



Global Transfer Pricing Firm

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DMTT TP

DMTT TP Guide

Kingdom of Bahrain

June 2026

ITR WORLD TAX

RECOMMENDED FIRM

ITR WORLD TAX

APAC & MIDDLE EAST
WINNER

ITR WORLD TAX

HIGHLY REGARDED
PRACTITIONER

Scope of TP Requirement

INTRODUCTION

In June 2026, the National Bureau for Revenue ("NBR") released the DMTT Transfer Pricing Guide (Version 1.0), setting out the TP rules under Bahrain's DMTT regime (Decree-Law No. 11 of 2024). It serves as the key administrative reference for in-scope MNE groups under Bahrain's Pillar Two framework. The guide provides non-binding guidance and aligns closely with the OECD Transfer Pricing Guidelines (2022).

Scope

- ❖ In-scope MNE Groups must apply arm's length pricing on cross-jurisdictional dealings between Constituent Entities, JVs, JV Subsidiaries and PEs.
- ❖ Applies when computing Constituent Entity Income or Loss; Bahrain entities must adjust where transactions are inconsistent or not at arm's length.
- ❖ Covers cross-border related-party transactions, including JVs and JV subsidiaries.
- ❖ Prevents profit shifting and ensures accurate Pillar Two ETR computation.
- ❖ Domestic transactions excluded, but asset transfers or sale between domestic entities remain subject to the Arm's Length Principle.

Application of Arm's Length Principle

Constituent Entity Income or Loss must follow the Arm's Length Principle — related-party transactions priced as between independent parties. Compliance requires both a **functional analysis** and a **comparability analysis**, documented in the Local File and Master File to support the taxpayer's TP position.

Comparability Analysis

The Guide emphasizes delineating transactions based on economic substance, considering the MNE's industry, markets, supply chains, and strategies. Where contractual terms differ from actual conduct, conduct prevails, consistent with Chapters I and III of the OECD TP Guidelines.

Comparability Factors

In line with the OECD TP Guidelines, Bahrain recognises five comparability factors that should be considered when evaluating controlled transactions:

Contractual Terms

- Written agreements are only the starting point.
- Where terms don't match actual conduct, or no formal agreement exists, evaluate on commercial reality and behaviour.
- Align documentation and business practices with contractual arrangements.

Functional Analysis

- Reflect each party's functions performed, assets employed and risks assumed (FAR).
- Drives choice of tested party, TP method and comparables.
- Confirms profits align with each party's economic contribution.

Characteristics of the Property Transferred or Services Provided:

- Characteristics of goods/services materially affect market value.
- Key comparability factor for controlled vs. uncontrolled transactions.
- Weight varies by TP method applied.

Commercial and Economic Circumstances:

- Market conditions may materially affect pricing outcomes.
- Consider geographic location, market size, competition, customer behaviour, supply and demand, regulations and political factors.
- Business strategies (market penetration, innovation, diversification, risk-management) may justify pricing differences across markets.

Business Strategies Pursued by the Parties:

- Business strategies are a key comparability factor when evaluating controlled transactions.
- Innovation, diversification, risk appetite, market conditions and market penetration influence pricing and profitability.
- Factor them in when assessing arm's length outcomes.

TP Methods

TP Methods:

Consistent with the OECD framework, the Guide recognises five transfer pricing methods:

- Comparable Uncontrolled Price Method ("CUP");
- Resale Price Method ("RPM");
- Cost Plus Method ("CPM");
- Transactional Net Margin Method ("TNMM"); and
- Profit Split Method ("PSM")

Most Appropriate Method:

- Taxpayers must choose the most appropriate method based on facts and circumstances
- Selection should consider:
 - Nature of the controlled transaction
 - Functional analysis (functions, assets, risks)
 - Strengths and weaknesses of each method
 - Availability of reliable comparables
 - Degree of comparability between controlled and uncontrolled transactions
- No strict hierarchy of methods
- No requirement to reject one method before using another
- Generally, no need to apply multiple methods to the same transaction

Preference for Traditional Methods:

- Regulations recognize five OECD-approved TP methods
- Prefer traditional methods: CUP, RPM, CPM
- Reason: provide a more direct arm's length measure
- CUP method is most preferred when equally reliable
- Use TNMM when no reliable gross margin comparables
- Use PSM when there are highly integrated operations and multiple parties contribute unique/intangible value
- Profit methods should not be chosen due to data difficulty alone
- Method selection must be based on reliability and appropriateness, not convenience

Local File

PURPOSE

- ✓ Bahrain has effectively adopted the OECD BEPS Action 13 framework by requiring taxpayers to maintain both a Local File and a Master File
- ✓ The purpose of the documentation is to demonstrate compliance with the Arm's Length Principle and provide sufficient evidence to support TP positions adopted for DMTT purposes

Information Relating to the Constituent Entity

- Description of the business activities and business strategy of the Bahrain Constituent Entity, Joint Venture or Joint Venture Subsidiary.
- Details of any business restructuring or intangible asset transfers undertaken during the current or preceding fiscal year and their impact on the Bahrain entity.
- Description of the management structure, local organisational chart and reporting lines.

Information Relating to Controlled Transaction

- Details of related-party transactions and arrangements, including the parties involved and their relationships.
- Nature, context and commercial rationale of the transactions.
- Functional and comparability analyses of the relevant entities.
- Significant changes in intra-group transactions and details of comparable uncontrolled transactions relied upon.
- TP policy, selected transfer pricing method and tested party, where applicable.
- Relevant APAs, tax rulings and material intercompany agreements.

Financial Information

- Financial indicators and benchmarking information relied upon for the transfer pricing analysis.
- Details of the comparable search process, methodology and information sources used.
- Description of any comparability adjustments made to the tested party and/or comparable companies.
- Annual financial statements of the Bahrain entity.
- Reconciliation and allocation schedules linking the transfer pricing analysis to the financial statements.

Master File

PURPOSE

The Master File requirements are largely aligned with the OECD BEPS Action 13 framework and provide a high-level overview of the MNE Group's global business operations. A master file needs to be prepared for each Fiscal Year, reflecting the unique facts and circumstances of the MNE Group's global business during that particular period.

Organisational Structure

- Ownership structure of the MNE Group and geographical location of operating entities.

Business Overview

- Key profit drivers, supply chain of major products/services, significant intra-group service arrangements, principal markets, value creation analysis, and significant restructurings, acquisitions or disposals.

Intangibles

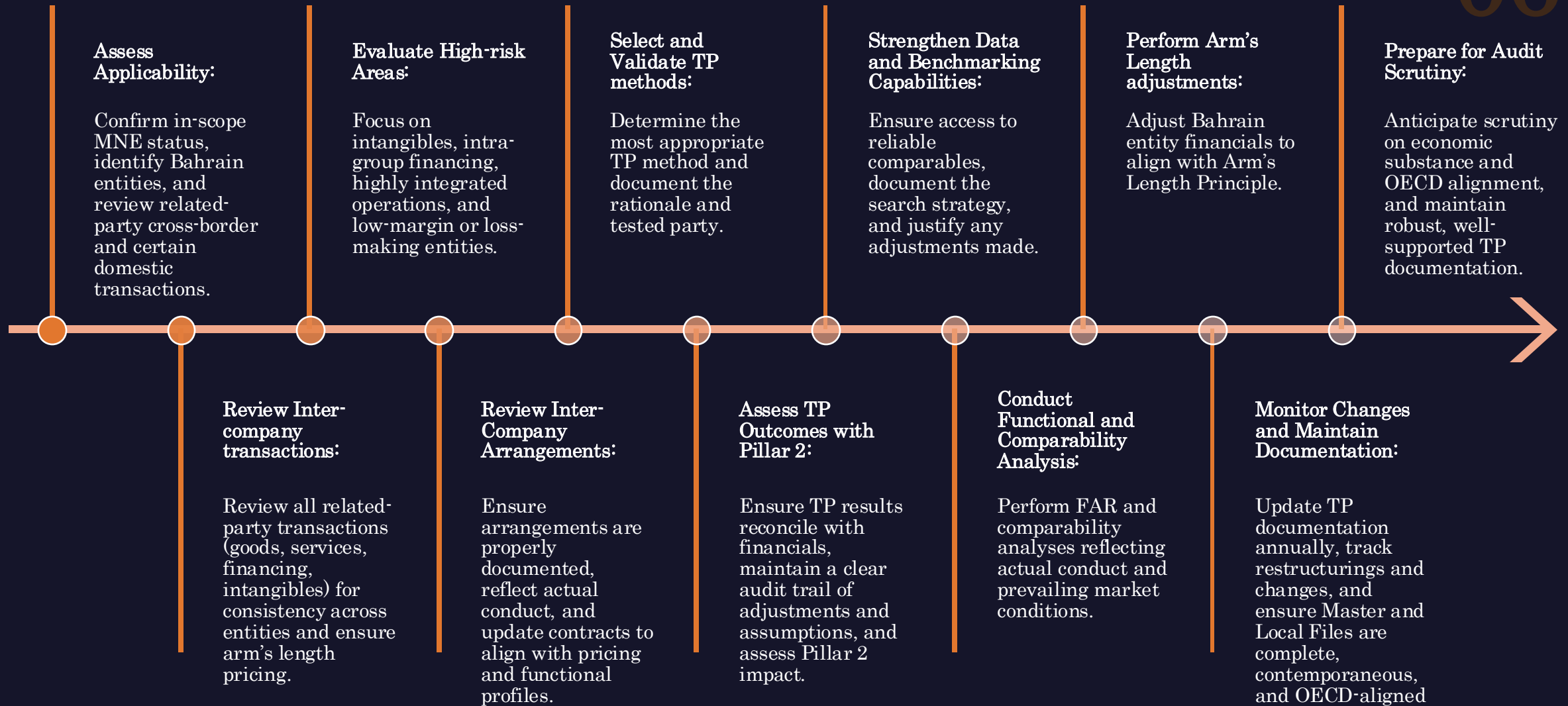
- Group strategy for development and exploitation of intangibles, key intangibles and legal ownership, R&D activities, transfer pricing policies relating to intangibles, and significant intangible transfers during the year.

Financial Activities

- Group financing arrangements, entities performing central financing functions, and transfer pricing policies relating to intercompany financing.

Financial and Tax Position

- Consolidated financial statements and details of APAs and other tax rulings relating to the allocation of income among jurisdictions.



WHO WE ARE

VSTN Consultancy — Global Transfer Pricing Firm

VSTN Consultancy is a Global Transfer Pricing firm with extensive expertise in the field of transfer pricing having its offices in India, Singapore, UAE, USA, and the KSA. VSTN Consultancy has been awarded by [International Tax Review \(ITR\)](#) as [Best Newcomer in Asia Pacific – 2024](#) | [Middle East Transfer Pricing Practice Leader of the Year 2025](#) | [Middle East Best Newcomer of the year - 2025](#) and is ranked as one of the [Recommended Transfer Pricing Firms](#). VSTN Consultancy has been shortlisted in other awards as finalist by ITR for Tax Innovator, Tax Compliance and Reporting Firm, Transfer Pricing Leader, Transfer Pricing Rising Star in Asia Pacific – 2025 | Best Newcomer, Tax Innovator and Transfer Pricing Leader in EMEA – 2025. VSTNs senior partners have been ranked in ITR in the list of recognised Practitioners.

Our offering spans the end-to-end Transfer Pricing value chain, including design of intercompany policy, drafting of Interco agreement, ensuring effective implementation of the Transfer Pricing policy, year-end documentation and certification, Global Transfer Pricing Documentation, BEPS related compliances (including advisory, Masterfile, Country by Country report), safe harbor filing, audit defense before all forums, Pillar 2 Analysis advice and dispute prevention mechanisms such as Advance Pricing agreement.

We are structured as an inverse pyramid where leadership get involved in all client matters, enabling clients to receive the highest quality of service.

Being a specialized firm, we offer advice that is independent of an audit practice and deliver it with an uncompromising integrity.

Our expert team brings in cumulative experience of over several decades in the transfer pricing space having worked with multiple Multinational Companies across sectors/industries and have cutting edge knowledge and capabilities in handling complex TP engagements.

WHO WE ARE

VSTN Consultancy — Global Transfer Pricing Firm

VSTN Consultancy is a transfer pricing firm with a global footprint across India, UAE, Singapore, USA, and KSA. We combine deep technical expertise with a client-centric approach to deliver premium transfer pricing services.

01

Specialisation

Exclusive focus on transfer pricing — not a generalist practice.

02

Global Reach

Serving clients across 17+ countries with local expertise.

03

Industry Recognition

Awarded Best Newcomer APAC & Best Newcomer Middle East.

04

Licensed Databases

11+ premium databases.

150+

Years' Experience

300+

Clients Served

17+

Countries

5

Global Offices

11+

Licensed Databases


















50+

Team Members

OUR REACH

Global Locations Served & Licensed Databases

COUNTRIES SERVED (17+)

- | | | |
|---|---|---|
|  USA |  Canada |  Mexico |
|  UK |  Netherlands |  Belgium |
|  Denmark |  Switzerland |  Italy |
|  Singapore |  India |  Australia |
|  Philippines |  UAE |  KSA |
|  Turkey |  Zambia | |

LICENSED DATABASES

TP Catalyst	Moody's
ORBIS	Moody's
Loan Module	Moody's
IP & Royalty Data	Moody's
EDF-X Bond Database	Moody's
EDF-X Credit Risk Analytics	Moody's
Royalty Rates	ktMINE
Services CUT	ktMINE
Loan Module	Royalty Range
TP Documenter	Ryan
Prowess	CMIE

THANK YOU

We look forward to partnering
with you on this engagement.

INDUSTRY RECOGNITION

- ◆ Best Newcomer — APAC
- ◆ Best Newcomer — Middle East
- ◆ Middle East TP Practice Leader
- ◆ Notable & Trusted Practitioner
- ◆ Women In Tax Leader
- ◆ Wealth & Finance Best Global TP Firm - India

CONTACT US

Get in Touch

WEB

www.vstnconsultancy.com

EMAIL

snithya@vstnconsultancy.com

INDIA

+91 99620 12244

SINGAPORE

+65 6027 9793

UAE

+971 58 305 3317

KSA

+966 55 667 8071

INDIA

VSTN CONSULTANCY PRIVATE LIMITED
Shakti Towers, Anna Salai, Chennai,
Tamilnadu, India - 600002

SINGAPORE

VSTN CONSULTANCY PTE. LTD.
10 Anson Road, #22-02, International
Plaza, Singapore 079903

UAE

VSTN CONSULTANCY L.L.C
Office 203 Mezzanine Floor, IDS Building
Al Karama, Dubai – UAE

KSA

VSTN CONSULTANCY L.L.C
6906 Abdullah Al Hamdhani, Al Malaz
District, Riyadh 12836 – 2557, KSA

USA

VSTN CONSULTANCY INC
16192 Coastal Highway, Lewes,
DE 19958



Global Transfer Pricing Firm

India · Singapore · UAE · USA · KSA