

Article (1)

Definitions

For the purposes of this Regulation, any word or expression shall have the meaning given to it in the Telecommunications Law promulgated by Legislative Decree No 48 of 2002, and the following words and terms shall have the following meaning, unless the context otherwise requires:

'Annual License Fee' the annual License fee referred to in Article 18(a) (2) of the Law.

'Authority' the Telecommunications Regulatory Authority.

'Law' the Telecommunications Law promulgated by Legislative Decree No 48 of 2002.

'License' a Telecommunications License or a Frequency License.

'Licensed Operator' a Person who is licensed to operate a Telecommunications Network or to provide a Telecommunications service under Article 25 of the Law.

'Telecommunications Network' a network permitting the conveyance of messages, sound, visual images or signals between defined termination points by wire, radio, optical or other electro-magnetic means.

'Telecommunications' the conveyance and/or routing of messages, sound, visual images or signals on Telecommunications Networks, other than Broadcasting.

'Telecommunications Facility' any part of the infrastructure of a Telecommunications Network including any antenna, circuit, duct, equipment, fibre (whether partially or fully in service or not), line, mast, pole, tower or any other structure or any other thing used or intended for use in connection with a Telecommunications Network.

'Restatement Due to Error' is correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred, as per IAS.

'Restatement Due to Change in Accounting Policy' is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied, as per IAS.

'Gross Annual Turnover' gross operating revenue, any other source of gross income and the amount of a Restatement Due to Error or Change in Accounting Policy, if relevant, which is or should be recognized in the financial statements of a Licensed Operator for the Relevant Period.

'Relevant Telecommunications Activities' means any of the following:

- a) Provision of Telecommunications services as described in the Telecommunications Licenses that a Licensed Operator holds,
- b) Operation of a Telecommunications Network, and/or providing network access to a Licensed Operator's Telecommunications Network; and
- c) Making associated Telecommunications Facilities available to third parties.

'Eligible Annual Turnover' any income earned from Relevant Telecommunications Activities by a Licensed Operator, net of transit traffic that does not terminate and originate within the Kingdom of Bahrain and where that traffic is not conveyed or transited (partially or otherwise) over any network based in the Kingdom of Bahrain.

'Non-telecommunications Goods and Services' goods and services that are not provided within the scope of Relevant Telecommunications Activities such as End-user Equipment, Broadcasting services and other goods and services.

'End-user Equipment' handset, dongle, router, modem and other end-user-equipment that is sold separately or as part of a bundle with a Telecommunications service, and does not form part of a Telecommunications Network.

'Relevant Period' is the financial year from 1 January to 31 December.

'IAS' International Accounting Standards.

'IFRS' International Financial Reporting Standards.

'ISA' International Standards on Auditing

'Revenue Reporting Declaration Form' the form defined by the Authority that is required to be duly filled in and submitted by a Licensed Operator to enable the Authority to calculate the applicable Annual License Fee, and to effectively monitor and enforce the terms of this Regulation.

Article (2)

Purpose

- 1- This Regulation outlines how the Gross Annual Turnover, and Eligible Annual Turnover of a Licensed Operator for the Relevant Period is to be determined, and reported for the purpose of calculating the Annual License Fee payable to the Authority.

Article (3)

Scope of Regulation

- 1- This Regulation and its Annexes shall apply to all Licensed Operators.

Article (4)

Revenue Reporting Framework

- 1- Licensed Operators shall arrive at their Eligible Annual Turnover for the Relevant Period as follows:
 - a) Calculate the Gross Annual Turnover as per step (9) of Table 1 in Annex A of this Regulation; and
 - b) Subtract the following:
 - i. Income earned from the provision of any Non-telecommunications Goods and Services that are sold on a stand-alone basis, and/or separately identifiable in the Gross Annual Turnover as per step (10) of Table 1 in Annex A of this Regulation;
 - ii. Cost of any Non-telecommunications Goods and Services, which are sold as part of a bundle with a Telecommunications service, and the associated income is included in the Gross Annual Turnover as per step (11) of Table 1 in Annex A of this Regulation; and
 - iii. Income arising from transit traffic between local and overseas operators that does not originate and terminate within the Kingdom of Bahrain and where that traffic is not conveyed or transited (partially or otherwise) over any network based in the Kingdom of Bahrain, is included in the Gross Annual Turnover as per step (12) of Table 1 in Annex A of this Regulation.
- 2- Revenue and other income is stated at its gross amount in the Gross Annual Turnover before the deduction of related costs such as cost of sales, direct costs or other expenses.
- 3- When a Licensed Operator deducts any amount ('a deductible amount') from the Gross Annual Turnover under any of the above sections, the deductible amount shall not exceed the income recognized by a Licensed Operator in the Gross Annual Turnover in connection with the activity that created the deductible amount.
- 4- The deductible amounts must be consistent with those used in a Licensed Operator's audited financial statements and accounting records.
- 5- All information used to determine Eligible Annual Turnover including cost and income for deductible amounts must be calculated on an accrual basis and in accordance with the applicable accounting standards, IAS and IFRS.
- 6- Without prejudice to Article 53 of the Law, the Authority may also request a Licensed Operator to submit additional information it deems necessary or appropriate in order to effectively monitor and enforce the terms of this Regulation, as part of the Revenue Reporting Declaration Form.
- 7- Value added and sales taxes, which are directly imposed on the sales of services that are provided within the scope of Relevant Telecommunications Activities, are not addressed by this Regulation, Nevertheless the Authority reserves the right to provide further guidance on how these and other taxes should be taken into account for Eligible Annual Turnover calculation in the future.

Article (5)

Revenue Reporting Guiding Principles

- 1- All information provided to the Authority in accordance with this Regulation shall be prepared in line with the following revenue reporting guiding principles:
 - a) **Verifiability:** Information used by a Licensed Operator for the determination of Eligible Annual Turnover must be objectively verifiable, and readily available for the Authority's scrutiny.
 - b) **Completeness:** A Licensed Operator must provide all information requested, and in a format in accordance with this Regulation.
 - c) **Accuracy:** A Licensed Operator must prepare information in all material respects in line with this Regulation, and disclose it in accordance with IAS and IFRS.
 - d) **Clarity:** Information provided by a Licensed Operator, in accordance with this Regulation, must be as clear and as simple as possible.
 - e) **Consistency:** A Licensed Operator must treat similar types of information consistently, both within the Relevant Period and year-on-year.
 - f) **Data Retention:** A Licensed Operator must retain all relevant documentation that are necessary to objectively justify the process related to information disclosed in the Revenue Reporting Declaration Form for a minimum period of ten years.

Article (6)

A Licensed Operator's Obligations

- 1- A Licensed Operator shall, by 1st of April of each calendar year, submit:
 - a) The completed Revenue Reporting Declaration Form for the Relevant Period in accordance with Annex C of this Regulation;
 - b) Management's statement made on the Revenue Reporting Declaration Form that is duly signed by the Chief Executive Officer (CEO) (or equivalent) of a Licensed Operator, confirming the accuracy and completeness of the Revenue Reporting Declaration Form;
 - c) Assurance report, signed by an independent qualified auditor registered in the Kingdom of Bahrain, on the Revenue Reporting Declaration Form for the Relevant Period in accordance with ISA 805, *Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*, as per Annex D of this Regulation;

and

- d) The standalone audited financial statements of a Licensed Operator for the Relevant Period.
- 2- An independent qualified auditor shall have sufficient resources, relative to the size and the complexity of a Licensed Operator subject to audit as per this Regulation, expertise about the subject matter in relation to the Revenue Reporting Declaration Form, and proven track record of financial statements audit of a Licensed Operator(s).

Article (7)

Compliance

- 1- A Licensed Operator, who is non-compliant with Article 6 of this Regulation, or submits information that is not substantially compliant with the requirements of this Regulation, will be invoiced by the Authority, for the next Relevant Period, on the basis of the Eligible Annual Turnover, most recently reported to the Authority, plus an uplift of 40%.
- 2- A Licensed Operator, who is, pursuant to Article 7 (1) of this Regulation, subject to an uplift of 40%, will be credited for any excess payment upon the issuance of a subsequent invoice related to the Annual License Fee in the following financial year, provided that the Licensed Operator has, in the meantime, fully remedied its non-compliance. A Licensed Operator has no right to claim any interest for the credited amount.
- 3- If a Licensed Operator fails to comply with the provisions of Article 6 of this Regulation, or submits information that is not substantially compliant with the requirements of this Regulation, and remains in default for a period of three months, the Authority will treat such failure as a material breach of the Law and the conditions of a License, and may consequently take enforcement action pursuant to Article 35 of the Law.
- 4- Upon finding a discrepancy in the information submitted by a Licensed Operator, pursuant to the requirements of this Regulation, the Authority, after undertaking a preliminary assessment, reserves the right to engage an independent auditor to carry out a detailed audit of the accounting records of the Licensed Operator in question, to check the validity of the information contained in the Revenue Reporting Declaration Form.
- 5- A Licensed Operator, whose Revenue Reporting Declaration Form is subject to examination by an independent auditor, is obliged to co-operate fully with the engaged independent auditor.
- 6- If the alleged discrepancy or error is confirmed by the independent auditor, the Licensed Operator is obliged to submit, without delay, a revised Revenue Reporting Declaration Form, rectifying the discrepancy or error, and to meet the costs of the independent auditor.
- 7- If the alleged discrepancy or error is not confirmed by the independent auditor, then the Authority shall meet these costs.

Annex A – Guidance on the Gross Annual Turnover and the Eligible Annual Turnover calculation, and additional information

- 1- This Annex provides further guidance, in line with Article (4) of this Regulation, to a Licensed Operator outlining how to arrive at the Gross Annual Turnover and the Eligible Annual Turnover for the purpose of calculating the Annual License Fee.

Table 1 – Formula to calculate the Gross Annual Turnover and the Eligible Annual Turnover of a Licensed Operator

Steps	Disclosed items	Value in BHD	Formula
1	Operating revenue as per the financial statements.	a	
2	Add: Any cost offset against operating revenue.	b	
3	Gross Operating Revenue	C	$C = a + b$
4	Other income included in other headings of the financial statements but not identified as Gross Operating Revenue.	d	
5	Add: Any cost offset against other income.	e	
6	Gross Other Income	F	$F = d + e$
7	Timing adjustments (if required).	G	
8	Restatement Due to Error or Change in Accounting Policy recognized in the current financial statements (if relevant).	H	
9	Gross Annual Turnover (Part 1)	I	$I = C + F + G + H$
10	Income earned from the provision of any Non-telecommunications Goods and Services sold on a stand-alone basis and/or separately identifiable in the Gross Annual Turnover.	J	
11	Cost of any Non-telecommunications Goods and Services sold as part of a bundle with a Telecommunications service, and the associated income included in the Gross Annual Turnover.	K	
12	Income earned from transit traffic, not originating and terminating within the Kingdom of Bahrain and where that traffic is not conveyed or transited (partially or otherwise) over any network based in the Kingdom of Bahrain.	L	
13	Eligible Annual Turnover (Part 2)	N	$N = I - J - K - L$

Part 1 - Gross Annual Turnover

- 2- The first step in determining a Licensed Operator's Eligible Annual Turnover shall calculate its Gross Annual Turnover.
- 3- This part sets out how the Gross Annual Turnover in step (9) shall be calculated.
- 4- To calculate Gross Operating Revenue in step (3), a Licensed Operator shall identify the following:
 - a) In step (1), operating revenue as per the financial statements of a Licensed Operator for the Relevant Period; and
 - b) In step (2), any cost that is offset against operating revenue as identified in the financial statements and accounting records of a Licensed Operator for the Relevant Period.
- 5- The sum of the amounts calculated in point 4 (a) and point 4 (b) is the Gross Operating Revenue of a Licensed Operator for the Relevant Period.
- 6- To calculate Gross Other Income in step (6), a Licensed Operator shall identify the following:
 - a) In step (4), any other income included in other headings of the financial statements of a Licensed Operator for the Relevant Period, which is not identified as the Gross Operating Revenue in step (3); and
 - b) In step (5), any cost that is offset against other income as identified in the financial statement or accounting records of a Licensed Operator for the Relevant Period.
- 7- The sum of amounts calculated in point 6 (a) and point 6 (b) is the Gross Other Income of a Licensed Operator for the Relevant Period.
- 8- In step (7), timing adjustment is only required if the financial reporting period of a Licensed Operator differs from the Relevant Period.
- 9- If timing adjustment is required, a Licensed Operator shall make adjustments for the effect of both:
 - a) Gross Operating Revenue recognized in a different financial reporting period other than in the Relevant Period; and
 - b) Gross Other Income recognized in a different financial reporting period other than in the Relevant Period.
- 10- In step (8), a Licensed Operator shall calculate the amount of a Restatement Due to Error or Change in Accounting Policy, if relevant, which are corrected retrospectively in the retained earnings of the current financial statements.
- 11- If there is a Restatement Due to Error or Change in Accounting Policy that is relevant for the Revenue Reporting Declaration Form, a Licensed Operator shall make adjustments for the effect of both:
 - a) Gross Operating Revenue recognized in the retained earnings for a different financial reporting period other than the Relevant Period; and
 - b) Gross Other Income recognized in the retained earnings for a different financial reporting period other than the Relevant Period.
- 12- The result of adding any amounts identified in points 5, 7, 9 and 11 is the Gross Annual Turnover of a Licensed Operator for the Relevant Period.

Part 2 – Eligible Annual Turnover

- 13- After calculating the Gross Annual Turnover of a Licensed Operator for the Relevant Period, the next step is to calculate the Eligible Annual Turnover of a Licensed Operator for that period by deducting amounts from the Gross Annual Turnover.
- 14- This part sets out how to derive the Eligible Annual Turnover in step (13) from the Gross Annual Turnover calculated in point 12.
- 15- In step (10), a Licensed Operator shall identify any income that is:
- a) Earned from the provision of any Non-telecommunications Goods and Services that are sold on a stand-alone basis; and/or
 - b) Separately identifiable in the Gross Annual Turnover for the Relevant Period.
- 16- In step (11), a Licensed Operator shall identify:
- a) Cost of any Non-telecommunications Goods and Services that are sold as part of a bundle with a Telecommunications service; and
 - b) The associated income is included in the Gross Annual Turnover.
- 17- In step (12), a Licensed Operator shall identify any income that is:
- a) Earned from transit traffic that does not terminate and originate within the Kingdom of Bahrain and where that traffic is not conveyed or transited (partially or otherwise) over any network based in the Kingdom of Bahrain; and
 - b) Included in the Gross Annual Turnover.
- 18- The result of deducting amounts identified in points 15 to 17 from the Gross Annual Turnover calculated in point 12 is the Eligible Annual Turnover of a Licensed Operator for the Relevant Period, which is subject to an Annual License Fee payment.

Part 3 – Additional Information

- 19- For the purpose of effectively monitoring and enforcing the terms of this Regulation, the Authority may also request, when it deems necessary or appropriate, a Licensed Operator to submit additional information as part of its Revenue Reporting Declaration Form as required in Annex C of this Regulation.

Annex B: Eligible Annual Turnover Status

The table in this Annex provides examples of common types of income streams, and indicates their status in terms of whether or not these types of income should be included in the Eligible Annual Turnover, or that income or the costs associated with it can be claimed as a legitimate deduction. The table is not intended to be exhaustive.

Income types	Notes	Status	Income Category
Income earned from post-paid mobile contracts	Income derived from mobile voice, data and broadband services provided under the contract should be included in the Eligible Annual Turnover, since it is a Telecommunications service income.	Eligible Annual Turnover	Mobile
Income earned from pre-paid mobile services	Income derived from pre-paid mobile voice, data and broadband services should be included in the Eligible Annual Turnover, including income derived from expired credit for pre-paid mobile airtime, since it is a Telecommunications service income.	Eligible Annual Turnover	Mobile
Income from the provision of SIM cards and SIM starter packs to post-paid and pre-paid mobile customers	SIM cards and SIM Starter packs are an integral part of the licensed mobile telephony service, so the income earned from the provision of SIM cards and SIM starter packs should be included in the Eligible Annual Turnover.	Eligible Annual Turnover	Mobile
Income from the sale of mobile phone handsets sold separately on a standalone basis	Income is not captured by the definition of Eligible Annual Turnover, Therefore, the sales price of the handset sold, which is recognized as an income, should be claimed as a deduction.	Legitimate deduction	-
Income from the sale of mobile phone handsets recovered through mobile access or calling charges (sold as part of a service bundle with a Telecommunications service)	Income is not captured by the definition of Eligible Annual Turnover, Therefore, the cost of the handset sold, which is recognized as an expense, should be claimed as a deduction.	Legitimate deduction	-

Income type	Notes	Status	Income Category
Income from the sale of mobile dongles sold separately on a standalone basis	Income is not captured by the definition of Eligible Annual Turnover. Therefore, the sales price of the dongle sold, which is recognized as an income, should be claimed as a deduction.	Legitimate deduction	-
Income from mobile dongles sold as part of a package or as part of a service bundle with a Telecommunications service	Income is not captured by the definition of Eligible Annual Turnover. Therefore, the cost of the dongle sold, which is recognized as an expense, should be claimed as a deduction.	Legitimate deduction	-
Income from fixed line rental	Income is derived from the use of a fixed Telecommunications Network, and therefore it should be included in the Eligible Annual Turnover.	Eligible Annual Turnover	Fixed
Income from fixed voice calls (including voice over broadband calls)	Income is derived from the use of a fixed Telecommunications Network, and therefore it should be included in the Eligible Annual Turnover.	Eligible Annual Turnover	Fixed
Income from fixed broadband, including all retail xDSL and 'naked' DSL services	Income is derived from the use of a fixed Telecommunications Network, and therefore it should be included in the Eligible Annual Turnover.	Eligible Annual Turnover	Fixed
Income from retail leased lines	Income is derived from the use of a fixed Telecommunications Network, and therefore it should be included in the Eligible Annual Turnover.	Eligible Annual Turnover	Fixed

Income type	Notes	Status	Income Category
Fixed wireless income	Income is derived from the use of a fixed wireless Telecommunications Network (voice, broadband and leased lines), and therefore it should be included in the Eligible Annual Turnover.	Eligible Annual Turnover	Fixed
Satellite income	Income is derived from the use of a satellite Telecommunications Network, and therefore it should be included in the Eligible Annual Turnover.	Eligible Annual Turnover	Fixed
Broadcasting service income	The sale of Broadcasting service is not a Relevant Telecommunications Activity. The definition of Telecommunications in the Law explicitly excludes Broadcasting.	Legitimate deduction	-
Income from direct dial calls switched by a Licensed Operator, on behalf of another Licensed Operator	Income is derived from the use of a Telecommunications Network, and therefore it should be included in the Eligible Annual Turnover.	Eligible Annual Turnover	Wholesale
Income earned from late payment fees levied on customers for the late payment of outstanding accounts for a Telecommunications services	Income is a Telecommunications service income, and therefore it should be included in the Eligible Annual Turnover.	Eligible Annual Turnover	Mobile; Fixed; Wholesale

Income type	Notes	Status	Income Category
Income from selling customer premises equipment (CPE), including routers, modems and other terminal equipment, and sold as part of a service bundle with a Telecommunications service i.e. MPLS or business broadband bundles	Income is not captured by the definition of Eligible Annual Turnover. Therefore, the cost of the CPE sold, which is recognized as an expense, should be claimed as a deduction.	Legitimate deduction	-
Income from dumb caches, servers, content delivery networks (CDN)	Income depends on the use of a Telecommunications Network, and therefore it should be included in the Eligible Annual Turnover.	Eligible Annual Turnover	Mobile; Fixed
Income from value-added IT service (including systems integration, data hosting etc.), sold as part of a service bundle with a Telecommunications service	While the IT service is sold to business customers as part of a managed network service, it is not a Relevant Telecommunications Activity. Therefore the cost of IT service, which is recognized as an expense, should be claimed as a deduction. Income earned for the provision of a Telecommunications service, sold as part of a managed network service, should be included in the Eligible Annual Turnover.	Legitimate deduction	-
Income earned from installation fees related to the provision of Non-telecommunications Goods or Services	Installation service is not a Relevant Telecommunications Activity. Therefore, installation fees, charged and recognized as income, should be claimed as a deduction.	Legitimate deduction	-

Income type	Notes	Status	Income Category
Income from wholesale leased lines	Income earned in the merchant market from the sale of wholesale leased lines to other Licensed Operators is a Telecommunications service income, and therefore it should be included in the Eligible Annual Turnover.	Eligible Annual Turnover	Wholesale
Wholesale income from WBA services, including bitstream and 'naked' DSL services	Income earned in the merchant market from the sale of wholesale services to other operators, is a Telecommunications service income, and therefore it should be included in the Eligible Annual Turnover.	Eligible Annual Turnover	Wholesale
Wholesale income from call origination and/or termination in Bahrain on fixed and mobile networks, irrespective of the origin and the destination	Income from all call services, irrespective of the origin or the destination, is a Telecommunications service income, and therefore it should be included in the Eligible Annual Turnover.	Eligible Annual Turnover	Wholesale
Income arising from transit traffic between local and overseas operators (including group company transit traffic)	Income from transit traffic, regardless whether it has a breaking point in Bahrain or not, is a Relevant Telecommunications Activity, and therefore all transit incomes, as well as any associated income arising from the provision of such transit, should be included in the Eligible Annual Turnover.	Eligible Annual Turnover	Wholesale
Income arising from the provision of international Telecommunications Facilities	Provision of access to international Telecommunications Facilities to other operators (including co-location services) is a Relevant Telecommunications Activity, and therefore income earned from these service should be included in the Eligible Annual Turnover.	Eligible Annual Turnover	Wholesale

Income type	Notes	Status	Income Category
Income arising from value-added voice and data Telecommunications services	Income is derived from the use of a Telecommunications Network to provide value-added voice and data Telecommunications services, and therefore it should be included in the Eligible Annual Turnover.	Eligible Annual Turnover	Fixed; Mobile
Incomes arising from transit traffic between local and overseas operators (including group company transit traffic)	Income is derived from pure transit services, where there is no origination and termination in Bahrain and where that traffic is not conveyed or transited (partially or otherwise) over any network based in the Kingdom of Bahrain, such transit income should be claimed as a deduction. For the avoidance of doubt any revenue arising from transit traffic that does not originate nor terminate in Bahrain but is conveyed over any telecommunications network in Bahrain has to be recorded as licensed revenue and therefore included in the Eligible Annual Turnover.	Legitimate deduction	Wholesale
Income from porting charges	Income earned from subscriber changing network provider is related to the operation of a Telecommunications Network, and therefore is should be included in the Eligible Annual Turnover.	Eligible Annual Turnover	Wholesale
Income from early termination of Telecommunications services	Income arising from early termination of Telecommunications services, which are sold on a stand-alone basis or part of a bundle is a Telecommunications service income, and therefore it should be included in the Eligible Annual Turnover.	Eligible Annual Turnover	Fixed; Mobile; Wholesale

Inbound roaming income	Income arising from inbound roaming services is a Telecommunications service income, and therefore it should be included in the Eligible Annual Turnover.	Eligible Annual Turnover	Wholesale
Income from Private Automated Branch Exchange (PABX) services	Income arising from PABX services is a Telecommunications service income, and therefore it should be included in the Eligible Annual Turnover.	Eligible Annual Turnover	Fixed; Mobile

Annex C: Revenue Reporting Declaration Form

Annex D: Assurance Report Template