AL SULAITI LAW FIRM
السليطي للمحاماة والاستشارات القانونية

Taxation in Qatar

TAXATION IN QATAR

Corporate Income Tax has been applied by the State of Qatar since 1993 and Withholding Tax has been applied since 2010. In accordance with the GCC's collaborative agreement, some member states have introduced indirect taxes, and the remaining member states are expected to do the same. By introducing additional taxes, Qatar will be able to achieve its economic and social policy goals and ensure the future of the country for future generations. In addition to reducing Qatar's dependence on oil and other hydrocarbons, additional taxes will assist the State in meeting its economic and social policy objectives.

Dhareeba registration and implementation

General Tax Authority (GTA) has announced the closure of the previous Tax Administration System (TAS) through Circular 5. As of 1 November 2020, all tax returns will be filed and other tax submissions (e.g. withholding tax [WHT], contract notifications) will be made using the new tax administration system, Dhareeba. The GTA advises taxpayers to take the necessary steps to ensure that the procedures outlined in the user guides available on the Dhareeba portal are followed when submitting their tax obligations through Dhareeba.

Dhareeba Features:

- Online Management: Validate and file tax returns and make payments online, 24×7 through the online portal.
- Improved Integrated Services: Get immediate feedback which helps to eliminate errors before a return is filed, reducing the need for follow-up communications.
- Administrative ease: Simplify account maintenance by letting agents manage their own taxpayer account data and communicate over multiple channels.

The Dhareeba Tax Portal provides many services to taxpayers inside and outside the State of Qatar:

- **Registration**
- **Manage Taxpayer Representative**
- **Tax Return Amendment**
- **Statements**
- **Notifications**
- **Manage Requests**
- **Certificates**
- **Payments**

Amendments to the Tax Law

On 2 February 2023, Qatar published Law No.11 of 2022 amending several provisions of the Income Tax Law No. 24 of 2018 in the official Gazette. The amendments are effective from 2 February 2023 (i.e., the date of their publication in the official Gazette).

The amendments have introduced a number of important changes to the Tax Law. The details of some of these key changes are expected to be issued by the General Tax Authority as amendments to the Executive Regulations of the Tax Law in the near future.

Global minimum tax: The amendments highlight Qatar's commitment to introducing Global Minimum Tax and achieving minimum effective tax rate of 15% for in-scope entities. Further details are expected be provided in the changes to the Executive Regulations of the Tax Law.

Expansion of the scope of Income Tax: The amendments specify various types of income generated outside Qatar that will now be subject to income taxin Qatar including income generated from real estate, immovable property, dividends, royalties, interest, and technical service fees as long as it is not attributable to a foreign permanent establishment of the Qatari Project. Additionally, there is an indication that income derived by a Qatari Project from a broad range of services provided outside Qatar will now be subject to income tax in Qatar.

Reporting of substantial / core activities: The amendments introduced a new requirement for entities to submit a report to the GTA regarding the minimum indicators of their core activities in Qatar. Non-compliance with the substance requirements (expected in the amendments to the executive regulations) will result in penalty equal to 15% of net income.

Changes to the definition of PE: PE is now defined as "having a fixed place of business" and "the realization of income or profit". This definition deviates from the OECD's PE definition to a certain extent and significantly expands the scope of a PE, which needs to be carefully assessed.

Other Amendments: Other key amendments include:

Changes to the residency criteria
changes in the tax status of private charitable organizations, private associations and foundations and private foundations of public interest (these are now within the scope of tax law as tax exempt entities)
certain new definitions added (providing guidance on new provisions introduced in the amendments as well as clarifies some provisions of the Tax Law).

New Income Tax Law

Generally, Qatari income tax is based on the source of income, with limited exceptions. Individuals or resident corporate bodies generating Qatar-sourced income are generally subject to 10% income tax, whereas resident legal persons are exempt from taxes based on the proportions of Qatari dividends, as well as the percentages of entities wholly owned by Qataris, as well as entities partially owned by Qataris, based on the percentages of their dividends.

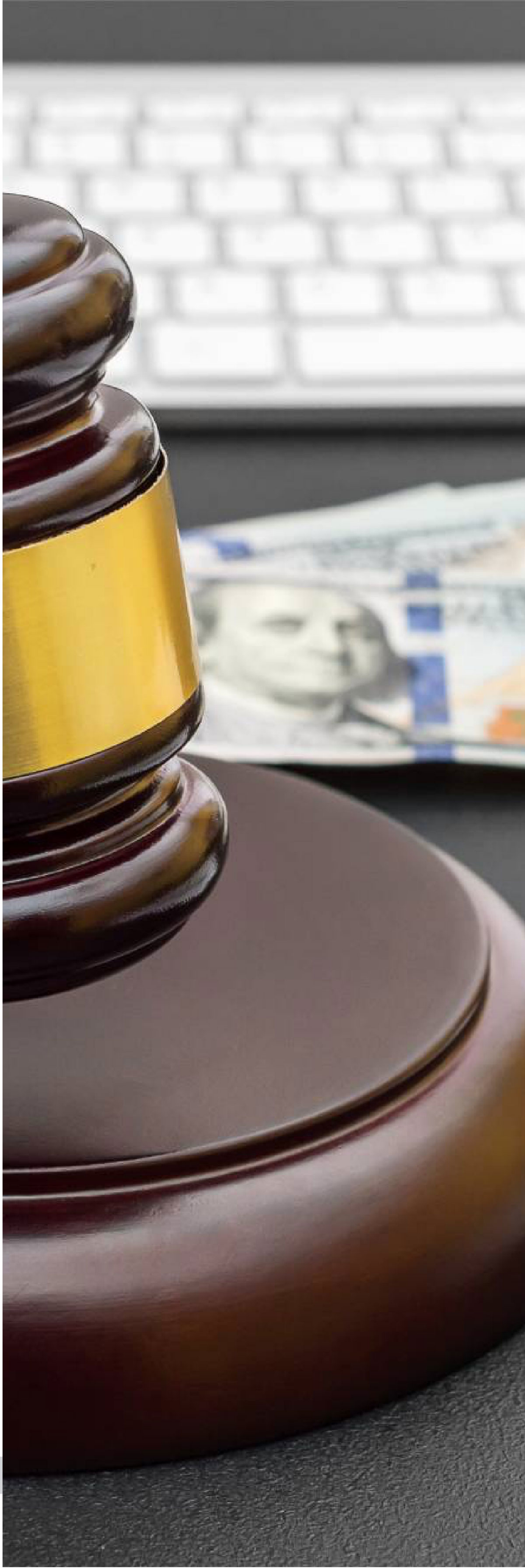
As of 17 January 2019, Qatar has adopted a new Income Tax Law, which was signed on 13 December 2018 and published on 17 January 2019 (the "New Tax Law"). It is important to note that the fundamental principles underpinning the New Tax Law are the same as those under the old law; however, there are several changes that will have a significant impact on Qatari companies.

In addition to simplifying administrative procedures, the New Tax Law introduces a number of new rules. Among those rules is the procedure for tax assessment. Prior to the current law, income tax was assessed based on taxable income as determined by the taxpayer's tax return, provided such return was accepted by the GTA. It should be noted, however, that under the New Tax Law, the income tax return is considered a tax assessment on the same day as it is submitted (self-assessment).

It was announced on 11 December 2019 that the new Executive Regulations ('Regulations') to the New Tax Law had been published. As a result of the New Tax Law and its Regulations, there have been several significant changes to the tax landscape in Qatar, especially with regard to the taxation of non-residents doing business in the State of Qatar ('the State').

The following are a few of the key changes:

- It has been determined that fully owned subsidiaries of listed entities are now taxable to the extent of their non-exempt ownership (i.e. foreign ownership or non-exempt Qatari or GCC ownership). Taxpayers previously perceived such subsidiaries to be tax-exempt.
- Furthermore, there have also been new detailed requirements regarding transfer pricing.
- Within 30 days of signing a contract with a resident or non-resident (subject to certain monetary thresholds), taxpayers are required to notify the GTA. Under the new Qatari Tax Law and Regulations, if a contract is not reported



- according to the statutory requirements, a penalty of 10,000 Qatari riyals (QAR) will be imposed. As part of the implementation of Dhareeba, contract notifications must also be submitted through Dhareeba.

Local income taxes

There are no local, state, or provincial government taxes on income in Qatar.

Corporate Income Taxes (CIT)

Those entities whose income originates in Qatar and are wholly or partially foreign owned are subject to Qatari taxation. Joint ventures are subject to tax liability based on the foreign partners' share of the joint venture's profits. The Qatari government does not currently levy corporate income tax (CIT) on corporations owned by Qatari nationals and GCC nationals residing in Qatar.

No matter where an entity is incorporated, if it generates Qatar-sourced income, it will be taxable in Qatar. It is generally the case that taxable income is taxed at a flat rate of 10% (CIT), with some exceptions.

In the specific circumstances outlined below, the following tax rates are applicable:

- In the event that a special agreement was reached with the government of Qatar prior to 1 January 2010, the rate specified in the agreement continues to be applicable. In the absence of a rate specified in the contract, a rate of 35% will be applied.
- In accordance with Law No. 3 of 2007, the oil operations tax cannot be less than 35%.
- There is a withholding tax on payments made to non-residents for certain service activities not associated with a PE located in Qatar (see Withholding taxes).
- As well as the above, fully owned subsidiaries of listed entities are now subject to tax to the extent they are owned by non-exempt persons (e.g. foreign or non-exempt Qatari or GCC citizens). In the past, taxpayers believed that these subsidiaries were tax-exempt.

Withholding tax (WHT)

With holding tax is a tax deduction is imposed on taxpayers who are not residents of Qatar and are not registered in the Commercial Register for contracts or activities that are wholly or partly carried out within Qatar, as long as the activity does not relate to a permanent establishment in Qatar, at the rate of 5% of the total amount.

Previously, WHT was due only upon settlement, contrary to the current practice.

As a result of the introduction of the 'benefits test' or 'consumption test' on 'service' payments, the application of WHT has been extended. Services shall beconsidered as having been performed in the State as long as they are used, consumed, or benefited in the State, regardless of whether they are performed in whole or part in the State. As part of the new provisions, certain unpaid amounts are deemed to have been paid if they remain unpaid for a specific period of time.

A greater number of contracts, agreements, arrangements, and transactions (including deemed arrangements) may now fall within the scope of the WHT provisions, whether they are with third parties or related parties, and taxpayers should review existing and new arrangements in light of the above. Qatar has a pay and reclaim mechanism in place in case a relief from WHT is provided under a double tax treaty (DTT) (i.e. the payer is required to withhold and pay to the GTA). To obtain the relief provided under the DTT, the payee must file a refund request with the GTA.

There is a unified 5% WHT on all services used, utilized, or benefited in Qatar, regardless of whether the services are carried out in whole or in part outside Qatar. A WHT may also apply to interest, royalties, technical fees, commissions, brokerage fees, and other types of payments for services. Certain payments have been excluded from the scope of WHT by the Regulations. WHT does not apply to dividends.

As part of the new provisions, certain unpaid amounts will be deemed as paid for WHT purposes if they remain unpaid for a certain period of time. It is only applicable if the payment is made to a non-resident individual or company for activities that are not connected to a PE in Qatar. In practice,

the WHT only applies to payments made to service providers who do not possess a valid tax card, irrespective of whether they are Qatar residents or non-residents with a PE in Qatar.

Payments to foreign suppliers are required to be withheld by the company or its branch, and the funds withheld must be remitted to the GTA by the 16th of the following month.

If the company does not pay the GTA, it will be subject to penalties.

The monthly WHT statements must be submitted electronically through Dhareeba.

Customs duties

In most cases, goods with an origin outside the GCC countries are subject to customs duties, which are charged at a rate of 5%. Certain types of goods, such as tobacco products, are subject to higher rates. There are sometimes exemptions available for imports.

A COVID-19 response package issued by Qatar in March 2020 included an exemption from customs duties on food and medical products for a period of six months, provided the exemption is reflected in the selling price.

Excise taxes

As of 1 January 2019, Qatar has introduced an excise tax. The following goods ('excise goods') are subject to excise tax at their respective rates:

- Products containing tobacco: 100%.
- Carbonated drinks (non-flavoured aerated water excluded): 50%.
- Energy drinks: 100%.
- Special purpose goods: 100%.

The term "special purpose goods" includes alcohol and pork products, which are currently subject to excise tax. It will be necessary for persons engaged in the import or export of excise goods, as well as those operating tax warehouses, to register for excise tax purposes.

On November 12, 2022, the Ministry of Finance issued Ministerial Decision No.12 2022 concerning the refund of excise tax on excisable goods that had been released for consumption but had not been consumed within Qatar. Excise goods that have been damaged, lost, or stolen are included in this catego ry, as well as excise goods that are sold locally, but are intended to be consumed outside Qatar (for example, goods for duty free shops, on-board consumption, etc.).

Property taxes

There are no property taxes in Qatar. However, fees may be payable to the government by the owner on the registration of property and by the landlord on the registration of leases.

Transfer taxes

There are no transfer taxes in Qatar. However, share transfers of state entities require a formal 'No Objection Confirmation' from the General Tax Authority prior to the transfer being updated in the commercial register.

Payroll taxes

Employed individuals' salaries, wages, and allowances are not subject to personal income tax (PIT) in Qatar.

Value-added tax (VAT)

At present, Qatar does not impose a VAT or sales tax on its operations. However, Qatar is expected to introduce VAT under a common GCC framework within the near future. It is anticipated that the tax rate will be 5%.

A VAT common framework has been signed by the GCC countries, which lays the legal foundation for introducing VAT systems in the states of the GCC (Kingdom of Bahrain, Kuwait, Sultanate of Oman, Qatar, and the Kingdom of Saudi Arabia).

VAT has been implemented in Saudi Arabia and the United Arab Emirates since January 2018.

As of January 2019, Bahrain has implemented VAT. A commitment has been made by the Sultanate of Oman to implement VAT in April 2021. There is also an expectation that the other GCC member states will issue their own VAT legislation.

Qatar's Cabinet had previously approved the Qatar Ministry of Finance's draft VAT law and its executive regulations. There has not yet been a publication of the laws and their respective executive regulations.

Despite the lack of communication from the GTA in this regard, given the recent resolution of the blockade on Qatar, there is an increasing expectation in the market that VAT will be introduced in Qatar in the near future.

Social security contributions
Qatari employees are subject to social insurance obligations, but employees of other nationalities are not.

Taxable period
Although the GTA may approve an accounting year-end other than the calendar year in advance, the tax year is generally the same as the calendar year.

Tax returns
Companies are required to file their tax returns within four months of the end of their accounting period.

Payment of tax
On the same day as the tax return is due, the tax payable should be paid based on the tax declaration.

Late filing penalties
There is a penalty regime in Qatar's tax law that imposes a penalty for late filing of tax returns. A penalty is also imposed for late tax payments.

Objection and appeals process
Taxpayers may initially appeal a decision related to a tax position directly to the GTA. In the event that the taxpayer's objection is unsuccessful in influencing the GTA's decision, an appeal may be made to the Tax Appeals Committee.

Following the decision of the Tax Appeals Committee regarding the appeal, either the GTA or the taxpayer may appeal to the administrative chamber of the court. Each stage of the appeal process is subject to a time limit prescribed by law.

As of 13 July 2019, all correspondence with the GTA must be written in Arabic.

Accounting and audit requirements
A company's CIT return is required to be accompanied by audited financial statements if any of the following cases apply:

- The capital exceeds QAR 200,000.
- Total income exceeds QAR 500,000.
- The head office is situated outside of Qatar.

Qatar tax law requires accounts to be prepared in accordance with IFRS. For taxable years starting on or after 1 January 2020, there is a requirement to submit the financial statements in the Arabic language.

Accounting record retention
All accounting books, registers, and documents relating to activities in Qatar are required to be retained in Qatar for a ten-year period.

Updates to the Qatar Financial Centre (QFC) Tax Regulations
Exemption for security and defence contracts
Recently, the QFC released a concessionary statement that highlights that, in a similar manner to the State regime, tax exemptions will be provided to contracts that are related to Qatar's security and defense, subject to certain conditions being met.

Exemption for listed entities
Listed entities are now given the opportunity to opt for an exempt status under the QFC's Tax Regulations, provided certain conditions are met.

Qatar Free Zones

An independent entity was established in 2018 to develop free zones in Qatar, the Qatar Free Zone Authority (QFZA). Currently, it oversees two free zones: the Ras Bufontas Airport Free Zone and the Um Al Houl Port Free Zone.

A major focus of the Airport Free Zone is light manufacturing, international business services, the aviation sector, emerging technologies, and hubs for logistics.

There are a number of industries represented in the Port Free Zone, including maritime, heavy manufacturing, industrial sectors, emerging technologies, and logistics hubs.

The advantages of setting up in one of the Free Zones include 100% foreign ownership and a 20-year exemption from corporate income tax.

Qatar Science and Technology Park (QSTP)

The Qatar Science and Technology Park (QSTP) is intended for entities that conduct research and development activities (R&D).

Tax-exempt entities under QSTP can completely be exempt from Qatar tax. However, tax-exempt entities are still required to file tax returns and apply WHT to payments to non-residents.

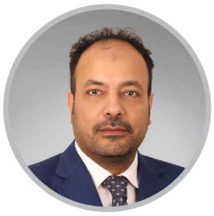
Other Tax exemptions

It is possible to apply for a tax exemption under the State regime for certain projects considered to be strategically significant to the Qatari economy.

It is generally the case that exemptions are granted for a period of five or ten years. Qatar tax law prescribes certain criteria for assessing applications for exemptions.

Regardless of the fact that an exemption has been granted, an entity that is exempt is still required to file a tax return under Qatari tax law.

Key Team Member



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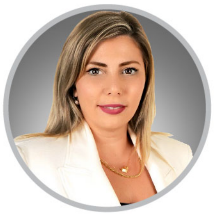

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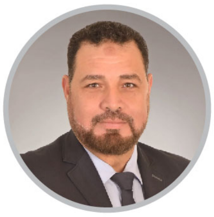

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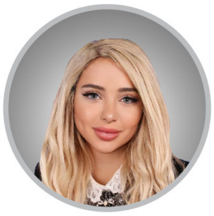

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ABOUT US

A Qatari law firm with a regional reach and a global outlook

Over the course of its twenty-year history, Al Sulaiti Law Firm has built a reputation as one of Qatar's most prominent and reputable firms. As a result of our broad range of experience, our clients benefit from not only the geographical and substantive diversity of our work, but also the broad range of industries we serve. Providing a wide range of services from simple legal services to more complex, multijurisdictional matters, we are dedicated to protecting and serving the interests of our clients.

Al Sulaiti Law Firm prides itself on having one of the largest litigation and dispute resolution departments in Qatar. Our industry expertise includes but is not limited to: Civil Litigation, Criminal Litigation, ADR, Construction, Energy, Corporate, Intellectual Property, Sports, Media and Telecommunications, Employment, Banking and Finance and Tax. We handle a range of high-value and complex disputes representing high end and prominent clients, one of our primary objectives is to resolve our clients' disputes in a timely and efficient manner with as little disruption to their business as possible. In addition to the benefits and cost efficiency of our services, we provide tailored advice to meet the requirements and challenges of each of our clients. We ensure that the right team is involved to offer reliable insights and advice. Our firm understands that the importance of a good relationship based on trust cannot be overstated for a successful outcome.

Our diverse, multilingual, multicultural, and qualified lawyers are able to bridge linguistic and cultural differences between clients and their legal needs. The team consists of lawyers and consultants from Qatar, Egypt, France, Italy, and the United Kingdom. We offer our services in French, English, Arabic, and Italian and are therefore able to provide a level of service that exceeds local expectations. Our business involves becoming intimately familiar with the markets, industries, and organizations of our clients. This level of knowledge and understanding enables us to work through a solution-oriented approach, we strive to provide excellent customer service. Due to our highly experienced, innovative team of attorneys who adhere to the highest standards of professional integrity, we are able to provide the highest level of legal services.

OUR VALUES

Maintain a high standard of excellence in providing high quality client service.

Invest in the development of long-term, trusting relationships with colleagues as well as clients.

Keep integrity, professionalism, cooperate as a team, and uphold the reputation of the firm.

Respect the rule of law, one another, support one another, and embrace diversity.

GEOGRAPHICAL FOOTPRINT

A Regional Law Firm with a Global Outlook

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