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International Tax
Qatar Highlights 2021

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Recent developments

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Investment basics

Currency: Qatari Riyal (QAR)

Foreign exchange control: There are no foreign exchange controls.

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: International Financial Reporting Standards (IFRS); QFC tax regime: IFRS, UK GAAP, US GAAP, or any standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions. Financial statements must be prepared in Arabic.

Principal business entities: Under the State of Qatar's Ministry of Commerce and Industry, the main business entities are the limited liability company, temporary branch of a nonresident (to fulfill a contractual obligation under contracts with the government or quasi-government entities), permanent branch (permitted for professional services such as engineering services, consultancy, etc.), and representative trade office (permitted to perform trade representation, marketing, and business development activities for the parent company).

The QFC is the secondary business regime in Qatar and has its own legal system based on English common law. The most common types of business entity are the limited liability company, limited liability partnership, and branch.

Subject to meeting certain criteria, businesses also may establish entities in the Qatar Science and Technology Park (QSTP) or Qatar Free Zone (QFZ).

Corporate taxation

Rates	
Corporate income tax rate	10%
Branch tax rate	10%
Capital gains tax rate	10%

Residence: Under the State of Qatar tax regime, a legal entity is resident in Qatar if it is incorporated under Qatari legislation, its head office is situated in the State of Qatar, or its place of effective management is situated in the State of Qatar.

Scope: Tax is imposed on income derived from activities performed wholly or partly in, consumed in, or benefited from in Qatar.

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. A PE includes (i) nonresidents rendering services through controlled personnel in Qatar for 183 days or more during any 12-month period and (ii) a construction, assembly, installation, or similar project lasting for at least six months.

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 3% 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 or QAR 500,000 (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 non-taxable, provided certain conditions are met. By concession, specific QFC entities involved in the World Cup 2022 and FIFA competitions in Qatar are exempt from tax but not from other compliance obligations. As from 21 December 2020, the QFC tax authority has amended its regulations to include QFC entities that are listed on the Qatar Stock Exchange on the list of entities eligible for exempt status, subject to meeting several conditions. A further concession applicable as from 1 January 2021 allows QFC entities meeting certain criteria to exempt income from defense or security contracts carried out for the benefit of the Ministry of Defense, the Ministry of Interior, or other state defense or security agencies.

Rate: Under the State of Qatar tax regime, the standard corporate income 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 of 2007 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 regime, income is taxed at a flat rate of 10%.

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

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 five years. The carryback of losses is not permitted.

Under the QFC 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.

Foreign tax relief: 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 tax exemption on capital gains derived from qualifying shareholdings.

Holding company regime: Holding companies are permitted only under the QFC tax regime.

Incentives: Companies may be eligible for a tax exemption or preferential tax rates for up to five years under the State of Qatar tax regime, subject to approval from the relevant department.

Companies registered in the QSTP, which is aimed at entities conducting research and development (R&D) activities, are not subject to tax, even if wholly owned by foreign investors, and may import goods and services free of Qatari customs duty. QSTP entities still are required to file tax returns, apply withholding tax on payments to nonresidents, and fulfill other tax compliance obligations. QSTP entities may only engage in activities permitted by their license.

Entities operating in the QFZ benefit from a 20-year corporate income tax holiday and zero custom duties on imports.

Compliance for corporations

Tax year: Under the State of Qatar tax regime, the tax year is the calendar year. Subject to approval from the GTA, a taxpayer may apply to prepare its financial statements for a 12-month period ending on a date other than 31 December.

Under the QFC regime, the tax year generally is considered to be 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 and payment: All taxpayers must register with the GTA on the digital tax management platform (Dhareeba) and obtain a tax identification number within 60 days of obtaining a commercial registration or commencing a taxable activity in Qatar. Any changes that might affect the taxpayer's obligations towards the GTA must be notified within 30 days.

Under the State of Qatar tax regime, a company that is resident in or has a PE in Qatar is required to file annual income tax returns and pay the tax due by the end of the fourth month after the company's financial year-end. The company must also submit a set of audited financial statements with its tax return.

Under the QFC regime, the deadline to submit the annual income tax return and pay the tax due is by the end of the sixth month after the company's financial year-end.

Books and supporting documentation must be retained in Qatar for 10 years.

Taxpayers should notify the GTA of contracts within 30 days of signing the contract.

All communications with the GTA must be in Arabic.

Penalties: Under the State of Qatar tax regime, failure to file a tax return by the deadline incurs a penalty of QAR 500 per day up to a maximum of QAR 180,000. Failure to pay tax due by the deadline results 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. Failure to do so incurs a penalty of QAR 20,000.

A penalty of QAR 10,000 is payable by a taxpayer who is granted a tax exemption but fails to fulfill the criteria for the exemption.

A penalty of QAR 30,000 is imposed for failure to submit annual audited financial statements. Failure to notify the GTA of a contract within the 30-day deadline is subject to a penalty of QAR 10,000.

A taxpayer who fails to withhold tax when required is subject to a penalty equal to the amount of tax that has not been withheld.

Individual taxation

Residence: Under the State of Qatar tax regime, an individual is resident in Qatar if the individual has a permanent home in Qatar, has been present in Qatar for more than 183 days in total during a 12-month period, or has their center of vital interests in Qatar.

Basis: There is no individual income taxation on employment income in Qatar. Business income earned by an individual is subject to corporate income taxation.

Withholding tax

Rates

Type of payment	Residents		Nonresidents	
	Company	**Individual**	**Company**	**Individual**
Dividends	0%	0%	0%	0%
Interest	5%	5%	5%	5%
Royalties	5%	5%	5%	5%
Payments for services	5%	5%	5%	5%

Dividends: Qatar does not levy withholding tax on dividends.

Interest: A 5% withholding tax applies to interest payments made to both residents and nonresidents. Certain exemptions may apply, or the rate may be reduced under a tax treaty.

Royalties: A 5% withholding tax applies to royalties paid to both residents and nonresidents. Certain leasing charges may be considered royalties. The rate may be reduced under a tax treaty.

Payments for services: Payments to a nonresident for services carried out wholly or partly in Qatar, if they are used, consumed, or exploited in Qatar, are subject to a 5% withholding tax. Payments to a resident for services also are subject to a 5% withholding tax.

Branch remittance tax: There is no branch remittance tax.

Other: No withholding taxes apply under the QFC tax regime.

Other 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.

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). This retention is released upon completion of the contract and presentation of a No Objection Letter issued by the GTA.

Anti-avoidance rules

Transfer pricing: Qatar's transfer pricing requirements include four tiers of compliance: (i) a transfer pricing form/questionnaire to be submitted with the tax return; (ii) a master file; (iii) a local file; and (iv) country by country (CbC) reporting requirements. The requirements apply to taxable years beginning on or after 1 January 2020 for taxpayers that exceed the relevant revenue and asset thresholds.

Further guidance will be issued by the GTA on several key areas, including the format of the transfer pricing form; the revenue or asset threshold for transfer pricing compliance; the language of the local file and master file; and the due date for the filing of the transfer pricing documentation.

Taxpayers undertaking cross-border related party transactions are required to determine the transfer price using the comparable uncontrolled price (CUP) method. The use of OECD recommended transfer pricing methods other than CUP is subject to written approval by the GTA. Taxpayers are expected to determine the arm's length price of their related party transactions when undertaking the transaction and no later than submitting the tax declaration for the accounting period in which the transaction took place.

Taxpayers are expected to conduct a functional analysis and undertake a comparability analysis for the related party transactions. The financial data of comparable companies must be updated annually and the database searches every three years. The local file and the master file under the GTA regime are aligned to the OECD format.

The QFC regime has detailed transfer pricing rules that are broadly consistent with OECD recommendations. While 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, CbC reporting obligations and notification requirements apply only to ultimate parent entities that are tax resident in Qatar and are part of a multinational enterprise (MNE) group with consolidated revenues of at least QAR 3 billion in the preceding financial year. The CbC report must be submitted within

12 months from the end of the reportable financial year. All CbC-related filings and notifications for constituent entities (i.e., entities and branches of MNE groups) currently are suspended until further notice from the GTA.

It is expected that the GTA will issue detailed guidance on the procedure for entering into advance pricing agreements.

Interest deduction limitations: Thin capitalization rules apply under the State of Qatar tax regime that limit the tax deductibility of interest payments where the taxpayer's debt-to-equity ratio exceeds 3:1. Interest payments made by a permanent establishment 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 standalone entity, from an independent lender. The safe harbor debt-to-equity ratio set by the QFC tax authorities is 2:1 for non-financial institutions and 4:1 for financial institutions.

Controlled foreign companies: There are no controlled foreign company rules.

Hybrids: There are no rules regarding hybrids.

Economic substance requirements: There are no economic substance requirements.

Disclosure requirements: There are no disclosure requirements.

Exit tax: There is no formal exit tax in Qatar; however, gains arising from the transfer of assets (including shares in a resident entity) may be subject to tax.

General anti-avoidance rule: There is no general anti-avoidance rule.

Value added tax (VAT)

Qatar has made a series of announcements about the implementation of VAT. However, the effective enactment date is yet to be announced.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply to both companies and individuals.

Social security contributions: For employees who are Qatari nationals, the employer must contribute 10% of the employee's basic salary each month. Employees who are Qatari nationals and have a pension scheme must make a pension contribution equal to 5% of their basic salary each month.

Payroll tax: There is no payroll tax.

Capital duty: There is no capital duty.

Real property tax: There is no real property tax.

Transfer tax: There is no transfer tax.

Stamp duty: There is no stamp duty.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Other

Excise tax

Excise tax is imposed both on imports and locally produced excisable goods. Excise tax applies at 100% on tobacco products, energy drinks, and “special purpose” goods, and at 50% on carbonated drinks.

The excise tax return must be submitted quarterly within 15 days from the end of the quarter and any excise tax due (in addition to the excise tax already paid at the time of import) is to be paid on the same day of the return filing.

Customs duties

Qatar is part of the GCC Customs Union. Based on the Common Customs Law of the GCC Customs Union, a customs duty rate of 5% of the good’s cost, insurance, and freight (CIF) value generally is applied. Certain goods are taxed at a rate higher than the standard 5% rate or are free from customs duties. Certain customs duty exemptions may be available under specific conditions, e.g., the temporary importation of goods, importation for military projects, use by diplomatic bodies.

As part of a program of economic and financial stimulus measures announced on 15 March 2020 to combat the effects of the spread of COVID-19, 905 items have been exempted from customs duties on a temporary basis. The exempt commodities are mainly food and medical items and include meat, fish, dairy products, edible vegetables, cereals, sugar and sugar confectionary, cocoa and cocoa preparations, soap, disinfectant, surgeons’ masks and face masks, medical gloves, and medical sterilizers.

Tax treaties: Qatar has approximately 84 tax treaties in force. The OECD multilateral instrument (MLI) entered into force for Qatar on 1 April 2020.

Tax authorities: Ministry of Finance: General Tax Authority (GTA), Qatar Financial Center: Tax Authority

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