International Tax
Qatar Highlights 2023

Updated March 2023

Recent developments

For the latest tax developments relating to Qatar, see Deloitte tax@hand.

Investment basics

Currency: Qatari Riyal (QAR)

Foreign exchange control: There are no formal foreign exchange controls. The Qatar Central Bank may periodically set daily limits on outward foreign remittances.

Tax regimes: There are three tax regimes in Qatar: (i) the State of Qatar tax regime operated by the General Tax Authority (GTA), which applies to the majority of businesses operating in Qatar; (ii) the Qatar Financial Center (QFC) tax regime operated by the QFC Tax Department within the Qatar Financial Center Authority (QFCA); and (iii) the Qatar Free Zone (QFZ) regime operated by the QFZ Tax Authority.

Accounting principles/financial statements: State of Qatar tax regime: International Financial Reporting Standards (IFRS); financial statements must be prepared in Arabic. QFC tax regime: IFRS, UK GAAP, US GAAP, or any standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions. QFZ tax regime: Regulations confirming the required standards have not yet been issued.

Principal business entities: Under the State of Qatar's Ministry of Commerce and Industry, the main business entities are the limited liability company, temporary branch of a nonresident (to fulfill a contractual obligation under contracts with the government or quasi-government entities), permanent branch (permitted for professional services such as engineering services, consultancy, etc.), and representative trade office (permitted to perform trade representation, marketing, and business development activities for the parent company).

The QFC is the secondary business regime in Qatar and has its own legal system based on English common law. The most common types of business entity are the limited liability company, limited liability partnership, and branch.

Subject to meeting certain criteria, businesses also may establish entities in the Qatar Science and Technology Park (QSTP) or QFZ.

Corporate taxation

Rates	
Corporate income tax rate	10%
Branch tax rate	10%
Capital gains tax rate	10%

Residence: Under the State of Qatar, QFC, and QFZ tax regimes, a legal entity is resident in Qatar if it is incorporated under Qatari legislation, its head office is situated in Qatar, or its place of effective management is situated in Qatar.

Basis: Prior to 2 February 2023, Qatar operated a territorial tax regime under which tax was imposed on income derived from activities performed wholly or partly in, consumed in, or benefited from in Qatar. Income generated from sources outside Qatar was not included within the scope of income tax in Qatar. As from 2 February 2023, income generated from sources outside Qatar is brought within the charge to Qatari income tax, excluding income related to a permanent establishment (PE) of a Qatari project situated outside Qatar.

A 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 out by the taxpayer through a person acting on behalf of the taxpayer or in the taxpayer's interest, other than an independent agent. A PE includes: (i) a nonresident rendering services through controlled personnel in Qatar for 183 days or more during any 12-month period; and (ii) a construction, assembly, installation, or similar project lasting for at least six months.

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.

As from 2 February 2023, the scope of taxable income is extended to include income generated from sources outside Qatar. The legislation makes specific reference to the following:

- Income derived from real estate situated outside Qatar, including income arising from the disposal of the real estate;
- Income from distribution, marketing, telecommunications, and broadcasting; brokerage fees; and commissions on guarantees and other forms of financial support; and
- Dividends, interest, royalties, and technical fees derived by a Qatari entity from sources outside 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 (subject to meeting certain conditions);
- Depreciation (at specified rates);
- Donations, gifts, aid, and subscriptions to charitable, humanitarian, scientific, cultural, or sporting activities paid in Qatar to governmental authorities, public bodies, or institutions, or any other authorized body in 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 QAR 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, provided certain conditions are met. QFC entities listed on the Qatar Stock Exchange are eligible for exempt status, subject to meeting several conditions. QFC entities meeting certain criteria also may be exempt from tax on income derived from defense or security contracts carried out for the benefit of the Ministry of Defense, the Ministry of Interior, or other state defense or security agencies.

As from 2 February 2023, the following are exempt from corporate income tax:

- Public and private charitable and public interest organizations;
- Interest and returns on Islamic finance instruments; and
- Remuneration earned by Qatari projects in the form of directors' fees for providing board of director services to foreign projects.

See "Incentives," below, for the tax treatment of entities operating in the QFZ.

Rate: Under the State of Qatar tax regime, the standard corporate income 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 and associated services, including administrative and complementary activities. Where an agreement with the government, a government ministry, or other governmental body was concluded before Law No. 3 of 2007 became effective and prescribes a specific tax rate, that rate applies; where no rate is prescribed, tax is imposed at 35%.

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

Entities operating in the QFZ benefit from a 20-year corporate income tax holiday. Regulations confirming the applicable tax rate after the expiry of the tax holiday period have not yet been issued.

Surtax: There is no surtax.

Alternative minimum tax: As from 2 February 2023, a 15% global effective minimum tax rate applies in line with the global anti-base erosion (GloBE) rules under Pillar Two of the two-pillar solution developed by the OECD/G20 Inclusive Framework on BEPS to address the tax challenges arising from the digitalization of the economy. Executive regulations in connection with the implementation of the minimum tax are expected to be issued by the GTA in due course.

Taxation of dividends: Dividends are not subject to withholding tax and are exempt from corporate income tax in the hands of the recipient under the Qatar Income Tax Law and the QFC tax regime.

Capital gains: Under the State of Qatar and QFC tax regimes, gains derived by a company from the transfer of tangible and intangible assets are subject to capital gains tax at 10%.

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.

Regulations confirming the treatment of losses under the QFZ tax regime have not yet been issued.

Foreign tax relief: Credit is available for foreign tax paid on foreign-source income subject to corporate income tax in Qatar up to the amount of Qatari tax that would otherwise be payable on the income. Excess foreign tax credit may not be carried forward or back.

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 capital gains tax in Qatar.

The QFC tax regime allows for tax exemption on capital gains derived from qualifying shareholdings.

Holding company regime: Holding companies are permitted only under the QFC tax regime.

Incentives: Companies may be eligible for a tax exemption or preferential tax rates for up to five years under the State of Qatar tax regime, subject to approval from the relevant ministries and the GTA.

Companies registered in the QSTP, which is aimed at entities conducting research and development activities, are not subject to tax, even if wholly owned by foreign investors, and may import goods and services free of Qatari customs duty. QSTP entities still are required to file tax returns, apply withholding tax on payments to nonresidents, and fulfill other tax compliance obligations. QSTP entities may only engage in activities permitted by their license.

Entities operating in the QFZ benefit from a 20-year corporate income tax holiday and zero customs duties on imports. Regulations confirming the applicable tax treatment after the expiry of the tax holiday period have not yet been issued.

Compliance for corporations

Tax year: Under the State of Qatar tax regime, the tax year is the calendar year. Subject to approval from the GTA, a taxpayer may apply to prepare its financial statements for a 12-month period ending on a date other than 31 December.

Under the QFC tax regime, the tax year generally is considered to be the calendar year.

Regulations confirming the tax year applicable under the QFZ tax regime have not yet been issued.

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

Filing and payment: All taxpayers must register with the GTA on the digital tax management platform (Dhareeba) and get a tax identification number within 60 days from the earlier of the date of obtaining the commercial registration or deriving income from the business activity. Any changes that might affect the taxpayer's obligations toward the GTA must be notified within 30 days.

Under the State of Qatar tax regime, a company that is resident in or has a PE in Qatar is required to file annual income tax returns and pay the tax due by the end of the fourth month after the company's financial year end. The company must also submit a set of audited financial statements with its tax return.

Under the QFC tax regime, the deadline to submit the annual income tax return and pay the tax due is by the end of the sixth month after the company's financial year end.

Books and supporting documentation must be retained in Qatar for 10 years.

The statute of limitation is five years following the year in which the taxpayer submitted the tax return or 10 years where no tax return has been filed.

Taxpayers should notify the GTA of contracts within 30 days of signing the contract.

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 incurs a penalty of QAR 500 per day up to a maximum of QAR 180,000. Failure to pay tax (including withholding tax) by the due date results 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. Failure to do so incurs a penalty of QAR 20,000.

A penalty of QAR 10,000 is payable by a taxpayer who is granted a tax exemption but fails to fulfill the criteria for the exemption.

A penalty of QAR 30,000 is imposed for failure to submit annual audited financial statements. Failure to notify the GTA of a contract within the 30-day deadline is subject to a penalty of QAR 10,000.

A taxpayer who fails to withhold tax when required is subject to a penalty equal to the amount of tax that has not been withheld.

Rulings: Tax rulings are not available.

Individual taxation

Residence: Under the State of Qatar tax regime, an individual is resident if they: (i) have a permanent residence available to them in the state; (ii) have resided in the state for more than 183 days in total during a year; or (iii) hold Qatari nationality.

Basis: 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	0%	0%	5%	5%
Royalties	0%	0%	5%	5%
Payments for services	0%	0%	5%	5%

Dividends: Qatar does not impose withholding tax on dividends.

Interest: There is no withholding tax on interest payments made to residents. A 5% withholding tax applies to interest payments made to nonresidents although certain exemptions or exclusions may apply, or the rate may be reduced under an applicable tax treaty.

Royalties: There is no withholding tax on royalties paid to residents. A 5% withholding tax applies to royalties paid to nonresidents. Certain leasing charges may be considered royalties. The rate may be reduced under an applicable tax treaty.

Payments for services: There is no withholding tax on payments for services made to residents. Payments to nonresidents for services carried out wholly or partly in Qatar, if they are used, consumed, or exploited in Qatar, are subject to a 5% withholding tax.

Branch remittance tax: There is no branch remittance tax.

Other: No withholding taxes apply under the QFC tax regime.

Other taxpayers are required to submit a withholding tax return and pay the withholding tax due to the tax authority by the 15th day of the month following the month in which the tax was withheld. All withholding tax filings must be done electronically.

A retention tax of 3% of the contract value or the final payment (whichever is higher) applies to payments made 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 GTA.

Anti-avoidance rules

Transfer pricing: Under the State of Qatar tax regime, transfer pricing regulations apply and generally are consistent with OECD guidelines. The transfer pricing requirements include four tiers of compliance: (i) a transfer pricing form/questionnaire to be submitted with the tax return; (ii) a master file; (iii) a local file; and (iv) country-by-country (CbC) reporting. Resident entities and PEs in Qatar are required to submit a master file and local file where they undertake cross-border related party transactions and have a total turnover or total assets of more than QAR 50 million in the financial year.

Taxpayers undertaking cross-border related party transactions are required to determine the transfer price using the comparable uncontrolled price (CUP) method. The use of OECD recommended transfer pricing methods other than CUP is subject to written approval by the GTA. Taxpayers are expected to determine the arm's length price of their related party transactions when undertaking the transaction and no later than the date of submission of the tax declaration for the accounting period in which the transaction took place.

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

Under the State of Qatar and QFC tax regimes, CbC reporting obligations and notification requirements apply only to ultimate parent entities that are tax resident in Qatar and are part of a multinational enterprise group 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.

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

Interest deduction limitations: Thin capitalization rules under the State of Qatar tax regime limit the tax deductibility of interest payments where the taxpayer's debt-to-equity ratio exceeds 3:1. Interest payments made by a PE 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 standalone entity, from an independent lender. The safe harbor debt-to-equity ratio set by the QFC tax authorities is 2:1 for non-financial institutions and 4:1 for financial institutions.

Controlled foreign companies: There are no controlled foreign company rules.

Hybrids: There are no anti-hybrid rules.

Economic substance requirements: As from 2 February 2023, certain entities must report information relating to economic substance including core income generating activities performed in Qatar. Further guidance with respect to in-scope entities and the reporting mechanism is expected to be provided in executive regulations. Entities failing to comply with this obligation will be unable to obtain a Qatari tax residency certificate. A penalty of 15% of net income applies for failure to comply with this reporting obligation.

Certain economic substance requirements apply for taxpayers to benefit from preferential tax regimes. The requirements apply to both intellectual property (IP) and non-IP related activities and were introduced as part of Qatar's commitment to comply with the requirements of the OECD BEPS action 5 minimum standard on harmful tax practices. The GTA coordinates with the QFZ Tax Authority, the QSTP, and the QFC Tax Department on implementing and monitoring the fulfillment of the relevant conditions.

Disclosure requirements: As from 2 February 2023, businesses are required to provide information related to their legal and beneficial ownership and provide other financial information upon request from the GTA.

Exit tax: There is no formal exit tax in Qatar; however, gains arising from the transfer of assets (including shares in a resident entity) may be subject to tax.

General anti-avoidance rule: Qatar’s tax legislation contains general anti-avoidance rules to deal with the arrangements, transactions, or operations set up to avoid taxes in Qatar.

Value added tax

There is currently no VAT in Qatar.

Other taxes on corporations and individuals

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

Social security contributions: For employees who are Qatari nationals, the employer must contribute 10% of the employee’s basic salary each month. Employees who are Qatari nationals and are members of a pension scheme must make a pension contribution equal to 5% of their 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 tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Tax treaties: Qatar has concluded more than 80 tax treaties. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) entered into force for Qatar on 1 April 2020. For information on Qatar’s tax treaty network, visit Deloitte International Tax Source.

Tax authorities: Ministry of Finance: General Tax Authority (GTA); Qatar Financial Center: QFC Tax Department; QFZ: QFZ Tax Authority

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