International Tax
Qatar Highlights 2019

Updated June 2019

Recent developments:
On 13 December 2018, the State of Qatar repealed the existing Income Tax Law (Law No. 21 of 2009) and issued a new Income Tax Law (Law No. 24 of 2018). Executive Regulations implementing Law No. 24 of 2018 are yet to be published and these Highlights have been prepared based on the understanding that the Executive Regulations accompanying Law No. 21 of 2009 continue to apply until the new Executive Regulations are issued.

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

Investment basics:
Currency – Qatari Riyal (QAR)
Foreign exchange control – No
Tax regimes – There are two tax regimes in Qatar (i) the State of Qatar tax regime, operated by the General Tax Authority (GTA), that applies to the majority of businesses operating in Qatar and (ii) the Qatar Financial Center (QFC) tax regime operated by the QFC Tax Authority within the Qatar Financial Center Authority (QFCA).
Accounting principles/financial statements – State of Qatar tax regime – IFRS; QFC tax regime – IFRS, UK GAAP, US GAAP or any standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions. For tax years beginning on or after 1 January 2020, financial statements must be prepared in Arabic.
Principal business entities – Under the State of Qatar’s Ministry of Commerce and Industry, the most common legal entity structures are the limited liability company, private shareholding company, public shareholding company and branch of a foreign company. Other forms of business include the limited partnership, joint liability company, limited share partnership and joint venture company.
Under the QFC, the most common legal entity structures are the limited liability company, branch, general partnership, limited partnership and limited liability partnership.
Other forms of business include the special purpose company, single family office and trust.

Corporate taxation:
Residence – A body corporate is resident in the State of Qatar if it is incorporated under Qatari law or if its head office or place of effective management is in Qatar. All taxpayers carrying out activities in Qatar must apply to the GTA for a tax card within 30 days from either (i) the commencement of activities or (ii) the date of registration with the Commercial Register of the Ministry of Commerce and Industry in Qatar. A penalty of QAR 20,000 may be imposed for failure to register with the GTA or to maintain a valid tax card.
Basis – Tax is imposed on a taxpayer’s Qatari-source income. Entities wholly owned by Qataris and other Gulf Cooperation Council (GCC) country nationals are exempt from corporate income tax, but may be required to file tax returns (see under “Compliance for corporations”).
A permanent establishment (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 on by the taxpayer through a person acting on behalf of the taxpayer or in the taxpayer’s interest, other than an independent agent. No specific timeframe is prescribed for the creation of a PE via the
performance of services but, in practice, the performance of services within Qatar for 183 days or more during any 12-month period will be viewed as creating a PE in Qatar.

**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.

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;
- Depreciation (at specified rates);
- Donations, gifts, aid and subscriptions to charitable, humanitarian, scientific, cultural or sporting activities paid in the State of Qatar to governmental authorities, public bodies, or institutions, or any other authorized body in the State of Qatar (capped at 5% 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 (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.

**Taxation of dividends** – Dividends are not subject to tax under the State of Qatar or QFC tax regimes.

**Capital gains** – Under both the State of Qatar and QFC tax regimes, capital gains derived by a company are included in taxable income and subject to tax at the applicable rate.

**Losses** – Under the State of Qatar tax regime, losses may be carried forward and set off against profits for up to three 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.

**Rate** – Under the State of Qatar tax regime, the standard corporate 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 plus associated services, including administrative and complementary activities. Where an agreement with the government, ministries or other governmental bodies was concluded before Law No. 3 became effective and prescribes a specific tax rate, that rate will apply; where no rate is prescribed, tax is imposed at 35%.

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

**Surtax** – No

**Alternative minimum tax** – No

**Foreign tax credit** – No foreign tax credit is available under the State of Qatar tax regime. 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 tax in Qatar. The QFC tax regime allows for a tax exemption on capital gains derived from qualifying shareholdings.

**Holding company regime** – Both the Ministry of Commerce and Industry and the QFC allow for the setting-up of holding companies.

**Incentives** – Companies may be eligible for a tax exemption under the State of Qatar tax regime. The Minister of Finance may issue exemptions for a period of up to five years; longer exemptions are agreed by the Council of Ministers.

Full foreign ownership is possible under the QFC regime (which is available to companies that carry out certain permitted activities and apply for a QFC license). Special purpose companies (i.e. registered funds, special
investment funds, special funding companies, alternative risk vehicles and charities) may elect exempt status. Qatari-owned companies may elect a 0% concessionary rate if certain conditions are fulfilled.

The Qatar Free Zone Authority (QFZA) was established in 2018 as an independent entity to develop free zones in Qatar. The first such zone (Umm Al Houl free zone) has been ready to receive local and foreign investors since the first quarter of 2019. The QFZA focuses on logistics, chemicals, maritime industries, heavy manufacturing, emerging technologies and industrial sectors. Benefits of setting up in one of the free zones include the possibility of 100% foreign ownership and a 20-year tax holiday (i.e. exemption from corporate tax, personal income tax and custom duties).

Companies registered in the Qatar Science and Technology Park (QSTP) are not subject to tax, even if wholly owned by foreign investors, and are permitted to trade directly in Qatar without a local agent. They also are permitted to import goods and services free of Qatari customs duty. The QSTP is intended for companies engaged in research and development activities.

A new Foreign Investment Law (No. 21 of 2019) was enacted in January 2019 that allows foreign investors to own 100% of the equity of limited liability companies operating in any sector, subject to the approval of the Ministry of Commerce and Industry. Additional incentives and support for foreign investment projects include the following:

- Allocation of land to non-Qatari investors to establish investment through use or rent in accordance with the applicable rules and regulations;
- Grant of an import license for the non-Qatari for the investment;
- Exemption from corporate income tax in accordance with the procedures and regulations stipulated in the Income Tax Law of Qatar; and
- Exemption from customs duties on imports of machinery and necessary equipment required for the project, in addition to raw materials and semi-manufactured items for production that are not available in the domestic market.

**Withholding tax:**

**Dividends** – Qatar does not levy withholding tax on dividends.

**Interest** – Law No. 24 of 2018 introduced a single withholding tax rate of 5% applicable to interest, royalty, commission and other payments under contracts signed on or after 13 December 2018; the previous 7% rate no longer applies. For contracts signed before that date, the withholding tax treatment is as follows:

- For payments due before 13 December 2018, the rates prescribed under Law No. 21 of 2009 (i.e. 5% or 7%) apply, irrespective of when the payments are actually made; and
- For payments due on or after 13 December 2018, the 5% withholding tax rate under Law No. 24 of 2018 applies.

Certain exemptions apply, or the rate may be reduced under a tax treaty.

**Royalties** – Royalties payable under contracts signed on or after 13 December 2018 are subject to a 5% withholding tax. See comments under “Interest” above for clarification of the withholding tax rate for contracts signed before that date. Certain leasing charges may be considered royalties. The withholding tax rate may be reduced under a tax treaty.

**Technical service fees** – Technical service (and consultancy, commission, directors’, brokerage and attendance) fees paid under contracts signed on or after 13 December 2018 to a nonresident for services carried out wholly or partly in Qatar are subject to a 5% withholding tax. See comments under “Interest” above for clarification of the withholding tax rate for contracts signed before that date.

**Branch remittance tax** – No

**Other** – A retention tax of 3% of the contract value or the final payment (whichever is higher) applies to payments made by the Qatar government or a quasi-governmental agency to a branch registered in Qatar for a particular project (a temporary branch).

No withholding taxes apply under the QFC tax regime.

**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

**Excise tax** – Excise tax applies in Qatar from 1 January 2019 and is imposed both on imports and locally produced goods. Excise tax applies at 100% on tobacco
products, energy drinks and “special purpose” goods and at 50% on carbonated drinks.

Anti-avoidance rules:

Transfer pricing – There are no specific transfer pricing regulations under the State of Qatar tax regime. However, the tax authorities expect taxpayers to comply with the arm’s length principle in accordance with other anti-avoidance rules and may make certain adjustments in situations where the taxpayer is unable to prove the transactions are at arm’s length basis. According to the Executive Tax Regulations, the arm’s length value should be determined in accordance with the unrelated comparable price (UCP) method, i.e. the price that would apply to the transaction if it were carried out between unrelated parties.

Where the information required to apply the UCP method is not available, the taxpayer must apply to the GTA to adopt another pricing method approved by the OECD. The QFC regime has detailed transfer pricing rules that are broadly consistent with OECD recommendations. Whilst 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 both the State of Qatar and QFC tax regimes, country-by-country (CbC) reporting obligations and notification requirements apply to entities that are tax resident in Qatar and are part of a multinational group of enterprises (MNE) with consolidated revenues of at least QAR 3 billion in the preceding financial year. The requirements apply to financial years (FYs) starting on or after 1 January 2017 and the CbC report must be submitted within 12 months from the end of the reportable financial year.

A Ministry of Finance circular issued in December 2018 confirms that CbC notification and filing requirements do not apply for FY 2017 for ultimate parent entities resident in Qatar provided a CbC report was validly filed by a surrogate parent that is tax resident in a jurisdiction that has signed the OECD multilateral competent authority agreement (MCAA). For FY 2018, notification in Qatar may be made in Qatar by either the ultimate parent or the surrogate parent. Where the ultimate parent company is resident in Qatar, meets the revenue threshold and does not have a surrogate parent entity in another jurisdiction, the CbC report and notification for FY 2018 are due by 31 December 2019.

All CbC-related filings and notifications for constituent entities (i.e. entities and branches of non-Qatari headquartered MNE groups) currently are suspended until further notice from the tax authorities.

Thin capitalization – No specific thin capitalization rules apply under the State of Qatar tax regime, but 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 stand-alone entity, from an independent lender. The safe harbor debt-to-equity ratio set out by the QFC tax authorities is 2:1 for non-financial institutions and 4:1 for financial institutions.

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.

Under the QFC tax regime, the tax year generally is the calendar year.

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

Filing requirements – Under the State of Qatar tax regime, 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 Qatari and other GCC nationals are exempt from corporate income tax, but are required to file tax returns and audited financial statements with the tax authorities if their capital is at least QAR 2 million or if their annual revenue is at least QAR 10 million. The GTA has introduced a new online tax management system (Dhareeba) with the aim of achieving complete automation of the tax payment and management process. Dhareeba enables online registration, filing of tax returns, payment of taxes due and progress tracking.

Under the QFC tax regime, the deadline to submit the annual income tax return and pay the tax due is the end of the sixth month after the company’s financial year-end. There is an online system for tax filing exclusively for QFC entities.

Under the State of Qatar tax regime, all taxpayers are required to submit a withholding tax return and pay the
withholding tax due to the tax authority before the 16th day of the month following the month in which the tax was withheld. All withholding tax filings must be done electronically.

As from 13 July 2019, all communications with the GTA (with the exception of the financial statements) must be in Arabic.

**Penalties** – Under the State of Qatar tax regime, failure to file a tax return by the deadline will result in a penalty of QAR 500 per day up to a maximum of QAR 180,000. Failure to pay tax due by the deadline will result 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 and obtain a tax card. Both the registration and tax card must be renewed annually and failure to do may result in a penalty of QAR 20,000.

Failure to withhold tax where required is subject to a penalty of 100% of the tax. Delays in remitting tax withheld are subject to a penalty of 2% of the tax per month of delay subject to a maximum of 100% of the amount of tax due.

Under the QFC tax regime, financial sanctions vary depending on the circumstances.

**Rulings** – No

**Personal taxation:**

**Basis** – Qatar does not impose personal income taxation; only income from a business in Qatar is taxable.

**Residence** – An individual is resident in Qatar if he/she has a valid residence permit issued by the ministry.

**Filing status** – No

**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 (any gains from such assets are taxable at a 10% rate).

**Deductions and allowances** – No

**Rates** – Only income from a business is taxable, at a rate of 10% of taxable income.

**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** – An employee who is a Qatari national and has a pension scheme must make a pension contribution equal to 5% of his/her basic salary each month.

**Compliance for individuals:**

**Tax year** – No

**Filing and payment** – No

**Penalties** – No

**Value added tax:**

**Taxable transactions** – No VAT or other sales tax currently applies in Qatar and the Qatari government has announced that it will not implement VAT during 2019.

**Rates** – No

**Registration** – No

**Filing and payment** – No

**Sources of tax law:** Qatar Income Tax Law (Law No. 24 of 2018), Excise Tax Law (Law No. 25 of 2018), Qatar Financial Center Tax Law and Regulations

**Tax treaties:** Qatar has concluded 84 tax treaties. Qatar signed the OECD MLI on 4 December 2018.

**Tax authorities:** Ministry of Finance – General Tax Authority, Qatar Financial Centre – Tax Authority

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