



ME Factsheet

BAHRAIN

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BAHRAIN



Business structure. What types of business structures are there?

- **Bahrain shareholding company (BSC) (Public):** A BSC (Public), commonly known as a public joint stock company, consists of a minimum of seven shareholders who subscribe to it by way of negotiable shares. Subscribers are liable for the company's debts and obligations only to the extent of the value of their shares. The minimum share capital required is BHD 1,000,000.
- **Bahrain shareholding company (BSC) (Closed):** A BSC (Closed), commonly known as a closed joint stock company, consists of a minimum of two shareholders who subscribe to it by way of negotiable shares that are not offered to the public for subscription. Shareholders are liable for the company's debts and obligations only to the extent of the value of their shares. The minimum share capital required is BHD 250,000.
- **Single person company (SPC):** A single person company (SPC) is a company the capital of which is fully owned by a single natural or corporate person. The owner is liable for the company's debts and obligations only to the extent of the value of his capital investment in the company. The minimum share capital required is BHD 50,000.
- **With limited liability company (WLL):** A with limited liability company (WLL) is comparable to a UK private limited company. It must consist of a minimum of two and a maximum of 50 partners who are natural or legal persons. The partners are responsible for the company's debts and obligations only to the extent of their respective share in the capital. The minimum share capital required is BHD 20,000.
- **Partnership company (general partnership):** A partnership company is a company formed without limited liability between two or more natural or corporate persons, in which all partners have joint unlimited responsibility to the extent of their entire personal assets for the partnership's debts and liabilities. There is no requirement of a minimum share capital.
- **Simple commandite company (limited partnership):** A simple commandite company is established by two categories of partners:
 - Silent partners, who are not involved in the management of the company and have limited liability to the extent of their investment (limited partners).

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- Managing partners, who are jointly liable to the extent of their entire personal wealth for the company's debts and obligations (unlimited partners).
- There is no requirement of a minimum share capital.
- **Commandite by shares company (limited partnership by shares):** Commandite by shares company must have a minimum of four partners. The company must be established between two categories of partners:
 - Joint partners, who are jointly responsible to the extent of their entire personal wealth for the company's obligations.
 - Limited partners (shareholders), who are only liable for the company's obligations to the extent of the value of their shares.
- The shares of the limited partners are negotiable, while the shares of the unlimited partners are not. There must be a minimum share capital of BHD20,000.

Data sources. Where can I find information about a company?

- Corporate information can be found at the Ministry of Industry & Commerce: www.moic.gov.bh

Credit Checks. Where can I find financial information about a business?

- You can obtain information on the financial state of affairs for companies and industry at the Ministry of Industry & Commerce. There are also numerous private reporting agencies offering credit checks.

Judgment Search. Can I find out if a business already has a judgment against it?

- Normally you find this information in a credit report. Credit reports are offered as a service online.



Contracting. How do businesses contract with each other and which documents do you need if you have to go to court?

- As a minimum you should be able to provide:
 - Original signed agreement or contract between your client and the debtor.
 - Original invoices.



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PRE-LITIGATION

Letter before action. Do you have to send a demand letter to a debtor before going to court?

- Before going to court a warning notice to the debtor is mandatory.
- The warning notice should contain:
 - The name of the creditor and the basis of the claim
 - The total amount of the claim, including any penalty interests
 - Prescription on how to transfer the payment, i.e. bank account etc.
 - A warning that the claim will be enforced through the enforcement authority in case the claim is not settled within from the date of the notice
 - Information on how the object to the claim if not acknowledged by the debtor.



- If this measure has been taken and the payment still has not been made after a notice period, the creditor may file for enforcement.

Can you claim interest and collection costs from customers if their payment is late?

- The courts do not acknowledge any interest rate stated in your contract, in most cases it adds a flat 9.0% interest rate per annum.

LITIGATION

Limitation period. How much time do you have before you must start legal proceedings?

- There are different limitation periods in Bahraini laws depending on the type of the claim and grounds thereof. However, generally, all civil claims are subject to the general statute of limitation of 15 years unless the law provides for another period, such as traders' rights which are subject to a limitation period of 10 years.

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Court Proceedings. What forms of court proceedings are available, and do you need legal representation?

- The Judiciary of Bahrain is the court system of Bahrain. It is divided into two branches; the Civil Law Courts and the Shari'a Law Courts.
- The Civil Law Courts deal with all commercial, civil, and criminal cases, as well disputes related to the personal status of non-Muslims.

Time frame. How long does it take before you can get a judgment against a debtor?

- If the debtor is financially capable of settling his debts, you can get the court judgement within 6 months in Bahrain.
- If the debtor proved to the court that he is unable to fulfil his debt, the court may demand the debtor to pay in easy instalments. So it's important to make sure that the debtor's financial position is strong before proceeding to the court.



How much does it cost to go to Court?

- The costs will depend on the claim amount and the complexity of the case, but it can cost between USD 3,000.00 to USD 4,000.00 including lawyer fees and court fees.

Enforcement of a court judgment. How do you enforce domestic/overseas judgments?

- As per the "Riyad Convention" 1983 and "GCC Convention" 1996 an application can be filed in the domestic court to enforce the court judgement which is proved to be swift and effective.
- If the debtor exists in one of the following countries: the UAE, Jordan, Bahrain, Tunisia, Algeria, Djibouti, Saudi Arabia, Sudan, Syria, Somalia, Iraq, Oman, Palestine, Qatar, Kuwait, Lebanon, Libya, Morocco, Mauritania and Yemen an execution letter will be needed from the domestic court in order to file an enforcement application. The process may take approx. 3 months before execution.

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Insolvency

- On 30 May 2018, Law No. 22 of 2018 with respect to the Reorganization and Bankruptcy Law (the Bankruptcy Law) was introduced in the Kingdom of Bahrain (Bahrain). The Bankruptcy Law follows the model of US and certain European insolvency regimes by emphasising on the restructuring of the debtor and the continuation of the debtor's business. This objective represents a reoccurring theme throughout the legislation.
- The Bankruptcy Law allows for debtors to apply for restructuring proceedings within a bankruptcy framework and to remain as debtors in possession of and in management of the business during that period.

The information in this document is accurate to our knowledge as of July 2019.

The know-how in this fact sheet is not intended to constitute a definitive or complete statement of the law, nor is it intended to constitute legal advice for any specific situation. We do not accept any responsibility for action taken as a result of information provided by us. It is your responsibility to take specific advice when dealing with specific situations. The fact sheet is intended as educational in nature and may not reflect all recent legal developments and may not apply to the facts and circumstances of individual transactions and cases.

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