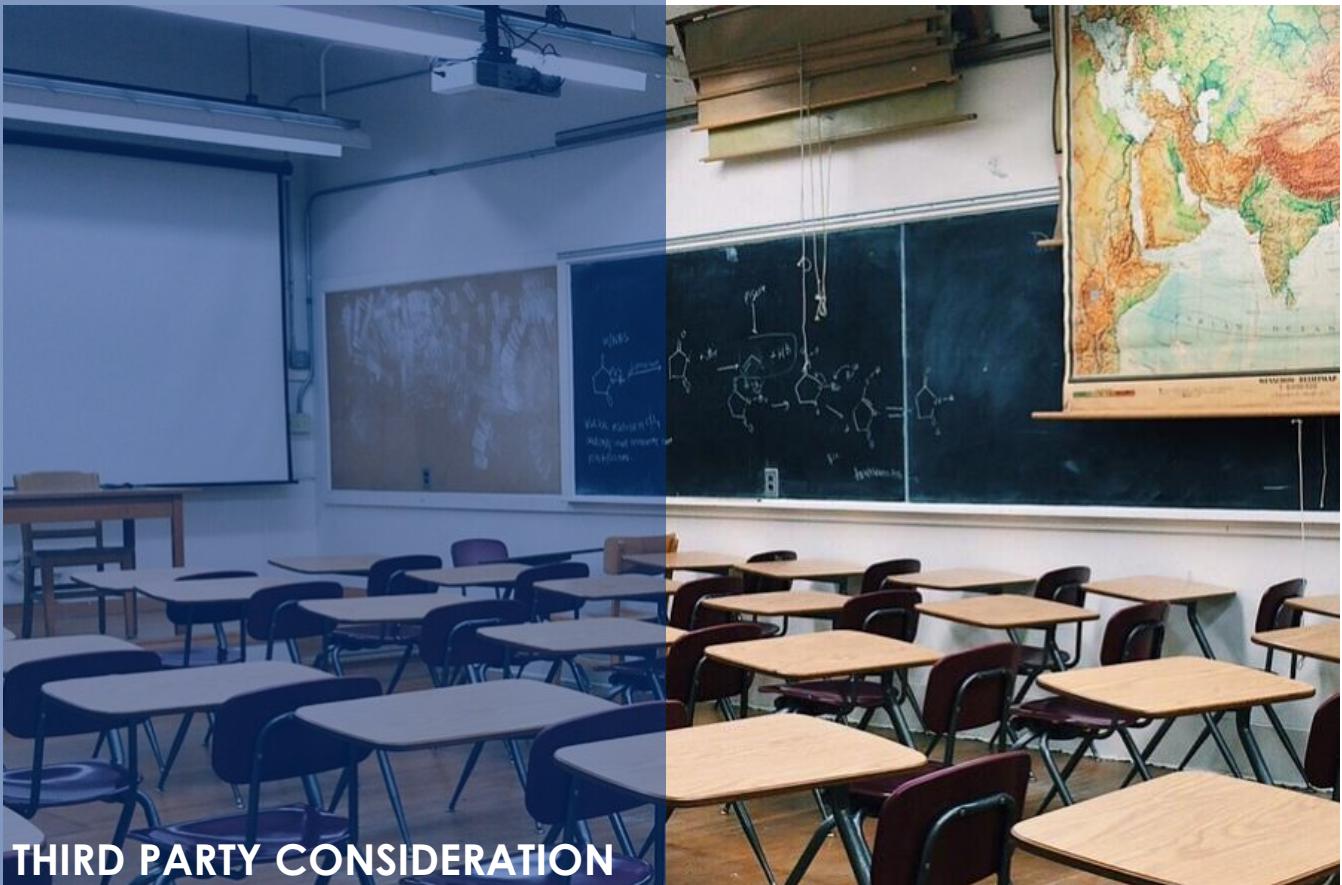
VAT RECOVERY ON COSTS INCURRED BY THE EDUCATIONAL INSTITUTION

In principle, VAT on costs that relate to a taxable activity of the school can be recovered in full, subject to the normal input tax recovery rules.

VAT on cost relating to supplies that are exempt from VAT cannot be recovered.

When an educational institution incurs VAT on costs that relate to its educational activities and does not make a charge for that good / service to its students (e.g. graduation ceremonies / books provided for free as part of educational services), the VAT on such costs can be recovered in full, subject to the normal input tax recovery rules.





THIRD PARTY CONSIDERATION

In some cases, education fees for a student may be paid by a third party. For example, an employer may pay for school fees for its employee's child. In such cases, the educational services are still provided to the student and the tax invoice should be issued to the student and not the third party who has paid the fees.

Where any VAT is charged on the education services that are provided, the VAT cannot be recovered by the party making the payment as they do not receive the supply.

SCHOOL DONATIONS AND FUNDRAISING ACTIVITIES FOR CHARITABLE PURPOSES

If an educational institution collects donations on behalf of a charity and nothing is provided in return for those donations, these donations will be outside the scope of VAT.

If an educational institution organises fundraising activities or provides goods or services in return for charitable donations, the VAT treatment of these goods or services will need to be assessed on a case by case basis.

For example, is the educational institution making a supply in return for the charitable donations? If yes, what is the supply and what is the VAT treatment of the supplies?

VAT TREATMENT OF GRANTS AND SPONSORSHIPS RECEIVED

In some instances, educational institutions may receive grants or sponsorships from third party organisations.

The VAT liability of the grant / sponsorship will depend on whether anything is provided in return by the educational institution. Where no supply is made by the educational institution in return for the grant / sponsorship, it will be outside the scope of VAT.

If a supply is made in return for the grant / sponsorship, the VAT liability of this will need to be considered and VAT charged accordingly, where relevant.

For example, Company A provides a 1,000 BHD grant to School B towards a football tournament that is being organized by the school. In return, the football shirts for the school's team will include Company A's logo. This will be a taxable supply by the school of advertising services as Company A's logo will be included on the football shirts. The school should therefore charge VAT at 5% on the amounts received from Company A.



SCHOOL TRANSPORTATION SERVICES

Local passenger transport from a place in Bahrain to another place in Bahrain will be zero-rated when that transport is provided by a business that is regulated or licensed with an authorised body in Bahrain.

Educational institutions will need to consider instances where any transportation services (charged separately) will be taxable at the standard rate of 5% - for example when there is a separate charge for transportation for a school trip:

- If that school trip is predominantly recreational in nature
 - the charge for the transportation service will follow the VAT liability of the school trip and will be taxable at the standard rate of 5%
- If that school trip relates to the curriculum
 - the charge for the transportation service will follow the VAT liability of the school trip and will be taxable at the zero-rate

ONLINE EDUCATIONAL COURSES

The general VAT principles in relation to educational services will also apply to online courses provided to students in Bahrain. The supplier must be licensed by the competent authority in Bahrain

When the conditions for zero-rating (set out in this document) are not met, the educational provider must charge VAT at the standard rate on the online courses that it provides to students in Bahrain. This is on the basis that the student 'uses and enjoys' the educational services in Bahrain.