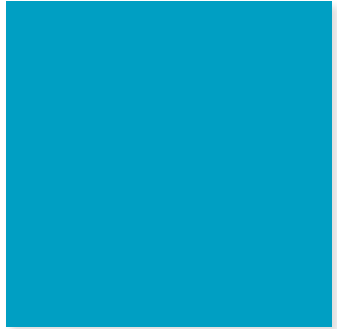


PKF



Qatar
Tax Guide
2013

FOREWORD

A country's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions. This handy reference guide provides clients and professional practitioners with comprehensive tax and business information for over 90 countries throughout the world.

As you will appreciate, the production of the WWTG is a huge team effort and I would like to thank all tax experts within PKF member firms who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication.

I hope that the combination of the WWTG and assistance from your local PKF member firm will provide you with the advice you need to make the right decisions for your international business.

Richard Sackin

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PREFACE

The PKF Worldwide Tax Guide 2013 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world's most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current on 1 January 2013, while also noting imminent changes where necessary.

On a country-by-country basis, each summary addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

In addition to the printed version of the WWTG, individual country taxation guides are available in PDF format which can be downloaded from the PKF website at www.pkf.com

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MAY 2013

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ABOUT PKF INTERNATIONAL LIMITED

PKF International Limited (PKFI) administers the PKF network of legally independent member firms. There are around 300 member firms and correspondents in 440 locations in around 125 countries providing accounting and business advisory services. PKFI member firms employ around 2,270 partners and more than 22,000 staff. PKFI is the 11th largest global accountancy network and its member firms have \$2.68 billion aggregate fee income (year end June 2012). The network is a member of the Forum of Firms, an organisation dedicated to consistent and high quality standards of financial reporting and auditing practices worldwide.

Services provided by member firms include:

- Assurance & Advisory
- Insolvency – Corporate & Personal
- Financial Planning/Wealth management
- Taxation
- Corporate Finance
- Forensic Accounting
- Management Consultancy
- Hotel Consultancy
- IT Consultancy

PKF member firms are organised into five geographical regions covering Africa; Latin America; Asia Pacific; Europe, the Middle East & India (EMEI); and North America & the Caribbean. Each region elects representatives to the board of PKF International Limited which administers the network. While the member firms remain separate and independent, international tax, corporate finance, professional standards, audit, hotel consultancy and business development committees work together to improve quality standards, develop initiatives and share knowledge and best practice cross the network.

Please visit www.pkf.com for more information.

STRUCTURE OF COUNTRY DESCRIPTIONS

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX
CAPITAL GAINS TAX
BRANCH PROFITS TAX
SALES TAX/VALUE ADDED TAX
FRINGE BENEFITS TAX
LOCAL TAXES
OTHER TAXES

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES
DEPRECIATION
STOCK/INVENTORY
CAPITAL GAINS AND LOSSES
DIVIDENDS
INTEREST DEDUCTIONS
LOSSES
FOREIGN SOURCED INCOME
INCENTIVES

C. FOREIGN TAX RELIEF

D. CORPORATE GROUPS

E. RELATED PARTY TRANSACTIONS

F. WITHHOLDING TAX

G. EXCHANGE CONTROL

H. PERSONAL TAX

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

INTERNATIONAL TIME ZONES

AT 12 NOON, GREENWICH MEAN TIME, THE STANDARD TIME ELSEWHERE IS:

A

Algeria	1 pm
Angola	1 pm
Argentina	9 am
Australia -	
Melbourne	10 pm
Sydney	10 pm
Adelaide	9.30 pm
Perth	8 pm
Austria	1 pm

B

Bahamas	7 am
Bahrain	3 pm
Belgium	1 pm
Belize	6 am
Bermuda	8 am
Brazil	7 am
British Virgin Islands	8 am

C

Canada -	
Toronto	7 am
Winnipeg	6 am
Calgary	5 am
Vancouver	4 am
Cayman Islands	7 am
Chile	8 am
China - Beijing	10 pm
Colombia	7 am
Cyprus	2 pm
Czech Republic	1 pm

D

Denmark	1 pm
Dominican Republic	7 am

E

Ecuador	7 am
Egypt	2 pm
El Salvador	6 am
Estonia	2 pm

F

Fiji	12 midnight
Finland	2 pm
France	1 pm

G

Gambia (The)	12 noon
Germany	1 pm
Ghana	12 noon
Greece	2 pm
Grenada	8 am
Guatemala	6 am

VI

Guernsey	12 noon
Guyana	7 am

H

Hong Kong	8 pm
Hungary	1 pm

I

India	5.30 pm
Indonesia	7 pm
Ireland	12 noon
Isle of Man	12 noon
Israel	2 pm
Italy	1 pm

J

Jamaica	7 am
Japan	9 pm
Jordan	2 pm

K

Kenya	3 pm
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L

Latvia	2 pm
Lebanon	2 pm
Luxembourg	1 pm

M

Malaysia	8 pm
Malta	1 pm
Mexico	6 am
Morocco	12 noon

N

Namibia	2 pm
Netherlands (The)	1 pm
New Zealand	12 midnight
Nigeria	1 pm
Norway	1 pm

O

Oman	4 pm
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P

Panama	7 am
Papua New Guinea	10 pm
Peru	7 am
Philippines	8 pm
Poland	1 pm
Portugal	1 pm

Q

Qatar	8 am
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R

Romania	2 pm
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Russia -	
Moscow	3 pm
St Petersburg	3 pm

S

Singapore	7 pm
Slovak Republic	1 pm
Slovenia	1 pm
South Africa	2 pm
Spain	1 pm
Sweden	1 pm
Switzerland	1 pm

T

Taiwan	8 pm
Thailand	8 pm
Tunisia	12 noon
Turkey	2 pm
Turks and Caicos Islands	7 am

U

Uganda	3 pm
Ukraine	2 pm
United Arab Emirates	4 pm
United Kingdom(GMT)	12 noon
United States of America -	
New York City	7 am
Washington, D.C.	7 am
Chicago	6 am
Houston	6 am
Denver	5 am
Los Angeles	4 am
San Francisco	4 am
Uruguay	9 am

V

Venezuela	8 am
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Z

Zimbabwe	2 pm
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QATAR

Currency: Qatari Riyal
(QR)

Dial Code To: 974

Dial Code Out: 00

Member Firm:

City:
Doha

Name:
Walid Saadi

Contact Information:
4493 5196
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A. TAX PAYABLE**COMPANY TAX**

The income tax system and filing procedure in Qatar is covered by Law No.21 of 2009.

An annual tax shall be imposed on the taxpayer's taxable income derived from sources in the State during the previous taxable year.

Notwithstanding the provisions of the previous paragraph, the tax shall be imposed on:

- 1) Bank interest and returns realised outside the State provided that they are derived from amounts resulting from the activity of the taxpayer in the State; and
- 2) Commissions due under agency, brokerage or commercial representation agreements accrued outside the State in respect of activities carried on in the State.

Income derived from the State shall include:

- 1) Gross income derived from an activity carried on in the State
- 2) Gross income derived from contracts wholly or partly performed in the State
- 3) Gross income from real estate situated in the State including the sale of shares in companies or partnerships the assets of which consist mainly of real estate situated in the State
- 4) Gross income from shares in companies resident in the State or listed on its stock markets
- 5) Consideration for services paid to head offices, branches or related companies
- 6) Interest on loans obtained in the State
- 7) Gross income from the exploration, extraction or exploitation of natural resources situated in the State; and
- 8) Gross income subject to tax in the State under a double taxation agreement.

TAX EXEMPTIONS

Notwithstanding other tax exemptions provided for under special laws or international agreements or under the provisions of Articles 51 to 56 of the tax law No.21 of 2009, the following items of income shall be exempt from tax:

- 1) Bank interest and returns due to natural persons other than those carrying on a taxable activity in the State, whether or not resident in the State
- 2) Interest and returns on public treasury bonds, development bonds and public corporation bonds
- 3) Capital gains on the disposal of real estate and securities derived by natural persons provided that the real estate and securities disposed of are not part of the assets of a taxable activity
- 4) Dividends and other income from shares if the amounts distributed during a taxable year were taken from profits that were:
 - a) Subject to the tax under this law; or
 - b) Distributed by a company the income of which is exempt from tax under this law or other laws.
- 5) Gross income from handcraft activities that do not use machines provided that the gross income does not exceed one hundred thousand (100,000) Riyals per year, the average number of employees does not exceed three during the taxable year and the activity is carried on in one single establishment, in accordance with the limits and conditions provided for in the executive regulations of this law
- 6) Gross income from agricultural and fishing activities
- 7) Gross income of non-Qatari air and sea transport companies operating in the State, subject to reciprocity
- 8) Gross income of Qatari natural persons resident in the State, including their shares in the profits of legal persons
- 9) Gross income of legal persons resident in the State and wholly owned by Qatari nationals.

ACCOUNTING PERIOD

The accounting period of a taxpayer who carries on an activity shall be the taxable year.

However, the taxpayer may, after obtaining the approval of the Department, adopt an accounting period that is different from the taxable year in accordance with the provisions of the executive regulations of this law.

The accounting period of a taxpayer shall be 12 months, subject to the following:

- 1) Where the taxpayer starts the activity after the beginning of the taxable year, the accounting period shall start from the date of the beginning of the activity.
- 2) The first accounting period may not be less than six months nor more than 18 months. In all cases, the tax shall be calculated on the taxable income of the actual accounting period.
- 3) Where the activity is liquidated, the accounting period shall run from the end of the previous accounting period until the end of liquidation.
- 4) Where the activity is ceased, assigned or sold, the accounting period shall run from the end of the previous accounting period until the date of cessation, assignment or sale.
- 5) Where the taxpayer carries on a temporary activity the period of which does not exceed 18 months, the accounting period shall be the period of activity.

The taxpayer shall determine the taxable income on the basis of the accruals accounting method used in commercial accounting in accordance with international accounting standards, and subject to the provisions of this law and its executive regulations.

The taxpayer may not use another method of accounting, except upon the approval of the Department.

OTHER TAXES

There is no Sales Tax, Estate Tax or Gift Tax in Qatar.

B. DETERMINATION OF TAXABLE INCOME

Taxable income shall be determined on the basis of the gross income derived from all transactions carried out by the taxpayer after subtracting allowable deductions and losses provided for in Article 10 of the tax law No.21 of 2009.

Allowable deductions mean expenses and costs incurred by the taxpayer that satisfy the following requirements:

- 1) They are necessary to derive the gross income
- 2) They are actually incurred and supported by documentary evidence
- 3) They do not increase the value of fixed assets used in the activity
- 4) They are related to the taxable year.

Allowable deductions include mainly the following, in accordance the executive regulations of this the tax law No.21 of 2009:

- 1) Costs of raw materials, consumables and services required for carrying on the activity
- 2) Interest on loans used in the activity
- 3) Salaries, wages, end of services benefits and similar payments including contributions to set up retirement pensions or end of service payments or contributions to investment funds for the employees
- 4) Rents
- 5) Insurance premiums
- 6) Bad debts
- 7) Provisions set up by banks for doubtful debts and by insurance companies for risks covered up to 10% of the net income before making this deduction and the other deductions provided below
- 8) Depreciation of fixed assets
- 9) Donations, gifts, aids and subscriptions to charitable, humanitarian, scientific, cultural or sporting activities paid in the State to governmental authorities, public bodies or institutions or any other authorized body in the State, provided that their value does not exceed (5%) five percent of the net income before making this deduction and the deduction provided below
- 10) Taxes and duties other than the income tax provided for in this law.

Notwithstanding the provisions of the previous paragraph, persons carrying on a liberal profession may opt to deduct 30% of their gross income in lieu of all their deductible expenses and costs.

The following expenses and costs may not be deducted:

- 1) Expenses and costs incurred to derive exempt income
- 2) Payments that are made in breach of the laws of the State
- 3) Fines and penalties for the breach of the laws of the State
- 4) Expenditures or losses in respect of which compensation is receivable or has been received if that compensation has not been included in the taxpayer's gross income
- 5) The share of total expenditures on entertainment, hotel accommodation, restaurant meals, vacations, club fees and gifts to customers, in accordance with the circumstances, conditions and limits provided for in the executive regulations of this law
- 6) Salaries, wages and similar remuneration including fringe benefits paid to the owner, his/her spouse and children, members of a general or limited partnership or the director of a limited liability company who owns, directly or indirectly, the majority of the shares of the company
- 7) The share of the branch in the headquarters' or head office's general and administrative expenses that exceeds the percentage determined in the executive regulations of this law
- 8) Any other disallowed deduction pursuant to the provisions of this law.

The taxpayer may deduct losses incurred during a taxable year from the net income of subsequent years, subject to the following:

- 1) Losses may not be carried forward for more than three years as of the end of the taxable year during which they are incurred
- 2) Losses resulting from an exempt or non taxable source of income may not be deducted.

DEPRECIATION OF ASSETS

The following rules shall be taken into consideration when computing the depreciation of assets:

1. The cost of asset under depreciation: The cost of asset means all the expenses incurred by the tax-payer in order to acquire the asset and to prepare it to become usable.
2. The method of depreciation: The fixed installment method shall be followed in determining the charge, of annual depreciation for the asset according to the rates stated in the following paragraph.
3. Depreciation rates: The depreciation is calculated as a result of use or ordinary damage arising from the use of asset or by lapse of time in accordance with the specific rates of the following table:

Buildings such as offices, houses, warehouses, hospitals and clubs	5%
Roads and bridges inside the establishment	5%
Storage tanks, pipelines and ports' ducks	5%
Furniture and office furniture	15%
Plants, machinery and any mechanical devices not mentioned below	15%
Cars and motorcycles	20%
Lorries – various sizes	20%
Ships	7.5 %
Airplanes	25%
Drilling instruments	15%
General service machinery (including building and road tools, workshop machinery and work machinery, etc.)	15%
Buildings and roads of service stations	5%
Machinery for servicing and lubrication of service machinery	15%
Trailers and carts	13%
Refinery machines and pipelines (inside the refinery) and small tanks	10%
Air conditioners	20%
Electrical equipment	20%
Computer equipment	33.33%
Intangible assets such as trademarks and the like, depreciated in case of paying for its value on a straight line basis over the estimated duration of the company.	–

HEAD OFFICE CHARGES

Charges of a general or administrative nature raised by a head office on its Qatar branch are allowed as a deduction subject to a ceiling of 3% of turnover less sub-contract costs. In the case of banks, the limit is 1%. The allowable ceiling for insurance companies is set at 1%.

TAX RATE

The tax rate shall be 10% of the taxable income of the taxpayer during the taxable year.

Notwithstanding the provisions of the previous paragraph, the tax rate shall be as follows:

- a) The rate of tax provided for in agreements to which the Government, the Ministries or other governmental bodies or public bodies or enterprises are a party, which are concluded before the entry into force of this law, shall apply. If such agreements do not specify a tax rate, the tax shall be levied at the rate of 35%.
- b) The tax rate and all other tax conditions provided for in agreements relating to oil operations as defined in Law No. 3 of the year 2007 concerning the exploitation of natural wealth and their resources shall apply provided that, in all cases, the tax rate shall not be less than 35%.

F. WITHHOLDING TAX

Subject to the provisions of tax agreements, payments made to non-residents with respect to activities not connected with a permanent establishment in the State shall be subject to a final withholding tax, as follows:

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

H. PERSONAL TAX

There are no personal taxes, social insurance or other statutory deductions from salaries and wages paid in Qatar. However, income arising from business activities (rent from property, consulting, etc) is taxable.

