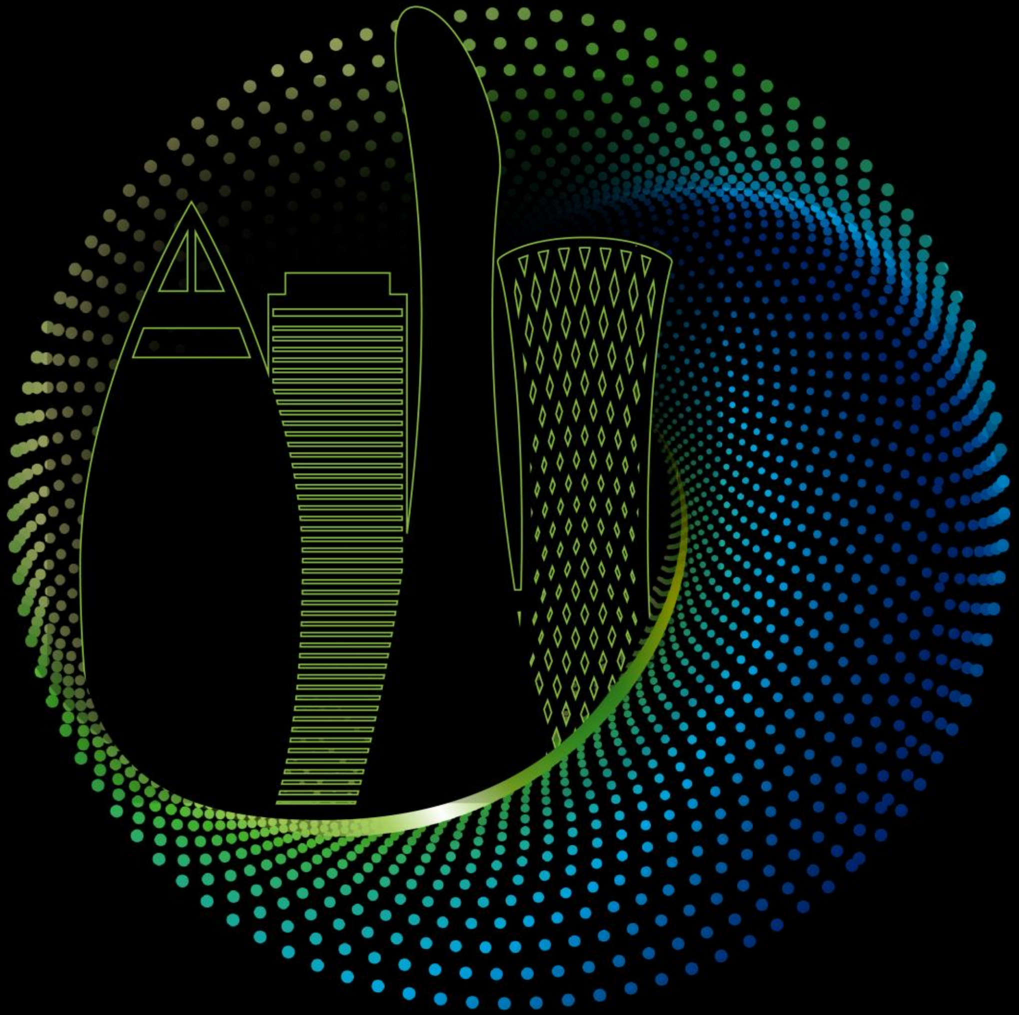
Deloitte.



VAT in Qatar – Impact on Insurance Industry

March 2026

مئة عام
Years in the Middle East

VAT in Qatar – Impact on Insurance Industry

The Gulf Cooperation Council (GCC) States reached an agreement on a unified legal framework in November 2016 to introduce Value Added Tax (VAT) across the six member states, known as the GCC VAT Treaty (Treaty). As a result, the Kingdom of Saudi Arabia and the United Arab Emirates implemented VAT effective 1 January 2018, followed by the Kingdom of Bahrain on 1 January 2019, and the Sultanate of Oman on 16 April 2021. Currently, the State of Qatar is expected to implement VAT in near future which will notably impact the Insurance Industry. This document outlines the basics of VAT and specific considerations for the Insurance Industry players to consider.

VAT introduction – Basics of VAT

What is VAT ?

VAT is a consumption-based tax applied at each stage of the supply chain on the "value added."

What is VAT rate?

Article 25 of the Treaty specifies that VAT shall be applied at the standard rate of 5% on the taxable value of the supply. VAT rate can be 0% or exempted depending on the transaction.

The 5 W's of VAT

1. Who are the parties?
2. What is the supply related to?
3. Where does the supply take place?
4. When is the tax due?
5. What is the value of the supply?

Output and input VAT

Taxable persons charge VAT on various supplies, referred to as "Output VAT." Conversely, taxable persons incur VAT on purchases, termed as "Input VAT“. The balance between Output VAT and Input VAT determines whether a net tax is payable or refundable for a tax period.

Time, place, value of supply

Tax due date rules determine when the transaction becomes a supply for VAT purposes, when the tax becomes due, when compliance and reporting obligations rise for the transaction.

Place of supply rules define the location for VAT purposes where a transaction occurs, and the jurisdiction that holds the right to tax the transaction for VAT purposes.

Value of supply rules clarify the nominal value of the supply for which VAT analysis applies.

Input tax recovery

Input VAT incurred in the course of business and is directly attributable to making taxable supplies can be recovered in full. Similarly, any input VAT incurred that is directly related to making VAT exempt supplies cannot be recovered.

Input VAT incurred for purchases where direct allocation cannot be established, a proportional deduction is allowed. GTA might provide a specific percentage for the recovery of the input tax for the sector.

Key considerations for VAT in the Insurance Industry

VAT classification and treatment
Classification of insurance products plays a crucial role in determining their VAT treatment. GCC Member States have consistently adopted a uniform approach where in principle life insurance products are classified as exempt supplies, while the majority of the remaining insurance products are considered as taxable supplies.

Ancillary services
Insurance policies typically encompass other ancillary services such as riders, add-ons, additional explicit fees and other service elements. Each of these components may be subject to distinct VAT treatments, necessitating a meticulous review of both policy wording and pricing models.

Pricing and profitability impact
The restricted recovery of input VAT can affect margins, leading insurance providers to reevaluate pricing and profitability strategies. Cost increases from non-recoverable VAT on exempt supplies may require a review of pricing strategies. A cost-benefit analysis is essential to understand the impact on margins and market position.

Input tax recovery
Financial institutions / insurance companies generally provide a mix of exempt and taxable supplies. The input VAT incurred for providing these products must be allocated appropriately. A significant challenge within the sector is the inability to recover input tax for VAT incurred for providing exempt services, in addition to direct attribution of expenses to making taxable supplies only.

Intermediaries and third-party services
Insurance products typically involve brokers, requiring clarity on their role as disclosed or undisclosed agents for VAT implications. It's also crucial to analyze VAT effects on third-party services, claim settlements to the insured and invoice raised to the insurer under the insurance and re-insurance contracts.

ERP updates
Insurance companies must ensure that their ERPs are appropriately modified or configured to comply with VAT legislation and requirements. This entails creating various tax general ledgers (GLs), correctly allocating VAT input credit on specific purchases, establishing necessary document types, generating appropriate reports, accounting entries etc.

Check list to be considered by Insurance Industry prior VAT legislation release

Insurance product classification

- Map all insurance product offerings
  Insurance companies must accurately identify exempt and taxable transactions to avoid compliance errors. This requires reviewing insurance products details and understanding VAT implications to ensure correct categorization. Proper documentation and regular staff training are essential to enhance understanding.

Contractual review

- Review contractual terms
  Conduct in-depth reviews of the ongoing contracts to assess VAT implications, to include VAT clauses, mitigating financial risks. Engage in renegotiations with partners to establish clear terms and consult with legal advisors for comprehensive assessments.

Input tax recovery

- Optimize recoverable VAT
  Assess the input VAT recovery positions as per the Treaty and GCC States VAT legislation. To evaluate attribution methods (Standard turnover-based method, Headcount method, Sectoral methods, Direct attribution ratio methods, Transactional methods).
  Implement strategies to minimize irrecoverable VAT costs.

Insurance product evaluation

- Review insurance product structures
  Evaluate financial products to assess VAT impacts, restructuring them if necessary to stay competitive. It involves analyzing each component's effect on fees and profitability, consulting with tax experts to ensure compliance and optimize outcomes.

Cash-flow impact

- Assess VAT cash flow impacts
  To assess the cash flow impact on the account of VAT. To evaluate how VAT on premiums, commissions, fees, ancillary services, third party services, claims settlements, etc. could affect working capital, particularly where input VAT recovery may be restricted.

Industry representation

- Collaboration with the GTA
  By communicating industry concerns and collaborating with peers, Insurance companies can make a better advance alignment on the tax framework to support growth and compliance. This proactive interaction also minimizes potential operational impacts.

Intermediaries, brokers, agents etc.

- Review insurance broker, agents, and intermediary's arrangements
  Examine the VAT implications on complex, high-volume B2B transactions involving insurance intermediaries. Analyze the commission structures of brokers, agents, reinsurers, underwriters etc. to determine VAT treatment. Identify any potential VAT exposures and ensure precise reporting of all such transactions.

How we can help

Deloitte professionals have an in-depth understanding of the GCC's objectives for VAT and have significantly contributed to shaping the GCC VAT legislation. We engage regularly with Qatar's General Tax Authority, ensuring insights into VAT requirements. Our Qatar team comprises seasoned professionals with vast experience in delivering VAT services globally, particularly to insurance clients. Leveraging our sector knowledge and expertise in project management, we assure readiness and compliance with the anticipated VAT implementation in Qatar. Our successful track record in major regional VAT projects positions Deloitte as a capable partner in your VAT implementation journey. Please contact any member of our Qatar VAT team for further assistance.

Rami Qudah
ME Business Tax Leader
rqudah@deloitte.com

Michael Camburn
ME Indirect Tax Leader
mcamburn@deloitte.com

Aliasgar Husaini
Indirect Tax
Partner
ahusaini@deloitte.com

Majid Majidli
Indirect Tax
Senior Manager
mmajidli@deloitte.com