Doing Business in Qatar
A tax and legal guide

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Welcome to this guide

Oil and natural gas revenues have placed Qatar as one of the highest per-capita income countries, as well as one of the fastest growing economies. Recent economic policy is focused on developing Qatar's non-associated natural gas reserves and increasing private and foreign investment in non-energy sectors, but oil and gas still account for approximately 50% of GDP.

The establishment of the Qatar Financial Centre, and the progression of company, capital markets and taxation laws over the recent years are clear evidence of the concerted effort to attract investors to Qatar across a range of sectors.

This guide is intended to provide an introduction to the taxation and legal aspects of doing business in Qatar, particularly from the perspective of the items an inbound investor will have in mind.

We hope you find the guide useful.

Dean Kern
Middle East - Tax and Legal Services Leader
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Country introduction

Overview

- Qatar, located on the east coast of the Arabian Peninsula, is bordered by Saudi Arabia to the south and by the Persian Gulf to the north, east, and west. It is divided into seven municipalities, with Doha as the capital.
- The currency is the Qatari Riyal (QAR), which is pegged to the US dollar.
- Arabic is the first language, with English widely spoken and used in business.
- Ruled by the Al-Thani family since the mid-1800s, Qatar transformed itself from a British protectorate noted mainly for pearling into an independent state with significant oil and natural gas revenues.
- Oil and natural gas revenues have placed Qatar as one of the highest per-capita income countries, as well as one of the fastest growing economies. Qatar has the third largest natural gas reserves in the world and these are expected to last well into the 22nd century. Its proven oil reserves should also enable continued output at current levels for many years.

Qatar has been rated as having the least demanding tax framework in the world, alongside the UAE. The 2017 Paying Taxes report, a joint publication by PwC and the World Bank Group, found that in Qatar, the test case company has an average total tax rate of 11.3%, takes 41 hours per year to comply with its tax affairs and makes 4 payments of tax per annum. The Paying Taxes report, however, is based on an test case company that is 100% Qatari owned (and is therefore exempt from Qatar corporate income tax which applies to Qatar sourced profits which are beneficially attributable to foreign ownership, as well as retentions which apply to foreign owned branches) and that undertakes all of its sales and purchases in Qatar (and is therefore not subject to withholding taxes which apply to payments to foreign entities that do not have permanent establishments in Qatar.)

Legal System in Qatar

- Qatar's constitution, which came into effect in 2005, provides the administrative framework for the governance of the State. Executive authority is exercised by the Emir, assisted by the Cabinet, or Council of Ministers, which he appoints.
- Legislative authority is exercised through the Shura Council. The Shura Council considers draft laws prepared by the Cabinet. A member of the Shura Council may also propose new legislation, in which case the proposal is submitted to a committee within the Council for consideration before it is subsequently passed back to the full Shura Council. If the Shura Council accepts the proposal, it is then passed to the Cabinet for its review and recommendations. The Constitution provides that every draft law has to be referred to the Emir for final approval.
- With the enactment of Judicial Law No. 10 of 2003, Shari'a law became the main source of legislation in Qatar. Prior to that Qatar operated a dual judicial system, with one system based on Shari'a law and the other on English common law.
- In the current Shari'a based system, proceedings in all courts are conducted in Arabic with translators provided for non-Arabic speaking litigants. There is an established appeal process for litigation whereby decisions of the Court of First Instance can be appealed before the Court of Appeal and a final appeal may be made to the Court of Cassation.
- The Qatar Financial Centre ("QFC") has its own Civil and Commercial Courts, as well as an independent Regulatory Tribunal. The legal framework is modelled on English common law and existing major financial centres.

Establishment of business

Introduction

A key starting point for those seeking to do business in Qatar is to understand the regulations that govern foreign investments. Law No. 13 of 2000 ("the Foreign Investment Law") and the amendment made to it in 2010 (Law No. 1 of 2010) stipulates that foreign investment can be made in most sectors in Qatar provided that a legal presence is registered in Qatar. If that legal presence is a company, at least 51% of its shareholding must generally be held by a Qatari partner (i.e. a Qatari national or a Qatar company wholly owned by a Qatari national).

The main options available to foreign investors seeking to set up a legal presence in Qatar are:

- Project or contract specific (temporary) branch in the State of Qatar
- Permanent branch in the State of Qatar; further comments are provided below in respect of permanent branches in the Engineering sector
- Incorporated Joint Venture (i.e.51%/49% With Limited Liability Company) in the State of Qatar
- Representative Trade Office (RTO) in the State of Qatar
- An entity in the Qatar Financial Centre (QFC)
- An entity in the Qatar Science & Technology Park (QSTP).

Manateq is responsible for the development of Qatar's three planned Special Economic Zones (SEZ) as well as six Logistics and Warehousing Parks (i.e. Al Wakra, Jery Al-Samur, Birkit Al Awamer, B.O.T Warehousing Projects, Aba Sleel and Al Ruwais). The first SEZ is expected to be marketed in the first Quarter of 2017, with completion of Phase 1 of construction project by Q1 2018 covering an area of 1.2 km^2. The entire park will be 4.0 km^2 following final phase of construction.

The first SEZ, Ras Bufontas will be adjacent to Hamad International Airport and will focus on logistics services, information and communication technology, healthcare, advanced technologies, aerospace and automotive.

The second SEZ, Um Alhoul will be adjacent to the new Port and will focus on metal processing and machinery, food and beverage, construction, logistics, marine and downstream petrochemicals. The entire park will cover 34.3 km^2.

Investors should also have regard to Law No. 25 of 2004 (the Proxy Law), enacted in 2004, which further reinforces restrictions in the Foreign Investment Law. It aims to combat the concealment of activities of non-Qataris behind a Qatari proxy name, licence or commercial registration. The Proxy Law stipulates severe sanctions for offenders of the Foreign Investment Law which include imprisonment for a period of up to a year and fines ranging between QAR 20,000 and QAR 500,000.

Temporary Branch

A foreign company is generally only permitted to set up a temporary branch in Qatar if it has a contract for public benefit, which is currently interpreted as having a contract or sub-contract with a government or quasi-government authority. The branch is set up in respect of a specific contract and requires ministerial approval. There is a standard application process and, provided the required documents are submitted, ministerial approval will typically take 4-8 weeks to obtain.

It is possible to apply to add other governmental or quasi-governmental contracts to an existing branch. This may enable the foreign company to extend the life of the branch; however, ministerial approval is required each time a contract addition is made to the branch's commercial registration. As the branch is temporary in nature, retentions are deducted from payments made to the branch and these retentions can only be reclaimed once performance under the contract has been complete, the branch's tax returns are agreed and a no objection letter is issued by the Qatar Tax Department (QTD). The wait for this can result in significant cash flow implications.

Due to the restrictions and retentions mentioned above, a branch may not be the optimal business vehicle for a foreign investor seeking to undertake business activity in Qatar for many customers over the long term.

International Engineering Consultancy Office (IECO)

Permanent branches of foreign investors generally tend to be set up in the Engineering sector. Law No. 19 of 2005 specifies the requirements for the registration of engineers and the conditions under which different types of engineering consultant offices can be established. An IECO is effectively a 100% foreign owned branch that is permitted to work on multiple contracts in the engineering sector and that does not have a specified lifespan. As it is therefore a permanent branch, Qatar customers are not required to deduct retentions from payments made to the IECO provided it can present a valid tax card.

Engineering Consultancy is defined in the law as "works involving preparation of architectural, construction, survey and planning drawings, plans and designs, supervision of execution, rendering of advice, conducting of feasibility studies, cost estimation, cost accounting and management of projects in various engineering professions."

Law No. 2 of 2014, which applies to the licensing of engineers and architects working in Qatar, importantly does not change (a) the requirement that a license is mandatory before acting as an engineer/architect or an engineering consultant, (b) the substantive requirements for obtaining a license; or (c) the threat of imprisonment for three years for practicing without a license.

The criteria which have to be met in order to apply for an IECO are relatively onerous and in practice, most foreign investors would not choose to set up an IECO – opting instead to work with/ via existing Local Engineering Consultancy Offices - unless necessary for their operations.

Incorporated Joint Venture

The following comments are based on the Commercial Companies Law No 5 of 2002 (as amended by Law No 16 of 2006 and Law No 3 of 2010), which is the main legislation governing entities incorporated in the State of Qatar. It includes provisions prescribing the number of shareholders, minimum capital requirements, corporate governance and dissolution and liquidation.

A new Qatar Commercial Companies Law (Law No. 11 of 2015) was introduced on 16 June 2015 and came into effect on 7 August 2015. The key amendments introduced under the new law have been summarised in the following sections.

The legal entity most frequently incorporated by foreign investors is the With Limited Liability Company (LLC). Foreign legal shareholding in an LLC is generally restricted to 49%, unless otherwise specifically approved, and the participation of one or more Qatari nationals is required for the remaining 51%. Approval for foreign shareholding in excess of 49% is discretionary and is only granted in specific sectors where the applicant can demonstrate that a particular project to be undertaken by the LLC is strategically significant to Qatar. An LLC is not permitted to engage in the business of insurance, banking, or in the investment of funds.

One reason why many foreign investors opt for an LLC is that the profit share attributable to the foreign shareholder is permitted to exceed the legal shareholding. The profit share is normally set out in the LLC's Articles of Association which are required to be submitted to the Ministry of Economy and Commerce as part of the incorporation process. There is no official guidance on the maximum share of profits which can be attributed to a foreign shareholder, however it is common for Articles of Association which specify profit allocation of between 90-95% to the foreign investor to be approved by the Ministry. A foreign shareholder is also permitted to effectively retain day-to-day control of the LLC, including the right to appoint the general manager of the LLC. The LLC's directors are not required to be Qatari nationals or resident in Qatar.

Pursuant to the new commercial companies' law, there is no longer a prescribed minimum share capital threshold and the shareholders of the LLC now have the discretion to determine the share capital of the LLC which is then subject to the approval of the Ministry of Economy of Commerce.

The process of incorporating an LLC typically takes 4-8 weeks from submission of the application and all supporting documents to the Ministry of Economy and Commerce.

Representative Trade Office (RTO)

By virtue of a ministerial decision in 2006, foreign entities are permitted to set up wholly foreign owned RTOs in Qatar.

An RTO is an option where a company wishes only to market products and services in Qatar. An RTO has a very narrow and restricted scope of permitted activities and is not allowed to undertake profit generating commercial activities in Qatar – e.g. provide goods or services in Qatar. It is possible for an RTO to employ foreign nationals commensurate with its marketing activities.

A company wishing to establish an RTO must seek permission from the Ministry of Economy and Commerce.

Qatar Financial Centre (QFC)

The QFC is an onshore regime that operates within its own legal, tax and regulatory framework, which is independent of, but runs parallel to the existing framework in the State of Qatar. The QFC has its own Civil and Commercial Courts, as well as an independent Regulatory Tribunal. The legal framework is modelled closely after the English common law and existing major financial centres. QFC established entities can access the local market, be 100% foreign owned, are subject to no currency restrictions and can repatriate 100% of their profit. Whilst entities can currently be based at any of the QFC's designated premises in Qatar (which are not confined to a specific zone), the QFC has recently announced an initiative to move all existing and future QFC entities to a special designated area, Msheireb Downtown Doha, by 2018.

The Qatar Financial Centre Regulatory Authority (the QFCRA) is the independent regulator responsible for authorising businesses that wish to carry out regulated activities in the QFC. Its counterpart, the Qatar Financial Centre Authority (the QFCA) is the commercial and strategic arm of the QFC that processes license applications for entities seeking to carry out permitted non-regulated activities in and from the QFC.

Regulated activities

Regulated activities in the QFC, include activities such as financial, banking and investment business; insurance and reinsurance business; funds administration, fund advisory, fiduciary business and other financial related business.

Non-regulated activities

Permitted non-regulated activities were originally limited to professional services in support of financial firms (e.g. services generally provided by accounting, audit and legal firms). The QFC subsequently expanded the scope of permitted non-regulated activities to include services such as IP management and treasury for all sectors, and consultancy services in relation to Information Technology, real estate, recruitment and sports and event management. The above-mentioned services are not exhaustive and the QFC Authority continues to consider novel types of professional "business-to-business services" on a case-by-case basis, to the extent that the envisaged business is a strategic fit for the QFC. The opportunity now exists for a non-regulated business to incorporate a 100% foreign owned entity within the QFC. The QFC is also available to Qatari investors and they can enjoy benefits similar to those awarded under the State Tax Law (i.e. exemption from CIT), provided the business is 90% Qatari owned.

The QFC also offers the possibility for investors to set up special purpose companies for the purpose of a transaction or a series of transactions. There is a streamlined and quicker process for setting up such vehicles which are also not subject to the same corporate compliance obligations as the other QFC entities.

In addition, Single-Family Offices can be incorporated in the QFC for the sole purpose of providing services to and carrying on activities in relation to a "Single Family" (i.e. investment and financial activities or services, arranging or providing custodian of fiduciary services). The Single Family must have a minimum investable or liquid assets of US$5,000,000 and must be under the management of a single family.

Legal form of entity

A QFC entity can take various legal forms, including the following:

- Limited Liability Company (LLC);
- Limited Liability Partnership (LLP);
- Company Limited by Guarantee - LLC(G);
- Branch of a non-QFC company;
- Branch of a non-QFC LLP.

Consultation papers have been released to potentially introduce further types of legal forms to the QFC framework in the near future.

Qatar Science & Technology Park (QSTP)

Aimed at incubating and growing Qatar's post-carbon economy and developing Qatar's 2030 National Vision, the QSTP was established to encourage international corporations and research institutes from around the world to develop and commercialise technology in Qatar and launch entrepreneurial technology businesses. QSTP entities must be physically located within the QSTP and are only able to engage in activities specified in their licence. They can apply for a full exemption from corporate income taxes and can import goods and services free of customs duties; however, tax exempt entities are required to file tax returns with the QTD. Although currently full, the QSTP free zone is undergoing expansion to accommodate a larger number of firms. The organisation Manateq has been awarded the contract for the expansion and management of the QSTP in addition to SEZ and Logistics and Warehousing Parks.

Other business arrangements

Commercial Agency

The Commercial Agencies Law (Law No 8 of 2002) governs commercial agency relationships in Qatar. Registered commercial agents have an exclusive right to distribute and sell the products or services specified in the agency agreement. They are entitled to receive a specific commission on the sales made within Qatar.

By appointing a commercial agent in Qatar, a foreign business can sell goods and products in Qatar via the agent without incorporating a legal presence here. The commercial agent must be a Qatari individual or a legal entity that is wholly owned by Qataris. Complications can arise with the commercial agency arrangement, however, if the foreign business is not only required to import goods and products but is also required to provide installation, maintenance, training and other services which cannot be provided by the commercial agent.

Operating without a commercial registration

Historically, some foreign businesses operating in Qatar have not registered a legal entity and instead have simply registered a permanent establishment ("PE") with the Qatar tax authority.

Another business model which has been utilised by foreign businesses for short term assignments is to have short term business visas for employees sponsored by an existing business entity in Qatar or have their employees entered Qatar on tourist visas (so called "fly in" and "fly out" model).

It is important to note however that irrespective of what regularly occurs in practice, undertaking commercial activities in Qatar in contravention of the Foreign Investment Law is an offense which could be punishable by imprisonment and/or a fine. Businesses could also be precluded from operating in Qatar in the future.

From a tax perspective, there has previously been some acceptance of PE and Qatari sponsorship/tourist visa models by the Qatar tax authority as a PE is subject to corporate income tax and payments to foreign entities with no PE in Qatar are subject to withholding tax. However, following the introduction of the online tax administration system ("TAS"), all tax returns submitted online will be required to include the relevant commercial registration number.

Unincorporated Joint Ventures ("UJV")

UJVs have increasingly been utilized by unrelated third parties pooling resources to jointly control and manage a specific project. Some of the key reasons why contractors and principals may enter into a UJV to undertake a project in Qatar include:

- The size and scale of many of the capital projects in Qatar. Joining in a UJV enables individual contractors to pool their resources and jointly undertake projects that would be beyond the financial and managerial resources of the participants individually. The principal may benefit from economies of scale;
- Large projects often involve a high degree of risk. Conducting the activities through a UJV allows the spreading of the risk between several parties;
- When run effectively, a UJV can have a single management team which draws on the combined resources, skills and expertise of the members.

Whilst there are undoubtedly commercial benefits from operating as a UJV, the accounting, legal and tax consequences of forming a UJV can be complicated and requires careful planning prior to entering into such arrangements.

Mergers and Acquisitions

A final market entry strategy for foreign companies is to acquire or invest in an existing Qatar company. Both share and asset purchases are possible in Qatar. Particular factors to take into account include:

- The very limited amount of publicly available information and so the need for thorough due diligence;
- The requirement for the participation of one or more Qatari nationals (either individuals or body corporate) with the foreign shareholding restricted to 49% unless otherwise specifically approved;
- Ministerial approval for a direct transfer of shares in a company in Qatar requires a no-objection certificate ("NOC") from the Qatar tax authority. They may refuse to issue the NOC until a return has been submitted and tax paid in respect of non-resident capital gains arising from the sale;
- The impact of Qatar end of service benefits in the case of asset transfers;
- The number of years that remain open to tax enquiry by the tax authorities.

Key considerations for foreign investors

Important matters for a foreign business considering investing in Qatar include:

- The foreign investment rules in Qatar and the fact that breaching the Foreign Investment Law and Proxy Law is a criminal offence.
- Branches are limited to governmental or quasi-governmental contracts and additional approval is required for each contract performed by the branch.
- The general requirement is to have a Qatari partner when setting up an LLC in the State of Qatar. A related consideration is whether to have an active or a passive Qatari partner.
- Depending on the envisaged activity of the foreign business, it may have the opportunity of establishing a 100% foreign owned entity or branch (in the QFC, in the QSTP and for certain specific industries in the State of Qatar if the activity/ project is strategically important to Qatar.
- The timeframe to set up a branch or LLC in the State of Qatar is typically 4-8 weeks, but timelines can be significantly impacted by the religious holidays.
- Certain business sectors may also require additional approval or licenses from other Qatar bodies (Ministry of Sport, Ministry of Municipality and Urban Planning etc.).

Taxation

Introduction

Qatar operates a territorial taxation system. Unless specifically exempt from tax, an entity is taxable in Qatar if it has generated Qatar-sourced income, regardless of the place of its incorporation.

Qatar currently has three tax regimes in which foreign investors can potentially operate. Those tax regimes are the State of Qatar, the Qatar Financial Centre (QFC) and the Qatar Science and Technology Park (QSTP). Key features of these tax regimes are provided below. Additional regimes are possible as Qatar establishes its economic zones.

1. Taxation in the State of Qatar

The State tax regime provides for the general framework for the majority of businesses operating in Qatar.

Corporate Income Tax

The current tax rules in the State of Qatar are governed by Law No. 21 of 2009, which came into force with effect from January 1, 2010. The executive regulations, effective from July 1, 2011, contain the detailed rules related to the administration of the tax regime. The QTD also issues circulars from time to time to provide guidance on the interpretation of provisions in the Qatar tax law and its application in practice.

An entity that is wholly or partially foreign owned and that derives income from sources in Qatar is taxable in Qatar. Its profits attributable to non-Qatar nationals are generally subject to income tax at a flat rate of 10%. A different tax rate may apply to entities with oil and gas operations or where the activities are carried out under an agreement with the government.

No corporate income tax is levied on a corporate entity that is wholly owned by Qatari and Gulf Cooperation Council (GCC) nationals.

The provisions of the tax law do not apply to the following:

- Private associations and foundations and private foundations of public interest
- Not-for-profit bodies
- Salaries, wages and allowances
- Gross income from legacies and inheritances.

Withholding tax compliance obligation is the only exception to this, which applies to all bodies other than those registered in the QFC.

Permanent Establishment (PE)

The definition of a PE in Qatar's tax law is close to the terms of the definition in the Organisation for Economic Cooperation and Development (OECD) Model Convention; in essence, "a fixed place of business through which the business of the taxpayer is wholly or partially carried on, including for instance a branch, office, factory, workshop, mine, oil or gas well, quarry, building site, assembly project or place of exploration, extraction or exploitation of natural resources". The activity in Qatar of a "dependent agent", i.e. a person (other than an independent agent) "acting on behalf of" the taxpayer or in its interest" may also create a PE in Qatar. However, Qatar tax law has not established any list of auxiliary or preparatory activities which would provide exemption from creation of a PE. Companies that have a permanent establishment in the country should be subject to corporate income tax in Qatar.

While a PE could previously file a tax return even if the PE was not registered in the commercial register, it was in contravention of the Foreign Investment Law. Following the introduction of the electronic tax administration system (TAS), a commercial registration number must be provided when filing a return online. This means any unregistered PE will be required to have a legal presence in Qatar and obtain commercial registration in order to be able to file on TAS.

Income determination

Income tax is imposed on local source income generated by residents and non-residents with PEs in Qatar, as per the Qatar tax law. Local source income includes the following main items:

- Gross income derived from an activity carried on in Qatar,
- Gross income derived from contracts wholly or partly performed in Qatar,
- Income from real estate situated in Qatar, including income from the sale of shares of companies with assets consisting of mainly real estate situated in Qatar,
- Income from shares in companies resident in Qatar.

Dividend income is not taxable.

Deductions

A deduction is usually available for expenses that are incurred in generating Qatar source revenue and that are considered ordinary rather than 'capital' in nature. Specific items of deductible expenditure include the following:

- Interest on loans attributable to the taxpayer's Qatari activities, except where the loan is between a Qatar branch and its head office or a party related to the head office;
- Employee costs (including salaries, wages, gratuities, and other end-of-service benefits);
- Tax depreciation of fixed assets. Tax depreciation is calculated in accordance with rates specified by the Qatar tax law and regulations;
- Losses resulting from the sale of assets;
- Bad debts approved by the tax authorities in accordance with the criteria set out in the tax law;
- Donations, gift aid and subscriptions to charitable, humanitarian, scientific, cultural or sporting bodies paid in Qatar to government authorities or public bodies, provided the value does not exceed 5% of net profit in the year in which the deduction is claimed; and
- A branch's share of head office expenses up to a limit of 3% (1% for banks) of the total revenue less certain other costs.

Losses

Losses can be carried forward for three years after the year in which they were incurred. Losses cannot be carried back.

Tax administration

Introduction of electronic tax administration system (TAS)

The Qatar Ministry of Finance has launched a new online tax administration system to "Modernise and transform tax administration functions". This is available via its website www.tasportal.mof.gov.qa and went live in 2014. From that time it has been mandatory for any correspondence (e.g. tax returns, withholding tax statements, extension requests, tax card applications, objections, appeals etc.) submitted to the tax department to be made through the new electronic filing system. The intention is to move away from the requirement to submit hard copies of correspondence, however, at the moment hard copies have to be submitted in addition to the online submission.

Tax registration and tax card

The tax law says that if you are a taxpayer and you are carrying on a business activity in Qatar then you should register with the QTD and submit an application for a tax card within 30 days from whichever is the earlier date, of obtaining commercial registration or the first day of realisation of income from the activity. In practice it is prudent to act within 30 days of obtaining commercial registration even if there may be a delay before you receive your first income from the activity. A penalty of QAR5,000 ($1,370) may be imposed for failure to register and apply for a tax card within the deadline.

The duration of the first taxable period must be a minimum of six months and a maximum of 18 months. Thereafter, each period will be 12 months in duration. The default tax year - end date is December 31. An application may be made to the QTD to seek approval for a different year-end date.

Filing and payment requirements

Those subject to tax in Qatar are required to submit an income tax declaration and pay any tax due to the QTD within four months of the end of the accounting period (e.g. by April 30 2017 for an accounting period that ends on December 31 2016). The penalty for late filing of a return is QAR100 ($27.40) per day of delay (capped to a maximum of QAR36,000 ($9,860)). A separate penalty applies for the late payment of tax. This penalty is 1.5% of the amount of tax due per month (or part of month) of the delay.

Contract notification obligation

The executive regulations pertaining to the Tax Law include certain notification requirements for governmental bodies, public corporations and establishments and companies. Such entities are required to notify the QTD of their contracts if certain conditions are satisfied.

For contracts concluded with non-residents who do not have a PE in Qatar, the QTD must be notified irrespective of the value of the contract. This will replace the requirement for registration and application for a tax card in respect of non-residents who do not have a PE in Qatar. A copy of the contract must also be submitted if its value exceeds QAR 100,000.

For contracts concluded with residents or non-residents who have a PE in Qatar, the QTD must be notified if they exceed the following thresholds:

- Contract of services if it equals or exceeds QAR 200,000.
- Contracts of construction, supply of goods and provision of services if they equal or exceed QAR 500,000.

Tax assessments

Articles 22-24 of the Tax Law outline that tax is assessed on the basis of the taxable income as determined in the return, but the QTD has the right to seek information or clarifications from the taxpayer and to reassess the tax due. Once an assessment is made, the QTD should issue a notice of assessment to the taxpayer.

The taxpayer may object within 30 days from the date of its notification, and the QTD should respond to an objection within 60 days. If no response is provided within 60 days this is regarded as an implicit rejection of the objection. If the objection is unsuccessful, an appeal may be filed by the taxpayer to the Tax Appeals Committee within 30 days. A final appeal may be made to the administrative chamber of the court.

The statute of limitations for assessment of tax and penalties is five years following the year in which the taxpayer submits the return. Where the taxpayer fails to submit the return, the statute of limitations is extended to 10 years following the taxable year in respect of which the taxpayer did not file the return.

The stature of limitations for collection of the tax and penalties by the QTD is ten years following the year in which the amount of such tax and penalties has become due.

Accounting and audit requirements

Businesses that are wholly or partially foreign (non-GCC) owned are required to submit audited financial statements signed by a locally registered auditor together with the tax declaration to the QTD, if:

- The capital of the taxable entity in Qatar exceeds QAR100,000 ($27,390); or
- The annual taxable income of the entity exceeds QAR100,000 ($27,390); or
- In the case of a branch, if the head office is situated outside of Qatar.

The tax law requires accounts to be prepared in accordance with International Financial Reporting Standards; however a taxpayer may make an application to the QTD to use another accounting method. There is a requirement that the tax return is co-signed by a registered auditor in Qatar.

The taxpayer is also required to keep and maintain records and documentation pertaining to their activities in Qatar for a period of 10 years following the end of the taxable year to which the records and documentation relate, unless released from this obligation through meeting conditions outlined in the executive regulations of the law.

The tax law states that taxpayers who are carrying out a tax-exempt activity shall also submit a tax return accompanied by audited financial statements. Circular No. 4/2011 dated 7 August 2011 confirms that companies and permanent establishments wholly owned by Qatari or GCC nationals are required to file corporate income tax returns (accompanied by audited financial statements) if:

- Their share capital is greater than or equal to QAR2m ($547,800); or
- Their gross revenue is greater than or equal to QAR10m ($2.74m).

A penalty of QAR15,000 ($4,110) may be imposed for failure to comply with the requirements to submit audited financial statements and keep accounting records as described above.

Withholding taxes

The tax law introduced a requirement for all entities registered in Qatar or with a permanent establishment in Qatar to withhold a percentage of certain payments made to non-residents. This means that although the withholding tax liability falls on the non-resident with activities in Qatar without a permanent establishment, the withholding tax compliance requirement is borne by the Qatar entity.

The applicable withholding tax rates are as follows:

- 5% of the gross amount of royalties and technical fees; and
- 7% of the gross amount of interest (some exclusions apply), commissions, brokerage fees, director's fees, attendance fees, and any other payments for services carried out wholly or partly in the state.

There is no withholding tax on dividends.

A company that makes the payment to its foreign supplier is required to withhold the tax and remit to the tax department the funds that were withheld by the 16th day of the following month. It is also required to file a withholding tax statement to the QTD within the same deadline. In the event that the company does not make a tax payment or does not file a withholding tax statement to the tax department within the deadline, the company will be liable for a penalty equal to the amount of unpaid tax due, in addition to the withholding tax.

Circular No. 3/2011 dated 19 June 2011 confirmed that the requirement to withhold applies to all entities registered in the state of Qatar including government bodies, public authorities and corporations. The circular also includes an instruction for such entities to refrain from including conditions relating to exemption from income tax or the bearing of its burden by them (e.g. gross-up clauses) unless written approval from the Ministry of Economy and Finance is obtained.

Entities registered in the QFC do not have to withhold.

Qatar has a growing network with almost 60 treaties in force at the time of writing which may allow a foreign company to reclaim withholding tax it has suffered. The treaty network is one of the most extensive in the GCC.

Contract retention

On 12 June 2011 the Ministry of Economy and Finance issued Circular No. 2/2011 in respect of the retention policy under the new tax law. The instructions provided under Circular No. 2/2011 replace the retention rules in previous circulars. Circular No. 2/2011 confirms the retention system continues to apply to payments made under contracts wholly or partly executed in Qatar with the precise operation of retention dependent on the status of the recipient of the payment.

For taxpayers who are resident in Qatar and permanent branches (whose activities are not associated with a fixed period, contract or project), the final payment should be made when the taxpayer or branch submits a valid tax card issued by the QTD. No contract retention is required.

In the case of registered branches with a period of activity of one year or more ("temporary branch") on a fixed period, contract or project, retention should be made on whichever is the higher out of the final payment or 3% of the value of the contract (after excluding the value of supplies and work performed outside Qatar). The retained amounts can be released once the branch produces a no objection letter issued by the QTD. One of the conditions to get a no objection certificate is obtaining a tax assessment of the branch's tax returns for the respective period by the QTD.

Interim contract payments can be made in full if a tax card and valid commercial registration number are presented.

Payments to taxpayers that do not have a valid commercial registration, or that are registered for an activity or project of less than one year, will be subject to withholding tax.

Payments to taxpayers who are registered in the QFC may be made once the taxpayer submits a certificate issued by the QFC confirming that the taxpayer is registered there.

Anti - avoidance and Transfer Pricing

The tax law gives power to the QTD to counteract any tax advantage obtained by arrangements, operations or transactions, one of the main purposes of which is to avoid paying tax. In those cases where tax avoidance is present, the QTD may apply the arm's length value to the particular transaction and adjust the amount of tax due by the taxpayer.

Executive regulations provide that the arm's length value should be determined in accordance with the "unrelated comparable price method". They also provide that the taxpayer should submit an application to the QTD if it wishes to apply any other pricing method approved by the OECD.

The Qatar tax authority regularly challenges all group transactions and shareholder service payments under the anti-avoidance and transfer pricing legislation.

2. Taxation in the QFC

The QFC has its own tax regulations and rules.

Locally sourced profits of the QFC entities are subject to 10% corporate income tax. Extensive tax exemptions apply for qualifying activities, dividends and capital gains. Unregulated QFC limited liability companies with a minimum 90% Qatari ownership benefit from a 0% concessionary corporate income tax rate. No tax exemption for profits of Qatari partners in joint ventures is available where the Qatari ownership is less than 90%.

Group loss relief is available for taxpayers in the QFC.No WHT is applicable on payments from Qatar.

Entities have access to Qatar's double tax treaties network with over 60 jurisdictions.

QFC advance ruling services and requirement for the QFC tax authority to review tax returns within 12 months of filing provide QFC entities and investors with a high degree of certainty.

The QFC has introduced online filing. From 1 January 2016, all tax returns must be submitted online using the QFC Tax Portal. From this date, the QFC tax department does not accept hard copy tax returns or tax returns submitted via email.

3. Taxation in the QSTP

The QSTP is a special zone for technology research based companies. QSTP entities must be physically located within the QSTP and are only able to engage in activities specified in their license. They can apply for a full exemption from corporate income taxes and can import goods and services free of Customs Duties, however, QSTP entities are still required to file tax returns with the QTD.

Other taxes

VAT / Sales tax

Currently there is no VAT or sales tax in Qatar or other GCC countries. The GCC plans to introduce a VAT common framework which will form the legal basis for the introduction of a VAT system in each of the GCC member states (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and UAE). Certain GCC member states (including Kuwait, Oman and the UAE) have announced that VAT will be implemented by 1 January 2018. Other member states including Qatar are expected to make similar announcements shortly. The anticipated VAT rate across the GCC may be between 3% and 5%.

Custom duties

Customs duties are applied to goods with an origin outside the GCC countries, normally at a rate of 5%, but sometimes at higher rates for specific types of goods, such as tobacco products. Temporary import exemptions are sometimes available.

Personal income tax

There are no taxes imposed on employed individuals' salaries, wages and allowances in Qatar. Employers have to pay social insurance in respect of Qatari employees but have no obligations for employees of other nationalities. A self-employed individual may be subject to income tax if he derives Qatar source income.

Key considerations

Important Qatar tax considerations for a foreign business contemplating undertaking business in Qatar are:

- Qatar tax regimes in the State of Qatar, the QFC and the QSTP are substantially different and a foreign investor should consider which best fits with its commercial and operational considerations, including its chosen business structure (e.g. branch, LLC) in Qatar.
- If the foreign business does not create a PE then to what extent payments to it are subject to WHT.
- Potential for WHT reclaim under a double tax treaty.
- Potential availability of tax exemptions.
- There are no income taxes for expatriate employees but a wage protection system has been introduced.
- Customs Duties apply on the import of goods to GCC, generally at 5%.
- VAT is expected to be introduced in 2017-2019.
- Requirement to support corporate income tax return with audited financial statements.
- Requirement to retain accounting records for a period of 10 years.

Additional legal considerations

Corporate / Commercial

The following comments are based on the recently introduced Qatar Commercial Companies Law *(Law No. 11 of 2015)*.

Some of the key provisions pursuant to the new Qatar Commercial Companies Law *(Law No. 11 of 2015)* have been summarized below:

Number of shareholders: An LLC can now be incorporated with a single shareholder (though special approval for a wholly foreign owned LLC must be obtained) and can have a maximum of fifty shareholders

Limitation of liability: Shareholders in an LLC may only be held liable in respect of the operations of the LLC up to the amount of share capital contributed. The name of the company shall clearly establish that it has been incorporated with limited liability. If the managers of the company fail to do so, they may be held personally responsible for the liabilities of the company.

Minimum capital requirements: There is now no prescribed minimum share capital, and the partners have the discretion to determine the minimum share capital of the LLC.

Share transfers: Where a shareholder wishes to dispose of any of its shares in the LLC to a third party (i.e. to a party that is not a shareholder at the time of the transfer), he must inform the other shareholders in advance of the disposal. The other shareholders will have a first refusal right to purchase the shares.

Legal reserve: Under the CCL, there is a requirement to transfer 10% of the net profits of the company to a legal reserve until the amount of the legal reserve equals or exceeds half of the value of the capital of the company.

Management: The appointment of directors must be registered in the commercial registry. A decision to remove a director or confine their powers is only enforceable against third parties when that decision is published in the commercial registry. LLC's directors are not required to be Qatari nationals or resident in Qatar. In most cases, provisions can be stipulated in the incorporation documents regarding the appointment of the general manager and voting majorities required for various appointments to achieve a desired level of operational control by the foreign shareholder. Directors are responsible for compensating the company, its shareholders and others for the damage resulted from deceit or improper use of authority or the violation of the provisions of the law or the statute of the company.

Corporate governance: General Meetings of Shareholders must be convened at least once a year, within four months from the end of the fiscal year (the Annual General Meeting, "AGM"). Annual accounts are approved and distributions of profits are decided in the course of the AGM. The quorum to take decisions in the AGM is the votes of shareholders representing at least half of the company's share capital, unless the Articles of Association stipulate otherwise. If that majority is not reached in the first meeting, a second meeting will be convened within 21 days and the quorum in that second meeting is a majority of the shareholders attending to that meeting unless the articles of association stipulate otherwise.

Dissolution and liquidation: Dissolution may arise for a number of statutory reasons, for instance expiry of the company's period specified in the Articles of Association, expiry of the object for which the company was established, or transfer of shares resulting in fewer shareholders than required as a minimum by the law. The CCL specifies that dissolution may also arise where the shareholders give their unanimous consent. However, the Articles of Association may provide for a different threshold. Liquidation proceedings involve the appointment by the managers or the AGM of a liquidator and, depending on circumstances, may take a significant amount of time.

Immigration

The immigration procedures and processes in Qatar can often change with very little notice.

Please find below an overview of the key categories of visas which may be applicable to individuals entering the country for the purposes of undertaking commercial activities:

Business Visa

This is usually issued for business visitors to Qatar who intend to come into the country on a short term assignment. The visa can generally be sponsored by Qatar incorporated entities and is usually issued for business visitors to Qatar who intend to visit the country for short term assignments. Certain restrictions may exist in relation to this particular type of visa, and therefore initial consultation with the host sponsor is essential. Business visas are usually valid for 1 month and can be extended for another 2 months. The length of time to obtain a Business Visa can vary and can take up to a month.

Work Permits

Anyone intending to work in Qatar for the medium to long term must have a valid Work Permit/ Residence Permit. The sponsoring company is legally responsible for the actions of employees under their sponsorship. Work Visa and Residence Permit (RP) must be sponsored by Qatar incorporated entities that have the necessary labour quota approval for the specific nationalities and number of employees that they wish to employ.

Labour Law

It is mandatory to have a local employment contract in order to apply for a work/ residence permit in Qatar. It is also important that companies are aware of and compliant with their duties as employers, as non - compliance may lead to serious consequences for both the employer and the employee.

At the bare minimum, the local employment contracts would generally be expected to include the name of the employer, registered place of employment, the name of the employee, nationality, wage/ salary, annual and other leave, type of work, end of service benefit, date of employment, and duration of the contract (if fixed).

Qatar's Law No. 21 of 2015 regulating the entry, exit and residency of expatriates is expected to come into force in December 2016, and is intended to introduce the following key changes to the existing employment framework in Qatar:

- Replacement of the Kafala (sponsorship) system with a contract-based system that will govern the employer-employee relationship;
- Removal of the two-year restriction period before an expatriate worker can return to Qatar to work for a different employer; and
- Exit permits from the employer/sponsor will no longer be required before an expatriate worker can legally exit the country, albeit approval from the Ministry of Interior and Employer will still be required.

Wage Protection System

Pursuant to the recently introduced Wage Protection System (WPS), it is now a requirement for employers to ensure that employees with a local employment contract or Residence Permit are paid in Qatari Riyals and into a bank account of the employee in Qatar.

*Qatar key tax indicators**

Tax indicators	Resident	Non-resident **
Fiscal year end	Calendar year. However, another year end can be used provided permission is granted in advance by the Qatari Tax Authorities	Calendar year. However, another year end can be used provided permission is granted in advance by the Qatari Tax Authorities
Companies		
Income tax	General tax rate is 10%. A 35% tax rate applies to companies operating in the oil and gas sector. There is no CIT if the company is fully owned by GCC nationals (or non-resident company is wholly owned by GCC nationals who are resident in Qatar.)	Not applicable, unless the foreign company has a permanent establishment in Qatar (refer to comments opposite)
Tax on capital gains	Taxed as ordinary income at 10%. Capital gains on the sale of shares listed on the Qatari Stock Exchange are exempt from tax.	Potentially taxable at 10%.
General sales tax	Not applicable	Not applicable
Value added tax	Not applicable	Not applicable
Individuals		
Individual marginal tax rate (max)	Not applicable	Not applicable
Basis of taxation	Not applicable	Not applicable
Withholding tax		
Dividends	Not applicable	Not applicable
Interest	Not applicable	7%
Royalties	Not applicable	5%
Management service fees	Not applicable	5% if the service is wholly or partly performed in Qatar
Technical fees	Not applicable	5% if the service is wholly or partly performed in Qatar
Customs	Standard rate is 5%. Other rates (0%, 20%, 100%) apply depending on the nature of the goods.	
Exchange controls	None	None
Thin capitalisation	None, but interest payments made by a PE to its head office are not deductible for tax purposes	
Transfer pricing	None, however anti-avoidance rules provide that an arm's length price should be applied for related party transactions.	
Double tax treaties	Over 60 DTTs in force	
Treaties awaiting conclusion or ratification	28 pending treaties	

* This summary is primarily directed towards entities operating under the State regime.
** Not tax resident in Qatar and no permanent establishment in Qatar.

About PwC Middle East

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We provide a comprehensive set of services covering:

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- Transfer pricing

Contacts

Neil O'Brien, Doha
Qatar Tax and Legal Leader
+974 4 419 2812
neil.obrien@pwc.com

Sajid Khan, Doha
Qatar International Tax Services Leader
+974 4 419 2803
sajid.khan@pwc.com

Dean Kern, Dubai
Middle East Tax and Legal Leader
+971 4 304 3575
dean.kern@pwc.com

Jochem Rossel, Dubai
Middle East International Taxation Services Leader
+971 4 304 3445
jochem.rossel@pwc.com

Jonathan Gibson , Dubai
Middle East PwC Legal Leader
+971 4 304 3424
jonathan.s.gibson@pwc.com

CDC 993/112016