

International Tax Qatar Highlights 2017



Investment basics:

Currency – Qatari Riyal (QAR)

Foreign exchange control – No

Accounting principles/financial statements – IFRS

Principal business entities – These are the limited liability company, public shareholding company and branch of a foreign company. Other forms of business include the general partnership, joint partnership, limited share partnership and joint venture.

Corporate taxation:

Residence – A body corporate is resident in Qatar if it is incorporated under Qatari law or if its head office or its place of effective management is in Qatar. Every taxpayer carrying out activities in Qatar must submit an application for a tax card to the Tax Department within 30 days from the commencement of activities.

Basis – Tax is imposed on a taxpayer's income derived from sources in Qatar.

Taxable income – 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), salaries, wages and similar payments made to employees, rent, insurance premiums, bad debts and depreciation (according to certain rates).

Taxation of dividends – Dividends are not subject to tax.

Capital gains – Capital gains derived by a company are included in taxable income and taxed at the income tax rate. Foreign companies selling shares in Qatar-based companies are subject to tax on the gain at 10%.

Losses – Losses may be carried forward and set off against profits for up to three years. The carryback of losses is not permitted.

Rate – The general tax rate is a flat 10%, with a 35% rate applying to oil and gas operations. Petroleum activities include 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 activities; and services necessary to achieve any of the above activities, including all administrative and complementary activities.

Surtax – No

Alternative minimum tax – No

Foreign tax credit – No

Participation exemption – No

Holding company regime – No

Incentives – These include tax holidays, foreign capital investment incentives and incentives related to the Qatar Financial Center (QFC) and the Qatar Science and Technology Park (QSTP).

Entities involved in regulated or non-regulated activities as set out in the QFC regulations are allowed to register under the QFC regime, which has its own tax regulations.

Under the QFC regime, full foreign ownership is possible and income is taxable at a flat rate of 10%. Special purpose companies and holding companies may elect tax exemption and a concessionary zero tax rate is available if a company is at least 90% owned by Qatari nationals. Qualifying start-up companies are entitled to a tax credit on initial losses and only domestic-source profits are taxable. QFC entities are not subject to withholding taxes. The QSTP is the only free zone in Qatar. Capital of companies registered in the QSTP can be wholly owned by foreign investors and QSTP entities are allowed to trade directly in Qatar without a local agent. QSTP entities with a standard license are not taxed and companies can import goods and services free from Qatari tax or customs duties.

Withholding tax:

Dividends – Qatar does not levy withholding tax on dividends.

Interest – Interest is subject to a 7% withholding tax, with certain exceptions. The rate may be further reduced under a tax treaty.

Royalties – Royalties are subject to a 5% withholding tax. Certain leasing charges may be considered royalties. The rate may be further reduced under a tax treaty.

Technical service fees – Technical service fees paid to a nonresident are subject to a 5% withholding tax.

Branch remittance tax – No

Other – A 7% withholding tax applies to commissions, brokerage fees, directors' fees; attendance fees; and fees for other services performed in whole or in part in Qatar.

A retention tax of 3% of the contract value or the final payment (whichever is higher) applies to payments made to a branch registered for a particular project (a temporary branch).

Other taxes on corporations:

Capital duty – No

Payroll tax – No

Real property tax – No

Social security – For employees that are Qatari nationals, the employer must contribute 10% of the employee's basic salary each month.

Stamp duty – No

Transfer tax – No

Anti-avoidance rules:

Transfer pricing – A general anti-avoidance rule gives the tax department the power to apply an arm's length price in certain situations.

Thin capitalization – There are no specific thin capitalization rules, but interest payments made by a permanent establishment to its head office or to related parties are not deductible for tax purposes.

Controlled foreign companies – No

Disclosure requirements – No

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.

Consolidated returns – Consolidated returns are not permitted. Each company must file a separate tax return.

Filing requirements – 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 Qataris and other GCC nationals are exempt from corporate income tax, but are required to file tax returns and audited financial statements with the Tax Department if their capital is QAR 2,000,000 or more or if their annual revenue is QAR 10,000,000 or more. An online "tax administration system" (TAS) has been introduced with the aim of achieving complete automation of the tax payment and management process. The TAS enables online registration and filing of tax returns and progress tracking.

Penalties – Failure to file a tax return by the deadline will result in a penalty of QAR 100 per day, up to a maximum of QAR 36,000. Failure to pay tax due by the deadline will result in a penalty of 1.5% of the amount of tax due per month of delay or part thereof, up to the amount of tax due.

Rulings – No

Personal taxation:

Basis – Tax is imposed only on income from sources in Qatar.

Residence – An individual is resident in Qatar if he/she has a permanent home in Qatar, has been in Qatar for more than 183 days (consecutive or separate) during any 12-month period or his/her center of vital interests is in Qatar.

Filing status – N/A

Taxable income – Only business income is taxable in Qatar. There is no tax on employment income.

Capital gains – Capital gains from the disposal of real estate and securities derived by an individual are exempt

from tax provided the real estate and securities are not part of the assets of a taxable activity.

Deductions and allowances – No

Rates – N/A

Other taxes on individuals:

Capital duty – No

Stamp duty – No

Capital acquisitions tax – No

Real property tax – No

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – No, unless a Qatari national is an employee that has a pension scheme, in which case the employee must make a pension contribution equal to 5% of his/her basic salary each month.

Compliance for individuals:

Tax year – N/A

Filing and payment – N/A

Penalties – N/A

Value added tax:

Taxable transactions – No VAT or other sales tax applies in Qatar.

Rates – N/A

Registration – N/A

Filing and payment – N/A

Source of tax law: Law No. 21 of 2009, Executive Regulations and Qatar Financial Center Tax Regulations

Tax treaties: Qatar has concluded more than 63 tax treaties.

Tax authorities: Ministry of Finance – Taxes Department and Qatar Financial Centre

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