Doing Business in Qatar
A tax and legal guide

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Table of Contents

Welcome to this guide **3**
Country introduction **3**
Overview 3
Legal system in Qatar 3
Establishment of business **4**
Introduction 4
Temporary branch 4
International Engineering Consultancy Office (IECO) 4
Incorporated Joint Venture 4
Representative Trade Office (RTO) 5
Qatar Financial Centre 5
Qatar Science & Technology Park (QSTP) and Free Zones 6
Other business arrangements 6
Key considerations for foreign investors 7
Taxation **7**
Introduction 7
Corporate Income Tax 7
Permanent Establishment 7
Income determination 8
Deductions 8
Losses 8
Tax administration 9
Accounting and audit requirements 9
Withholding taxes 9
Contract retention 10
Anti-avoidance and transfer pricing 10
Taxation in the QSTP 10
Other taxes 10
Wage protection system 10
Key considerations 10
Additional legal considerations **11**
Corporate/commercial 11
Immigration 11
Qatar key tax indicators **13**
About PwC Middle East **14**
Contacts **16**

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. 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
September 2015

Country introduction

Overview

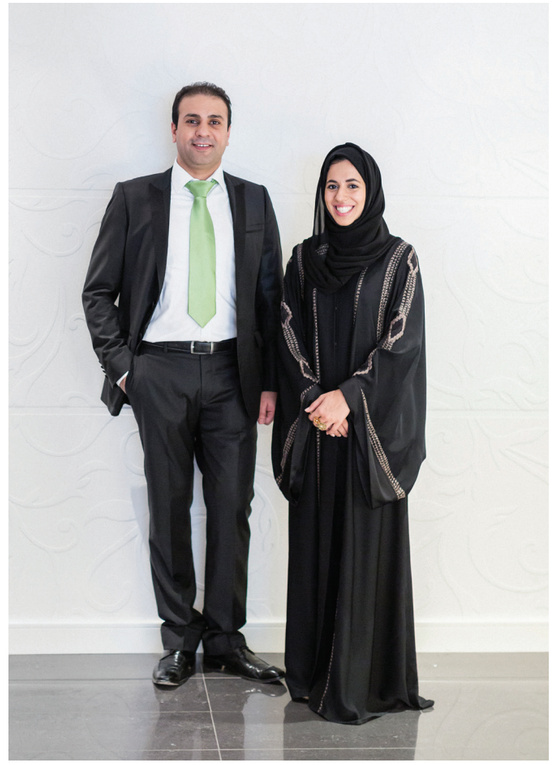
- Qatar, located on the east coast of the Arabian Peninsula, is bordered by Saudi Arabia to the south and by the Persian Gulf to the north, east, and west. It is divided into seven municipalities, with Doha as the capital.
- The currency is the Qatari Riyal (QAR).
- Arabic is the first language, with 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 joint least demanding tax framework in the world. The 2015 Paying Taxes study, a joint publication of PwC and the World Bank Group, found that in Qatar the case study 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.

The Paying Taxes study, however, is based on an example company that is 100% Qatari owned (and is therefore exempt from corporate income tax which applies to foreign ownership and retentions which apply to branches) and a company that undertakes all of its sales and purchases in Qatar (and is therefore subject to withholding taxes which apply payments to foreign entities that do not have a permanent establishment 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 then is 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 finally to the Emir for his approval.
- With the enactment of Judicial Law No. 10 for the year 2003, Shari'a law became the main source of Qatar's legislation. 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 then 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 in place 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) that 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 shares must be owned 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.
- International Engineering Consultancy Office (IECO) in the State of Qatar.
- Incorporated Joint Venture (51%/49% Limited Liability Company) in the State of Qatar.
- Representative Trade Office (RTO) in the State of Qatar.
- Set up an entity in the Qatar Financial Centre (QFC).
- Set up an entity in the Qatar Science & Technology Park.
- 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 governmental or quasi-governmental contract. 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 the branch. This may enable the foreign company to extend the life of the branch; however, ministerial approval is required each time a contract is added 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 the contract is complete and the branch's tax returns are agreed and a no objection letter is issued by the Public Revenues and Taxes Department (PRTD). 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 best business vehicle for a foreign investor seeking to have business activity in Qatar for many customers over several years.

International Engineering Consultancy Office (IECO)

Law No. 19 of the year 2005 specifies the requirements for registration of engineers and the conditions under which different types of engineering consultant offices can be established. An International Engineering Consultancy Office 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 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.

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 has been the main legislation which applies to companies incorporated in the State of Qatar. It includes provisions such as number of shareholders, limitation of liability, minimum capital requirements, corporate governance and dissolution and liquidation. *Please note a new Qatar Commercial Companies Law (Law No. 11 of 2015) was issued on 16 June 2015 so some of the comments below may be subject to change.*

The Qatar business vehicle most often set up by foreign investors is the Limited Liability Company (LLC). The Foreign Investment Law requires the participation of one or more Qatari nationals (either individuals or body corporate) with the foreign shareholding restricted to 49% unless otherwise specifically approved. Approval for a foreign shareholding in excess of 49% is discretionary and is only granted to projects in specific sectors where the applicant demonstrates that the project 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 disclosed in the LLC's Articles of Association which are submitted to the Ministry of Economy and Commerce as part of the establishment process. There is no official guidance on the maximum percentage share which a foreign shareholder can receive, however it is common for Articles of Association to be approved which specify a profit allocation in excess of 90% to the foreign investor. A foreign shareholder is also permitted to effectively have 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.

The requirements that must be met when setting up a LLC include:

- The LLC must have a minimum share capital of QR 200,000.
- 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.

Establishing an LLC typically takes 4-8 weeks from the time agreement is reached with a suitable Qatari partner.

Representative Trade Office (RTO)

A ministerial decision in 2006 allowed foreign entities to set up RTOs in Qatar with 100% foreign ownership.

An RTO is an option where a foreign company wishes only to market products and services in Qatar. An RTO is effectively a structure to establish a "shop window" and it is not allowed to undertake contracted business 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. Entities can be based at premises anywhere in Qatar (provided those premises are approved by the QFC).

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

These are activities undertaken by financial firms (such as investment and retail banks, insurance companies, fund and wealth management firms, brokerage offices and securities operations).

The first step in considering setting up in the QFC is to submit a business case to the QFC Authority Strategic Development Team to determine whether the proposal "fits" with QFC's objectives.

Non-regulated activities

Permitted non-regulated activities were originally limited to activities in support of financial firms (e.g. services by accounting, audit and legal firms). The QFC subsequently introduced a number of changes to expand the scope of permitted non-regulatory 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 opportunity now exists for a business that is not regulated and that might previously have set up contract specific temporary branches under Qatar state law, to incorporate within the QFC as a 100% foreign owned entity. 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.

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.

Qatar Science & Technology Park (QSTP) and Free Zones

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 Public Revenues & Taxes Department (PRTD). 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.

Manateq has been also given the key task of developing and operating economic zones that will offer world-class infrastructure that supports various economic sectors, at three locations in Qatar, with a focus on industry. The physical development of the first zone is expected to be completed in 2017.

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 without having any physical presence here. The commercial agent must be a Qatari individual or a legal entity that is wholly owned by Qataris. Complications arise with commercial agents, 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 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. Alternatively, for short assignments, some have conducted their business under the sponsorship of a Qatari company or their employees have entered Qatar on tourist visas (so called "fly in" and "fly out" model).

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 their commercial registration number. Irrespective of the above tax position, doing business in Qatar without a commercial registration (e.g. a branch or company) is in contravention of the Foreign Investment Law and Proxy Law and the potential penalties discussed earlier could apply to anyone doing business in Qatar without commercial registration.

Unincorporated Joint Ventures ("UJV")

A UJV usually involves several parties pooling resources to jointly control and manage a specific project. Reasons why contractors and principals may engage in a project in Qatar under a UJV include:

- The large scale of many of the current 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 may be business benefits from operating as a UJV, the accounting, legal and tax consequences of forming an UJV can be complicated. It therefore 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 bear in mind 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.

Key considerations for foreign investors

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

- The foreign investment rules in force 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 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 activity of the foreign business it may have the opportunity of 100% ownership of a Qatar company (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 can take longer.
- Certain business sectors may also require approval from other Qatar bodies (Ministry of Sport, Ministry of Municipality and Urban Planning etc.).

Taxation

Introduction

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). Additional regimes are possible as Qatar establishes its economic zones.

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 Public Revenues and Taxes Department (PRTD) 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.

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.

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 Qatar Financial Centre (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 Con-vention; in essence, "a fixed place of business through which the business of the taxpayer is wholly or par-tially 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. Companies that have a permanent establishment in the country are likely to 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 permanent establishments (PE) in Qatar, as per the Qatar tax law. Local source income includes the following:

- Gross income derived from an activity carried on in Qatar.
- Gross income derived from contracts wholly or partly performed in Qatar.

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;
- 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 on 28 September 2014. From that date 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 PRTD 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 QAR5000 ($1370) 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 PRTD 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 PRTD within four months of the end of the accounting period (e.g. by April 30 2015 for an accounting period that ends on December 31 2014). The penalty for late filing of a return is QAR100 ($27.40) per day of delay (capped to a maximum of QAR36,000, $9860). 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 PRTD of their contracts if certain conditions are satisfied.

For contracts concluded with non-residents who do not have a PE in Qatar, the PRTD 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 PRTD 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 PRTD has the right to seek information or clarifications from the taxpayer and to reassess the tax due. Once an assessment is made, the PRTD should issue a notice of assessment to the taxpayer. The taxpayer may object within 30 days from the date of its notification, and the PRTD 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.

The statute of limitations in Qatar 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.

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 PRTD, 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 PRTD 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 August 7 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 ($4110) 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. In the event that the company does not make a payment to the tax department, 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 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 PRTD.

A tax assessment issued by the PRTD is not 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 PRTD. 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 PRTD 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 PRTD 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 PRTD 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.

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 licence.

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 PRTD.

Other taxes

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.

VAT / Sales tax

There are currently no sales taxes or VAT imposed on operations in Qatar. There have been discussions amongst the GCC countries about the possible introduction of VAT but to date no plans have been agreed.

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.

Wage Protection System

The Qatar Labour Law was recently amended by Law No. 1 of 2015. One key development was that the new law makes it binding on employers to transfer each worker's salary in Qatari Riyals to his or her account at any of the financial institutions in the State of Qatar. The Ministry of Labour and Social Affairs has given a grace period to employers to bring themselves into compliance with the provisions of this Law within six months from the date of its entry into force (2 April 2015). Such period may be extended for one of more similar periods by a decision from the Minister.

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 may be introduced in the future, but is currently not applicable.
- 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 Commercial Companies Law No 5 of 2002, as amended by Law No 16 of 2006 and Law No 3 of 2010, which has been the main legislation which applies to companies incorporated in the State of Qatar. *Please note a new Qatar Commercial Companies Law (Law No. 11 of 2015) was issued on 16 June 2015 so some of the comments below may be subject to change.*

The key provisions of the CCL are:

Number of shareholders: An LLC must have at least two shareholders, and a maximum of fifty.

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 a general requirement for the share capital to be sufficient to allow the company to achieve its objectives. The share capital cannot in any case be below QAR 200,000 (USD 54,945) and must be fully paid-up at the time of the incorporation. Capital contributions may be provided in cash or in kind.

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. Shares in an LLC may not be listed in public markets.

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 in Qatar are administratively burdensome when compared to the immigration process in other countries. Rules and processes can often change with very little notice. Please find below an overview of the types of visas through which an individuals can enter the country:

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 is sponsored by companies set up in Qatar who have the necessary approvals to do so.
This is usually issued for business visitors to Qatar who intend to come into the country on a short term assignment. The visa is sponsored by companies set up in Qatar who have the necessary approvals to do so. There can be certain restrictions for this type of visa, therefore some 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 anything up to a month.

Work Permits

Anyone coming to work in Qatar who is not on a business visa must have a valid Work Permit/ Residence Permit. The sponsoring company is legally responsible for the actions of anyone under their sponsorship. Work Visa and Residence Permit (RP) are sponsored by a company set up in Qatar who have the necessary labour quota approval for various nationalities they wish to employ.

Labour Law

It is mandatory to have a local employment contract if the individual is on a work visa in Qatar. It's also important that companies are aware and compliant with their duties and rights as non - compliance may lead to serious consequences for the employer and the employee. Point to note here would be that if the individual is working under the host's sponsorship, the employment contract would be as if the individual is an employee of the host and not their regular (home) employer.

There are various aspects that need to be incurred in the labour contract such as the name of the employer, venue, the name of the worker, nationality, wage agreed upon, leave, type and location of work, end of service benefit, date of employment, duration of the contract if fixed, subject to the provisions of the Law. It is also a requirement that anyone with a local employment contract or Residence Permit must be paid in Qatari Riyals into a bank 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	Same as residents
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%, but there is no clear collection mechanism for non-residents.
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.
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 50 DTTs in force	
Treaties awaiting conclusion or ratification	28 pending treaties	

* Not tax resident in Qatar and no permanent establishment in Qatar.

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