

Bahrain, an island off Saudi Arabia in the Persian Gulf, is a great place for a company to expand. However, there are plenty of laws and regulations to worry about during the expansion process. From deciding between your Bahrain payroll options to setting up a locally compliant payroll, you have to make sure everything is in place before [running a subsidiary](#) in the country.

Globalization Partners makes setting up your Bahrain payroll easier with our Employer of Record solution. Through our Bahrain payroll outsourcing services, you can focus on growing your company instead of trying to stay compliant.

What Payroll Taxation Rules Exist in Bahrain?

Bahrain payroll tax laws apply to both employers and employees. While there are no personal income taxes in the country, employees are responsible for paying 1% of their wages for unemployment insurance. They also need to contribute 6% of their salary to social security.

Employers must contribute 9% of an employee's salary to social security and pay a 3% tax on salaries. The Bahraini government is currently considering a corporate income tax, but there is no current tax on income, sales, transfer, capital gains, or estates unless your company is in the oil and gas sector.

Bahrain Payroll Options

Companies have four main Bahrain payroll options:

- Remote: If you'd like to run one payroll out of your parent company, you can add employees of your Bahrain subsidiary to that payroll. But this means dedicating time and energy to keep up with payroll regulations that are specific to Bahrain.
- Internal: Larger companies expanding to Bahrain with a commitment to the country may choose to run internal payroll out of the subsidiary. You'll need to hire a full HR team and ensure you have the funds necessary to run an internal payroll. This choice could be costly and time-intensive.

- Bahrain payroll processing company: Choosing to work with a Bahrain payroll processing company will help take running payroll off your shoulders, but you're still responsible for compliance. This could mean increased legal costs and hiring experts in the country to ensure that you remain compliant.
- Globalization Partners: If you work with Globalization Partners, we'll set up your Bahrain payroll and take on matters of compliance. With us, you can focus on running a company instead of worrying about compliance.

What Do You Need to Set up Bahrain Payroll?

Before you can set up your Bahrain payroll, you have to establish a subsidiary in the country to begin working. Depending on where you incorporate and what type of entity you choose, this process could take weeks or months. You also need to establish in-country bank accounts to pay employees.

Necessary Entitlement and Termination Terms

We recommend outlining important entitlement and termination terms as part of a written employment contract prior to hiring employees and discussing a Bahrain payroll option. Generally, employees with indefinite contracts who get terminated after three months get two days of wages for each month they worked with a minimum of one month's pay and a maximum of one year's pay.

Work With Globalization Partners

Choosing Bahrain payroll outsourcing services with Globalization Partners can help you focus on the things that matter most to your company. Contact us today to learn more.