

Bahrain imposes tax to help unemployed

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Bahrain will become the first Gulf state to tax residents' income to fund an unemployment insurance scheme. Expatriate workers have to contribute but the insurance will not benefit Bahrain's large expatriate workforce.

Bahrain has a native population of 460,000 out of a total of 743,000. Unemployment stands at 3.8 per cent according to official figures but independent estimates say it is higher.

"We have to give the unemployed some money to improve their standard of living," said Acting Director of Unemployment Insurance Farooq Amin. "We don't encourage people to depend on handouts ... if they need training, we give them training."

Amin said public and private sector employees would start paying one per cent of their salaries for the insurance at the end of June. Employers and the government would match the contribution, he said.

Some business figures and newspaper columnists criticised the tax, which comes into effect amid increasing complaints among Bahrainis about low salaries and rising inflation.

Businesswoman Maya Ribeiro, who heads the Bahraini subsidiary of a regional public relations firm, said the tax would further complicate doing business in Bahrain. "The tax is an example of bureaucratic red tape and one more thing that stops us expanding as much as we want to ... As opposed to Dubai where you have free zones and less red tape."

Bahrain's largest opposition group, the Shi'ite Al-Wefaq National Islamic Society, welcomed the unemployment insurance scheme but criticised the tax on workers. "We wanted unemployment insurance to come from the government, not from poor employees," said spokesman Fahmeem Abd