Bahrain

Payroll & Employment Law Guide

2026 Edition · Last updated June 2026

Labour Law No. 36/2012 · SIO Reform (Law 14/2022) · Expat EOSB March 2024 · Enhanced WPS 2.0 February 2026

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Overview

A reference for employing in the Kingdom

Bahrain combines a tax-free salary environment with one of the most open expatriate labour markets in the Gulf. There is no personal income tax, yet employers carry defined obligations for working hours, leave, Social Insurance Organisation (SIO) contributions, wage protection through WPS 2.0, end-of-service benefits and Bahrainisation. The Flexi-Permit lets expatriates work for multiple employers without a single sponsor, a feature unique to the Kingdom.

Two structural changes shape 2026 payroll: the SIO-managed expatriate end-of-service system introduced in March 2024, and Enhanced WPS 2.0, mandatory from February 2026, which shifts wage protection from post-payment reporting to pre-validation. Each is covered in the sections that follow.

0%	18%	30d	15th
PERSONAL INCOME TAX	SIO EMPLOYER RATE · NATIONALS 2026	ANNUAL LEAVE · 1+ YEAR	SALARY DEADLINE · FOLLOWING MONTH

WHAT THIS GUIDE COVERS

I	**Company Setup**	Entity types, Free Zones, the unique Flexi-Permit and the Employer of Record route.
II	**Working Hours & Leave**	Annual, sick, maternity, Hajj and bereavement entitlements plus the post-delivery rest rule.
III	**Social Security — SIO**	National contribution schedule to 2028 and the limited expatriate coverage.
IV	**Expat EOSB — March 2024 Reform**	The SIO-managed indemnity, the two accounting periods and illustrative employer cost.
V	**WPS 2.0 — Wage Protection**	Pre-validation, the Wage Responsible Person, Fawri transfers and the salary deadline.
VI	**Hiring & Termination**	Probation, notice periods and dismissal for serious misconduct under the Labour Law.
VII	**Bahrainisation**	Quota levy, Tamkeen subsidies and the 2026 national-employment target.
VIII	**Practical Notes**	The checks that prevent the most common and most costly Bahrain payroll errors.

I

Company Setup

Foreign employers can operate through a local entity, a Free Zone presence, or an Employer of Record. The WLL, Bahrain's limited liability company, is the most common structure and allows 100% foreign ownership in many sectors. Bahrain's distinctive Flexi-Permit lets expatriates work for multiple employers without a single sponsor, a mobility feature found nowhere else in the Gulf.

ENTITY & EMPLOYMENT STRUCTURES

STRUCTURE	WHEN IT IS USED
WLL (LLC)	Most common structure; 100% foreign ownership permitted in many sectors
Free Zones / Bahrain International Investment Park	Customs exemptions and special incentives for qualifying activities
▸ **Flexi-Permit**	Bahrain's unique expatriate mobility permit; allows working for multiple employers without a single sponsor
EOR	Handles LMRA, SIO, WPS 2.0 and all compliance obligations without a local entity

The Flexi-Permit advantage

Bahrain is the only Gulf state to offer a **self-sponsored expatriate work permit**. Under the Flexi-Permit, a holder may take work from more than one employer without being tied to a single sponsor, which gives employers a lighter, faster route to on-demand talent than the traditional single-sponsor model.

Compliance runs through LMRA

The Labour Market Regulatory Authority (LMRA) administers work permits and, through the EMS platform, the WPS 2.0 wage-protection file. An EOR arrangement absorbs LMRA, SIO and WPS 2.0 obligations on the employer's behalf.

II

Working Hours & Leave

The Labour Law sets out annual, sick, maternity and a range of statutory leave. Annual holiday pay is paid before leave begins, and any unused balance is cashed out on termination. The most significant rule for payroll is the mandatory 40-day post-delivery rest, which cannot be waived.

LEAVE ENTITLEMENTS

LEAVE TYPE	ENTITLEMENT	KEY RULE
Annual leave (1+ year)	30 calendar days	Holiday pay before leave begins; unused balance cashed out on termination
Sick leave	First 30 days at 100%; next 60 days at 50%; next 30 days unpaid	Medical certificate required; no termination during the entitlement period
▸ **Maternity leave**	60 days paid + 15 days unpaid	Post-delivery mandatory 40-day rest; nursing 2×1 hr/day for 6 months
Hajj leave	14 days paid, once per career	Muslim employees with 5 or more years of tenure
Bereavement	3 days paid	Close family member

The 40-day post-delivery ban

A female employee **cannot work for 40 days after delivery, with no exceptions.** This mandatory rest period is strictly prohibited to override and cannot be waived by employer policy. It sits inside the 60 paid + 15 unpaid days of maternity leave.

Nursing breaks

After returning to work, a new mother is entitled to two one-hour nursing breaks per day for the first six months. These breaks are paid and counted as working time.

III

Social Security — SIO

There is no personal income tax in Bahrain. Social insurance runs through the Social Insurance Organisation (SIO), which provides full coverage for Bahraini nationals. Expatriates have limited SIO coverage plus the SIO-managed end-of-service indemnity introduced in March 2024. The employer rate for nationals rises by one percentage point every January through 2028.

SIO — BAHRAINI NATIONALS (ANNUAL +1% EMPLOYER INCREASE THROUGH 2028)

YEAR	EMPLOYER	EMPLOYEE	TOTAL
2025	17%	8%	25%
▸ **2026 (current)**	18%	8%	26%
2027	19%	8%	27%
2028 (final)	20%	8%	28%

SIO — EXPATRIATE EMPLOYEES

COVERAGE	EMPLOYER	EMPLOYEE
Work injury insurance	3%	—
Unemployment insurance	1%	1%
▸ **EOSB (leaving indemnity)**	4.2% or 8.4%	—

VERIFY before payroll

The **SIO salary cap is reviewed periodically.** Confirm the current contribution ceiling at sio.gov.bh before running payroll, as it directly affects the amounts due for both nationals and expatriates.

IV

Expat EOSB — March 2024 Reform

Resolution No. 109/2023 fundamentally changed the expatriate end-of-service system from March 2024. The employer no longer pays a lump sum on termination. Instead, monthly contributions go to SIO, and the employee claims the accumulated amount directly from SIO on departure. Two accounting periods must now be tracked separately.

SIO-MANAGED CONTRIBUTION (CURRENT EMPLOYER)

SERVICE PERIOD	MONTHLY SIO CONTRIBUTION	MECHANISM
Years 1–3	4.2% of insurable wage	Monthly to SIO
▸ **Year 4 onward**	8.4% of insurable wage	Monthly to SIO

ILLUSTRATIVE EMPLOYER COST (BHD 10,000/MONTH INSURABLE WAGE)

PERIOD	EOSB	WORK INJURY (3%)	UNEMPLOYMENT (1%)	TOTAL OVERHEAD
Years 1–3	BHD 420 (4.2%)	BHD 300	BHD 100	BHD 820/mo
▸ **Year 4+**	BHD 840 (8.4%)	BHD 300	BHD 100	BHD 1,240/mo

Two accounting periods

Pre-March 2024 service: the employer pays legacy EOSB directly on the old formula (first 3 years at half a month per year, thereafter one month per year). **Post-March 2024 service** accrues as a monthly SIO contribution. The two periods must be tracked separately.

Late contribution penalty

Late EOSB contributions to SIO attract **5% interest plus a 20% penalty** on overdue amounts. Because contributions are now monthly rather than a single end-of-service payment, a missed month is an immediate compliance exposure.

V

WPS 2.0 — Enhanced Wage Protection

Enhanced WPS 2.0 is mandatory for all private-sector employers from February 2026. It shifts wage protection from post-payment reporting to pre-validation: the salary file must be approved before transfers execute. Salaries must reach employees by the 15th of the following month, and a monthly file is required even when nothing changes.

WPS 2.0 REQUIREMENTS

REQUIREMENT	DETAIL
Scope	All private-sector employers and all employees, Bahraini and expat. Government entities, diplomatic missions and domestic workers are exempt
Monthly file upload	Required every month even if there are no changes, via LMRA EMS
Payment channel	Fawri Salary Transfer only (same-day credit); IBAN validation enforced
Wage Responsible Person (WRP)	Employer must designate a WRP (Bahraini/Gulf-state national with advanced eKey); up to 5 makers/checkers
▸ **Salary deadline**	Employees' salaries by the 15th of the following month
Non-compliance	Work-permit issuance affected; LMRA enforcement action

> eKey is a priority action
>
> **eKey registration requires in-person biometric verification.** If a Wage Responsible Person has not been designated, this is a priority action: apply well in advance, because payroll cannot be validated under WPS 2.0 without a WRP holding an advanced eKey.

VI

Hiring & Termination

Probation is capped at three months, during which either party may terminate on one day's notice. For unlimited-term contracts the statutory notice is 30 days under Article 99, although contracts often extend this to between 30 and 90 days. Dismissal for serious misconduct under Article 107 requires no notice.

PROBATION

Maximum probation	Three months.
Termination in probation	Minimum one day's notice.

NOTICE PERIODS

SITUATION	NOTICE
Unlimited-term, standard (both parties)	30 days (Art. 99); contracts often 30–90 days
▸ **Disciplinary / serious misconduct dismissal**	No notice required (Article 107)
Probation termination	Minimum 1 day

Contractual notice above the floor

The 30-day statutory notice under Article 99 is a minimum. Many Bahrain contracts set notice at 30 to 90 days, so the applicable period should be read from the individual contract before termination is actioned.

VII

Bahrainisation

Bahrainisation sets localisation quotas backed by a per-permit levy and offset by Tamkeen support for hiring and retaining Bahraini nationals. The 2026 government target is 50,000 employment opportunities per year for Bahrainis, and employers should model both the levy above quota and the available subsidies.

QUOTA, LEVY & TAMKEEN SUPPORT

RULE	DETAIL
▸ **Non-compliance levy**	BHD 300 per work permit issued above quota
Tamkeen subsidy (new hires)	Up to 70% of salary in year 1
Tamkeen wage support	Up to BHD 300/month for Bahrainis earning less than BHD 1,500/month
2026 government target	50,000 employment opportunities per year for Bahrainis

Levy versus subsidy

Two Tamkeen instruments soften the cost of localisation: a **new-hire subsidy of up to 70% of first-year salary** and ongoing **wage support of up to BHD 300/month** for lower-paid Bahrainis. Together they can materially offset the BHD 300 per-permit levy charged on expatriate hires above quota.

Model the quota cost

The BHD 300 levy is charged per work permit issued above quota, so the net expatriate cost depends on the Bahrainisation ratio. Build both the levy and the available Tamkeen offsets into the headcount plan.

VIII

Practical Notes

The obligations in this guide reduce to a short list of checks that prevent the most common and most costly Bahrain payroll errors. Each should be settled before the first pay run.

Two EOSB periods	Pre-March 2024 service is a direct employer liability on the old formula; post-March 2024 service is a monthly SIO contribution. Track the two periods separately.
SIO rate rises yearly	The employer rate for nationals increases every January: 2026 = 18%, 2027 = 19%, 2028 = 20%. Update cost models annually.
WPS 2.0 eKey	The Wage Responsible Person must hold an in-person biometric eKey. Apply well in advance, as payroll cannot be validated without it.
Monthly file always due	A WPS file is required every month even with no changes, unlike the previous system. Build this into the payroll calendar.
40-day post-delivery ban	Strictly prohibited to override and cannot be waived by employer policy.
Late EOSB penalty	Late EOSB contributions to SIO attract 5% interest plus a 20% penalty on overdue amounts.

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EOR & PAYROLL, HANDLED

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SIO contributions and the SIO-managed expatriate EOSB, LMRA work permits and Flexi-Permits, Enhanced WPS 2.0 wage-protection filing through EMS, plus Bahrainisation tracking and in-country EOR. Datassist runs payroll and employment for international employers across Turkey, Bahrain and the wider MENA region from a single center.

Schedule a Meeting →

7+	1	0%
MENA MARKETS COVERED	SINGLE COMPLIANCE OPERATION	MISSED WPS DEADLINES