

## VAT in Qatar – Impact on Real Estate and Construction Industry

March 2026

# VAT in Qatar – Impact on Real Estate and Construction 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 Real Estate and Construction Industry. This document outlines the basics of VAT and specific considerations for the Real Estate and Construction 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.

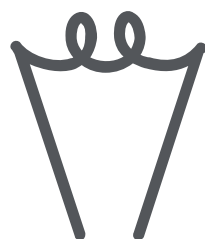
# Key considerations for VAT in the Real Estate and Construction Industry

## VAT classification and treatment

In the sector, it is crucial to determine the supply for VAT purposes. Supply of residential properties is widely accepted as VAT exempt, blocking the input VAT incurred. Nevertheless, supply of commercial real estate is considered as taxable for VAT purposes, with the right to recover the input VAT.



## Key considerations



## Real estate property classification and end use

Classification of real estate property and its end-use is vital for the correct VAT treatment as follows:

- ✓ How is the supply determined for construction or supply of real estate?
- ✓ Does the property classify as a real estate?
- ✓ Is the property a residential or commercial real estate?
- ✓ Is it first sale, re-sale or renting of residential real estate?



## Mixed use real estate

In a mixed-use real estate development, various types of real estate products are integrated into a single project. It is crucial to accurately assess the transaction and apply appropriate VAT treatment to each supply element within mixed-use real estate including VAT recovery on development costs, repairs and maintenance costs etc.



## Input tax recovery

The sector may supply both exempt and taxable supplies. The input VAT incurred for providing exempt supplies 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.



## Long periods contracts / transitional provisions

In Qatar, real estate contracts spanning the VAT implementation date are subject to transitional rules, potentially triggering VAT based on invoicing, payment timing, or performance, even if pre-VAT prices were initially set. To safeguard margins and manage cash flow, it is essential to review tax clauses, milestones, and billing terms specifically.



## Areas to be considered specific to this industry

Transactions in this industry can be complex and high-value, making early VAT planning essential. Key transactions to focus on include:

- ✓ Interim payments based on milestones
- ✓ Discounted rent or incentives such as a '1 month free' offer on yearly contracts
- ✓ Reimbursements and disbursements
- ✓ Retention fees
- ✓ Performance bonds



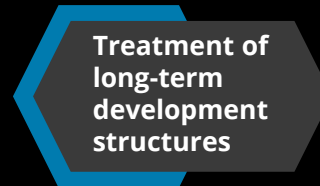
# Check list to be considered by Real Estate and Construction Industry prior VAT legislation release

- **Classify the end use of the real estate property**  
Real estate and construction companies must accurately identify the end use of the real estate property to arrive at the correct VAT treatment of the supply made to avoid compliance errors.



- **Review contractual terms**  
Conduct in-depth reviews of contracts to include VAT clauses, mitigating financial risks. Engage in renegotiations with customers/ co-builders / joint ventures partners etc. to establish clear terms and consult with legal advisors for comprehensive assessments.

- **Optimize recoverable VAT**  
Assess the input VAT recovery positions as per the Treaty and GCC States VAT Laws. 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.



- **Review of long-term real estate contracts**  
It is essential to identify long-term contractual arrangements, such as, usufruct, build-operate-transfer, and strata agreements. The characterization of these supplies whether classified as leases, rights over property, or service bundles will significantly impact the tax point, applicable rate, and recoverability.

- **Assess VAT cash flow impacts**  
VAT may impact cash flow due to timing discrepancies between VAT paid on construction costs and the recovery from customers or through input credits. Exempt supplies could further limit recovery options and increase the need for working capital, making meticulous liquidity planning crucial.



- **Identify composite supplies or multiple supplies**  
Large projects include demolition, construction, design, fit-out, and facility setup, potentially with financing or maintenance. The nature of these supplies—composite or multiple—impacts tax points, rates, and recovery.

## How we can help

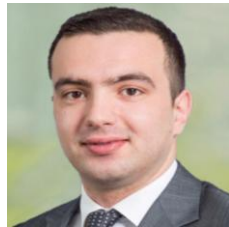
Deloitte professionals have an in-depth understanding of the GCC's objectives for VAT and have significantly contributed to shaping the GCC VAT legislation. We engage regularly with Qatar's General Tax Authority, ensuring insights into VAT requirements. Our Qatar team comprises seasoned professionals with vast experience in delivering VAT services globally, particularly to real estate 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



**Majid Majidli**  
**Indirect Tax**  
**Senior Manager**  
mmajidli@deloitte.com



Deloitte & Touche (M.E.) hereby authorizes you to view the information provided in this publication, subject to the following conditions:

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication.

Deloitte & Touche (M.E.) (DME) is an affiliated sublicensed partnership of Deloitte NSE LLP with no legal ownership to DTTL. Deloitte North South Europe LLP (NSE) is a licensed member firm of Deloitte Touche Tohmatsu Limited.

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](http://www.deloitte.com/about) to learn more.

This publication contains general information only, and none of DME, Deloitte Touche Tohmatsu Limited (DTTL), its global network of member firms, or their related entities, including Deloitte & Touche (M.E.) (collectively, the “Deloitte Entities”), is rendering professional advice or services by means of this publication. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this publication, and none of Deloitte & Touche (M.E.) Deloitte Entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this publication. DTTL and each member of Deloitte Entities are legally separate and independent entities and liable only for its own acts and omissions, and not those of each other.

Deloitte is a leading global provider of Audit & Assurance, Tax & Legal and Consulting 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 457,000 people make an impact that matters at [www.deloitte.com](http://www.deloitte.com).

DME would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. DME accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

DME is a leading professional services organization 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.

DME provides services through 26 offices across 14 countries with more than 7,000 partners, directors and staff.

© 2026 Deloitte & Touche (M.E.). All rights reserved.