





Recent developments:

On December 11, 2019, the State of Qatar issued the Executive Regulations to the income tax law (Law No. 24 of 2018). The Regulations focus on reforming the local tax administration system to align itself with Qatar’s international commitments towards greater transparency and provide application guidance to implement the tax law.

Similarly, on December 23, 2019, State of Qatar deposited its ratification instrument for the Multilateral Convention to implement tax treaty related measures (MLI) to prevent base erosion and profit shifting. The MLI entered into force on April 1, 2020.

On May 31 May 2020, The Ministry of Commerce and Industry of Qatar has announced the issuance of Law 12 of 2020 on Public-Private Partnership (PPP), which provides a legal framework for partnership between the public and private sectors in Qatar. The purpose of the law is to support the private sector and increase its participation in the execution of major projects in the state in order to improve its competitiveness and enhance its contribution to the economic development of the country.

Recently, Qatar General Tax Authority also launched tax administration portal called “Dhareeba”. It is an all-in-one digital tax administration platform where all taxpayers are required to register by September 30, 2020.

For the latest tax developments relating to Qatar, see [Deloitte tax@hand](#).



Investment basics:

Currency – Qatari Riyal (QAR)

Foreign exchange control – There is no foreign exchange control.

Tax regimes - There are two tax regimes in Qatar (i) the State of Qatar tax regime, operated by the General Tax Authority (GTA), that applies to the majority of businesses operating in Qatar and (ii) the Qatar Financial Center (QFC) tax regime operated by the QFC Tax Authority within the Qatar Financial Center Authority (QFCA).

Accounting principles/financial statements – – State of Qatar tax regime – IFRS; QFC tax regime – IFRS, UK GAAP, US GAAP or any standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions. For tax years beginning on or after 1 January 2020, financial statements must be prepared in Arabic.

Principal business entities – Under the State of Qatar’s Ministry of Commerce and Industry, the most common legal entity structures are the limited liability company, private shareholding company, public shareholding company and branch of a foreign company. Other forms of business include the limited partnership, joint liability company, limited share partnership, trade representation office and joint venture company incorporated as a limited liability company or shareholding company.

Under the QFC, the most common legal entity structures are the Limited Liability Company, branch, general partnership, limited partnership and limited liability partnership.

Other forms of business include the special purpose company, single family office and trust.



Corporate taxation:

Rates

Corporate income tax rate	10% 35% for Petroleum Operations and Petrochemical Industry 35% for contracts to which the State is a party to
Branch tax rate	Subject to corporate income tax rate
Capital gains tax rate	10%

Residence – A body corporate is resident in the State of Qatar if it is incorporated under Qatari law or if its head office or place of effective management is in Qatar. All taxpayers carrying out activities in Qatar must apply to the GTA for a tax card within 60 days from either (i) the commencement of activities or (ii) the date of registration with the Commercial Register of the Ministry of Commerce and Industry in Qatar. A penalty of QAR 20,000 may be imposed for failure to register with the GTA or to maintain a valid tax card.

Basis – Tax is imposed on a taxpayer’s local sourced income. Income consists of income generated from activities performed wholly or partly in the State, consumed in or benefited for in the State.

A permanent establishment (PE) is a fixed place of business through which the business of a taxpayer is wholly or partly executed. A PE also may include an activity carried on by the taxpayer through a person acting on behalf of the taxpayer or in the taxpayer’s interest, other than an independent agent. Non-residents rendering services through controlled personnel in Qatar for 183 days or more during any 12-month period will be viewed as creating a PE in Qatar. Similarly, a construction, assembly, installation or similar project lasting for 6 months or more also creates a PE for the non-resident. In light of the new executive regulation, Qatar has expanded the definition of Permanent Establishment (PE) in line with OECD/UN PE rules post BEPS Action 7 i.e. prevention of artificial avoidance of PE status.

Taxable income – Under the State of Qatar tax regime, the main categories of taxable income include gross income derived from: activities carried out in Qatar; contracts wholly or partly performed in Qatar; real estate in Qatar; the exploration, extraction or exploitation of natural resources situated in Qatar; consideration for services paid to a head office, branch or related company; and interest on loans obtained in Qatar.

Allowable expenses include:

- The cost of raw materials, consumables and services required for carrying out the activities;
- Interest paid on loans used in the activities (except interest paid to a related party in the case of a branch);
- Salaries, wages and similar payments made to employees;
- Rent;
- Insurance premiums;
- Bad debts;
- Depreciation (at specified rates);
- Donations, gifts, aid and subscriptions to charitable, humanitarian, scientific, cultural or sporting activities paid in the State of Qatar to governmental authorities, public bodies, or institutions, or any other authorized body in the State of Qatar (capped at 3% of net income prior to charitable and certain other deductions); and
- Entertainment expenses (leisure, hotel accommodation for personal use, holidays, club fees etc.) up to 2% of net income or QR. 500,000 (before the deduction of entertainment expenses and certain other grants and donations).

Under the QFC tax regime, taxable profits are classified as Qatari-source if they arise in or are derived from Qatar. Profits derived by an unregulated QFC firm from services provided in Qatar for use outside Qatar are nontaxable.

Rate – Under the State of Qatar tax regime, the standard corporate tax rate is 10%.

Different tax rates agreed with the Qatari government but no less than 35% apply to income derived from petroleum operations or the petrochemicals industry (as defined under Law No. 3 of 2007). This includes income from exploration operations; developing fields; drilling, completing and repairing wells; producing and processing petroleum; filtering of impurities; storing, transporting, loading and shipping; constructing or operating related energy and water facilities or housing or other facilities, establishments or equipment necessary for petroleum and petrochemical industries and operational activities plus associated services, including administrative and complementary activities. Where an agreement with the government, ministries or other governmental bodies was concluded before Law No. 3 of 2007 became effective and prescribes a specific tax rate, that rate will apply; where no rate is prescribed, tax is imposed at 35%.

Under the QFC tax regime, income is taxed at a flat rate of 10%.

Surtax – There is no surtax.

Alternative minimum tax – There is no alternative minimum tax.

Taxation of dividends – Dividends are not subject to tax under the State of Qatar or QFC tax regimes.

Capital gains – Under both the State of Qatar and QFC tax regimes, capital gains derived by a company are included in taxable income and subject to tax at the applicable rate.

Losses – Under the State of Qatar tax regime, losses may be carried forward and set off against profits for up to five years. The carryback of losses is not permitted.

Under the QFC tax regime, losses may be carried forward for as long as the QFC entity continues to have a source of income within the terms of its license.

Foreign tax relief – No foreign tax credit is available under the State of Qatar tax regime. The QFC tax regime offers double taxation relief and provides for unilateral credit relief.

Participation exemption – No participation exemption is provided under the State of Qatar tax regime and foreign companies selling shares in Qatar-based companies are subject to tax in Qatar. The QFC tax regime allows for a tax exemption on capital gains derived from qualifying shareholdings.

Holding company regime – Both the Ministry of Commerce and Industry and the QFC allow for the setting-up of holding companies.

Incentives – Companies may be eligible for a tax exemption under the State of Qatar tax regime. The Minister of Finance may issue exemptions for a period of up to five years; longer exemptions are agreed by the Council of Ministers.

Full foreign ownership is possible under the QFC regime (which is available to companies that carry out certain permitted activities and apply for a QFC license). Special purpose companies (i.e. registered funds, special investment funds, special funding companies, alternative risk vehicles and charities) may elect exempt status. Qatari-owned companies may elect a 0% concessionary rate if certain conditions are fulfilled.

The Qatar Free Zone Authority (QFZA) was established in 2018 as an independent entity to develop free zones in Qatar. The first such zone (Umm Al Houli free zone) has been ready to receive local and foreign investors since the first quarter of 2019. The QFZA focuses on logistics, chemicals, maritime industries, heavy manufacturing, emerging technologies and industrial sectors. Benefits of setting up in one of the free zones include the possibility of 100% foreign ownership and a 20-year tax holiday (i.e. exemption from corporate tax, personal income tax and custom duties).

Companies registered in the Qatar Science and Technology Park (QSTP) are not subject to tax, even if wholly owned by foreign investors, and are permitted to trade directly in Qatar without a local agent. They also are permitted to import goods and services free of Qatari customs duty. The QSTP is intended for companies engaged in research and development activities.

A new Foreign Investment Law (No. 21 of 2019) was enacted in January 2019 that allows foreign investors to own 100% of the equity of limited liability companies operating in any sector, subject to the approval of the Ministry of Commerce and Industry. Additional incentives and support for foreign investment projects include the following:

- Allocation of land to non-Qatari investors to establish investment through use or rent in accordance with the applicable rules and regulations;
- Grant of an import license for the non-Qatari for the investment;
- Exemption from corporate income tax in accordance with the procedures and regulations stipulated in the Income Tax Law of Qatar; and
- Exemption from customs duties on imports of machinery and necessary equipment required for the project, in addition to raw materials and semi-manufactured items for production that are not available in the domestic market.



Compliance for corporations:

Tax year – The tax year is the calendar year, but a taxpayer may apply to prepare its financial statements for a 12-month period ending on a date other than 31 December. The first accounting period may be more or less than 12 months, but it should not be less than six months or more than 18 months.

Under the QFC tax regime, the tax year generally is the calendar year.

Consolidated returns – Consolidated returns are not permitted under the State of Qatar tax regime. Each company must file a separate tax return.

Filing and payment – Under the State of Qatar tax regime, taxpayers are required to submit an annual income tax return and pay the tax due by the end of the fourth month after the company's financial year-end. Entities wholly owned by resident Qataris and resident GCC nationals are exempt from corporate income tax, but are required to file tax returns and audited financial statements with the tax authorities if their capital is at least QAR 2 million or if their annual revenue is at least QAR 10 million. The GTA has introduced a new online tax management system (Dhareeba) with the aim of achieving complete automation of the tax payment and management process. Dhareeba enables online registration, filing of tax returns, payment of taxes due and progress tracking.

Under the QFC tax regime, the deadline to submit the annual income tax return and pay the tax due is the end of the sixth month after the company's financial year-end. There is an online system for tax filing exclusively for QFC entities. Due to the current global situation, the QFC Tax Authority has released an announcement emphasizing the taxpayers' right to submit a request for filing extension. In addition, the rates for both late payment of taxes and compensation for overpaid tax charges has been lowered to 0% from 1st of March 2020 until 31st of August 2020. Accordingly, there will be no penalties on late payment of taxes until 31st of August 2020.

Under the State of Qatar tax regime, all taxpayers are required to submit a withholding tax return and pay the withholding tax due to the tax authority before the 16th day of the month following the month in which the tax was withheld. All withholding tax filings must be done electronically. The deadline for taxpayers with December 2019 year-end has also been extended for four (4) months (i.e., August 30, 2020) due to the global health crisis.

As from 13 July 2019, all communications with the GTA must be in Arabic.

Penalties – Under the State of Qatar tax regime, failure to file a tax return by the deadline will result in a penalty of QAR 500 per day up to a maximum of QAR 180,000. Failure to pay tax due by the deadline will result in a penalty of 2% of the amount of tax due per month of delay or part thereof, up to the amount of tax due.

All taxpayers must register with the GTA and obtain a tax card. Both the registration and tax card must be renewed annually and failure to do may result in a penalty of QAR 20,000.

Failure to withhold tax where required is subject to a penalty of 100% of the tax. Delays in remitting tax withheld are subject to a penalty of 2% of the tax per month of delay subject to a maximum of 100% of the amount of tax due.

Under the QFC tax regime, financial sanctions vary depending on the circumstances.

Rulings – No rulings available under the State of Qatar’s tax regime. Advanced Ruling mechanism available under the QFC tax regime.

Individual taxation:

There is no individual income taxation on employment income in Qatar. Business income earned by an individual is subject to corporate income taxation.

Withholding tax:

Rates				
Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	0%	0%	0%
Interest	5%	5%	5%	5%
Royalties	5%	5%	5%	5%
Fees and other service payments	5%	5%	5%	5%

Dividends – Qatar does not levy withholding tax on dividends.

Interest – Law No. 24 of 2018 introduced a single withholding tax rate of 5% applicable to interest, royalty, commission and other payments under contracts signed on or after 13 December 2018; the previous 7% rate no longer applies. For contracts signed before that date, the withholding tax treatment is as follows:

- For payments due before 13 December 2018, the rates prescribed under Law No. 21 of 2009 (i.e. 5% or 7%) apply, irrespective of when the payments are actually made; and
- For payments due on or after 13 December 2018, the 5% withholding tax rate under Law No. 24 of 2018 applies.

Certain exemptions apply, or the rate may be reduced under a tax treaty.

Royalties – Royalties payable under contracts signed on or after 13 December 2018 are subject to a 5% withholding tax. See comments under “Interest” above for clarification of the withholding tax rate for contracts signed before that date. Certain leasing charges may be considered royalties. The withholding tax rate may be reduced under a tax treaty.

Branch remittance tax – There is no branch remittance tax.

Other – A retention tax of 3% of the contract value or the final payment (whichever is higher) applies to payments made by the Qatar government or a quasi-governmental agency to a branch registered in Qatar for a particular project (a temporary branch). This retention is released upon completion of the contract and presentation of a No Objection Letter issued by the General Tax Authority.

No withholding taxes apply under the QFC tax regime.



Anti-avoidance rules:

Transfer pricing – The Executive regulations issued in December 2019 expand the Transfer pricing requirements for taxpayers along with new reporting requirements. The Transfer Pricing requirements include four tiers of compliance: (i) Transfer Pricing Form/Questionnaire to be provided with the Tax Return, (ii) Masterfile, (iii) Local file and (iv) Country by Country Reporting requirements (already introduced in 2018/2019).

Further guidance would be issued by the GTA on several key areas including format of the Transfer Pricing Form; revenue or asset threshold for transfer pricing compliances; language of local file and Masterfile; and due date of filing of the transfer pricing documentation.

Taxpayers undertaking cross-border related party transactions are required to determine the transfer price using the Comparable Uncontrolled Price (“CUP”) method. The use of other OECD recommended transfer pricing method other than CUP, is subject to written approval by the GTA. As per the executive regulations, taxpayers are expected to determine the arm’s length price of its related party transactions while undertaking the transaction and no later than submitting the tax declaration for the accounting period in which transaction took place.

Taxpayer are expected to conduct a functional analysis and undertake a comparability analysis for the related party transactions. The executive regulations require an update of the financial data of comparable companies on an annual basis and an update of the database searches every three years. The Local file and the Masterfile under the GTA regime are aligned to the OECD format.

The QFC regime has detailed transfer pricing rules that are broadly consistent with OECD recommendations. Whilst there are no formal Masterfile and local file requirements, the tax authorities expect taxpayers to have such documentation available during a tax audit.

Under both the State of Qatar and QFC tax regimes, country-by-country (CbC) reporting obligations and notification requirements apply only to ultimate parent entities that are tax resident in Qatar and are part of a multinational group of enterprises (MNE) with consolidated revenues of at least QAR 3 billion in the preceding financial year. The CbC report must be submitted within 12 months from the end of the reportable financial year. All CbC-related filings and notifications for constituent entities (i.e. entities and branches of MNE groups) currently are suspended until further notice from the tax authorities.

It is expected that GTA will issue detailed guidance on the procedure for entering into advance pricing agreement.

Interest deduction limitations – Thin capitalization rules apply – deduction is limited to 3 times of equity. Interest payments made by a Permanent Establishment to its head office or to related parties are not deductible for tax purposes. Under the QFC tax regime, the arm’s length borrowing capacity of a QFC taxpayer is the amount of debt that it could and would have taken on, as a stand-alone entity, from an independent lender. The safe harbor debt-to-equity ratio set out by the QFC tax authorities is 2:1 for non-financial institutions and 4:1 for financial institutions.

Value added tax:

Qatar has made a series of announcements about the implementation of VAT. However, the effective date is yet to be announced.

Other taxes on corporations and individuals:

Unless otherwise stated, the taxes in this section apply both to companies and individuals.

Social security contributions – For employees that are Qatari nationals, the employer must contribute 10% of the employee’s basic salary each month. An employee who is a Qatari national and has a pension scheme must make a pension contribution equal to 5% of his/her basic salary each month.

Payroll tax – There is no payroll tax.

Capital duty – There is no capital duty.

Real property tax – There is no real property tax.

Transfer tax – There is no transfer tax.

Stamp duty – There is no stamp duty.

Net wealth/worth tax – There is no net wealth/worth tax.

Inheritance/estate tax – There is no inheritance/estate tax.

Excise tax – excise tax applies in Qatar from 1 January 2019 and is imposed both on imports and locally produced excisable goods. Excise tax applies at 100% on tobacco products, energy drinks and “special purpose” goods and at 50% on carbonated drinks. As of 1 January 2020, a minimum excise tax base of 8 QAR was introduced for tobacco products.

Customs duties – Qatar is part of the GCC Customs Union. Based on the Common Customs Law of the GCC Customs Union, a customs duty rate of 5% of the good’s cost insurance and freight (“CIF”) value is applied as a general rule. There are certain goods which are taxed at a higher rate and certain goods are free from customs duties compared to the standard rate of 5%. Certain customs duty exemptions may be availed under specific conditions, e.g. for temporary importation of goods, importation for military projects, for diplomatic bodies, etc.

Tax treaties: Qatar signed the OECD multilateral instrument on 4 December 2018.

Tax authorities: Ministry of Finance – General Tax Authority, Qatar Financial Centre – Tax Authority

Contacts



Muhammad Bahemia
mbahemia@deloitte.com



Rami Qudah
rqudah@deloitte.com



Robert Tsang
rtsang@deloitte.com



Osama Abbasi
oabbasi@deloitte.com



Abi Man Joshi
abijoshi@deloitte.com



Nidhin Roy Xavier
nxavier@deloitte.com



This document has been prepared by Deloitte LLP for the sole purpose of providing a proposal to the parties to whom it is addressed in order that they may evaluate the capabilities of Deloitte LLP to supply the proposed services.

This document and its contents are confidential and prepared solely for your information to allow you to assess if you would like to engage Deloitte LLP in a formal contractual relationship, for the proposed service. This proposal should not be reproduced, redistributed or passed on directly or indirectly, to any other person or party, in whole or in part. Therefore, you should not refer to or use our name or this document for any other purpose, disclose it or refer to it in another document, or make it available or communicate it to any other party. In any event, no other party is entitled to rely on our documentation for any purpose whatsoever and thus we accept no liability to any other party who sees or gains access to this document.

This document is not contractually binding. Should this proposal be acceptable to you, and following the conclusion of our internal acceptance procedures, we would be pleased to discuss the contractual terms and conditions with you prior to our appointment.

Deloitte & Touche (M.E.) LLP (DME) is the affiliate for the territories of the Middle East and Cyprus of Deloitte NSE LLP ("NSE"), a UK limited liability partnership and member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL").

Deloitte refers to one or more of DTTL, its global network of member firms, and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms are legally separate and independent entities. DTTL, NSE and DME do not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries and territories, serves four out of five Fortune Global 500® companies. Learn how Deloitte's approximately 300,000 people make an impact that matters at www.deloitte.com.

DME is a leading professional services firm established in the Middle East region with uninterrupted presence since 1926. DME's presence in the Middle East region is established through its affiliated independent legal entities, which are licensed to operate and to provide services under the applicable laws and regulations of the relevant country. DME's affiliates and related entities cannot oblige each other and/or DME, and when providing services, each affiliate and related entity engages directly and independently with its own clients and shall only be liable for its own acts or omissions and not those of any other affiliate.