

An aerial photograph of a coastal city in Bahrain, likely the capital, Manama. The image shows a mix of modern and traditional architecture. A prominent feature is a tall, sail-shaped building on the left. The city is built on a peninsula or island, with a clear view of the turquoise sea and a sandy beach. The sky is a clear, bright blue. The image is partially obscured by a teal overlay at the bottom.

# COUNTRY GUIDE: BAHRAIN

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# ABOUT US

ZAPEO is an International PEO co-employer providing Employer of Record ( EOR ) Services in more than 113 countries around the world.

As an EOR, we provide employment contracts, payroll employees, pay over any taxes and statutory contributions and provide sponsorship for visa applications in order to comply with specific laws and regulations in the country.

We also assist with onboarding and termination of both local or expatriate employees.

## BENEFITS

- Legal compliance
- Time and cost savings
- Access to global talent
- Flexibility
- Reduced liability
- Expertise



# WORK PERMITS AND VISAS



**72-hour and 7-day visas:** These visas are available at the point of entry for short-term business travelers. It is necessary to have an onward ticket and a valid passport.

**Business visa:** is required for anyone staying in Bahrain for more than a week on business. This visa is valid for up to four weeks, with the length varying according to the nature of the trip.

**Work visas:** If the workers are going to work in any capacity, they will all require work visas. This permit is good for one to two years and grants your employees residence. You will handle the majority of the paperwork.

**Family visa:** Any immediate family members of the worker will require a family visa, also known as a residency permit, in order to dwell in Bahrain throughout the job time. They are unable to work unless they get a separate work visa.



# EMPLOYMENT CONTRACTS



## **Probation period**

The trial phase is three months long, while fixed-term contracts are limited to 6 months.

## **Notice period**

The notice period must not be shorter than 30 days, according to Bahraini labor law. Employers, on the other hand, are required to follow a lengthier notice period if it is specified in the employee's contract.

## **Minimum wage**

Bahrain nationals with a high school diploma are entitled to a monthly minimum salary of BHD270. Bahrain citizens with diplomas are entitled to a monthly minimum pay of BHD350, whereas Bahrain nationals with university degrees are entitled to a monthly minimum income of BHD400.

## **Working hours and overtime**

The maximum number of regular working hours per week is 48 hours per week at an 8-hour-per-day rate. During the month of Ramadan, the maximum weekly working hours are 36 hours at a pace of 6 hours each day. If the conditions of the job necessitate it, the employer may hire the worker for more hours. For such labor, the worker will earn a wage equivalent to his due wage plus at least 25% for hours worked during the day and at least 50% for hours worked during the night for each extra working hour. As a result, workers get paid 125 percent of their usual income for overtime during the day and 150 percent of their normal wage during the night.

## **Termination**

An employer can terminate an employee's employment contract with or without cause, as long as he gives the employee at least one month's notice. When an employee is terminated without cause, compensation is payable; the amount depends on the circumstances, such as whether the employment is for a fixed term or an indefinite period. The numerous computations for this compensation are spelled forth in Article 111 of the Labour Law.

# EMPLOYMENT CONTRACTS



## Severance

**Employees with indefinite contracts** in Bahrain who are dismissed after three months are normally entitled to two days' compensation for each month worked, with a minimum of one month salary and a maximum of 12 months pay, regardless of whether the termination was for reason.

**Employees on fixed-term contracts** are normally entitled to the salary they would have received for the remainder of the contract period. A new arrangement may be created if both parties agree, and that agreement must be for at least three months' salary or the remainder of the term, whichever is less.

**Employees in Bahrain who are not protected** by the Law on Social Insurance (GOSI) are normally entitled to an indemnity, also known as an End of Service Gratuity, at the end of their employment term. This indemnity should be computed at half a month for each of the first three years of work and a month for each year beyond that.

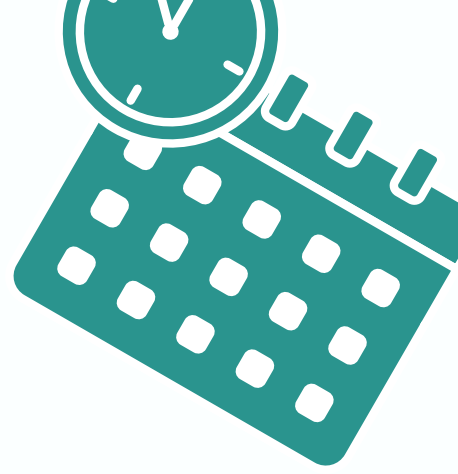
## Non-compete clause

Non-compete clauses may enter the contract between the employer and employee. The time-line for the non-compete clause is negotiated between both parties.

## Collective bargaining

Collective bargaining is recognized under the Bahrain Labor Law under Article 137; nonetheless, agreeing on the terms and conditions of employment through collective bargaining is not a typical practice in the Kingdom of Bahrain.

# PAID TIME OFF



## Annual Vacation

After one year of work, employees are normally entitled to 30 days of paid annual leave.

## Sick

Employees are generally entitled to 55 days of sick leave each year:

- 15 days paid in full
- 20 days at 50% pay
- 20 days of unpaid leave

## Maternity

Maternity leave is often granted to women for 75 days:

- Paid leave for 60 days
- Unpaid leave for 15 days
- Women in Bahrain are not permitted to work for 40 days after giving birth

## Paternity

Fathers are only entitled to one day of paid leave after the birth of their kid.

## Family

Female employees are entitled to unpaid childcare leave over the course of their job to care for their children under the age of six. By virtue of Article 34 of the Labor Law, such leave shall not exceed six months in duration and shall be restricted to three times over the course of their employment.

## National Holidays

There are in total 9 paid public holidays.

## Other Paid Time Off

Employees are also entitled to three days of paid leave for marriage provided a copy of the marriage certificate is shown.

Muslim workers who have worked for the business for at least 5 years are entitled for 14 days of paid leave for a trip to Mecca once during their employment.

# EMPLOYEE BENEFITS



## Statutory

### Unemployment

Contributions of 3% of employee salaries are split equally between the employee, the employer, and the government to fund the system.

### Workers compensation

Employer contribute 3% of monthly covered payroll.

The maximum monthly earnings used to calculate contributions are 4,000 dinars.

### Social Security

The current contribution rates for local employees are 19% (12% employer; 7% employee) and 4% (3% employer; 1% employee) for expatriate personnel.

### Retirement

Covered by Social Security.

### Health

Bahrain has a public/private healthcare system in place, with residents receiving either free or significantly subsidized treatment. Foreign nationals can use the same schemes, but they must pay for their own care and often obtain their own health insurance.

## Private

### Workers compensation

Private workers compensation available.

### Retirement

Private pension options available.

### Health

Private health insurance available.

### Life

Private life Insurance available.



# TAX



## Personal Income Tax ( PIT )

- **Tax year** : Tax year runs from January 1st to December 31st.
- **Tax rate** : Bahrain has no personal income tax (PIT) regime.
- **Tax method** : N/A
- **Tax residency requirements** : N/A
- **Double taxation agreements ( DTA's )** : Bahrain has multiple double tax agreements with other countries.

## Investment Income Tax

Capital gains and income of citizens and non-residents who are not paid in Bahrain are not subject to Bahraini taxation or social insurance requirements.

## Taxable Income

Salaries, wages, and allowances received by working persons are not subject to income tax.

# PAYROLL



## Payroll Elements

- **Income:** Salaries, wages, and allowances received by working persons.
- **Deductions:** Mandatory contributions. No income tax deductible.
- **Benefits in Kind:** Benefits in kind are simple payments in kind and company subsidies offered for workers' personal or social needs. Also, depending on its purpose, money provided to employees may be considered a kind benefit and may be excluded from tax and premium contributions.
- **Employer contributions:** Workers compensation, Unemployment and Social security.

## Payroll Taxes

N/A

## Payroll Calendar

Employees who are paid on a salary are paid at least once a month.

# LEGISLATION AND STATUTORY BODIES



## LEGISLATION

- Act of Social Insurance 2008
- Constitution of the State of Bahrain 2002
- Private Sector Labor Law 2012

## STATUTORY BODIES

- Bahrain National Bureau for Revenue
- Ministry of Finance
- Social Insurance Organization



Contact us today for further  
information or a **FREE**  
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