



Alok K. Saksena & Partners Accounting & Auditing

Ready to serve you in Qatar and internationally

A Guide to Doing Business in Qatar

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01

Executive Summary

Qatar boasts one of the world's fastest-growing economies, propelled by strategic initiatives such as the National Development Strategy 2011-2016, launched by HH Sheikh Hamad bin Khalifa Al-Thani and the Heir Apparent, Sheikh Tamim bin Hamad bin Khalifa Al-Thani in April 2011. This comprehensive strategy charts the course for Qatar's economic, social, cultural, and environmental development, paving the way for an even more prosperous future and setting a precedent for forthcoming national strategies.

The current business landscape in Qatar is exceptionally promising, thanks to substantial investments, both public and private, in non-hydrocarbon sectors. Entrepreneurs exploring business opportunities in Qatar can choose from various corporate structures, such as establishing a corporate entity in the Qatar Financial Centre (QFC) or the Qatar Science & Technology Park (QSTP).

A recent addition to the legal framework is a new tax law, featuring a 10% corporate income tax and the implementation of withholding taxes.

Notably, different tax regulations apply in the QFC and the QSTP. Compliance with auditing requirements is mandatory for most companies in Qatar, and financial reporting follows International Financial Reporting Standards (IFRS).

As a member of the Gulf Cooperation Council (GCC) alongside Kuwait, Bahrain, Saudi Arabia, Oman, and the UAE, Qatar offers foreign investors a range of considerations:

- Emphasis on robust foreign investment policies.
- Selection of the most suitable business structure for their operations.
- Adherence to commercial registration requirements.
- Recognition of the 10% corporate income tax rate.

- Understanding recruitment requirements, visa processes, and the absence of income taxes for expatriate employees.
- Awareness of property restrictions.
- Appreciation of local culture and customs.
- Acknowledgment of the close ties between Qatar and other GCC countries.
- Recognition of the extensive infrastructure developments leading up to the FIFA World Cup 2022 and significant investments in downstream oil and gas industries.
- These key points underscore the importance of a comprehensive understanding of Qatar's dynamic business environment for foreign investors looking to capitalize on the nation's economic growth and lucrative opportunities.





02

Introduction

Situated on the eastern coast of the Arabian Peninsula, Qatar shares its borders with Saudi Arabia to the south and is surrounded by the Arabian Gulf to the north, east, and west. Comprising seven municipalities, with Doha serving as the capital, Qatar boasts the Qatari Riyal (QAR) as its currency, pegged to the US dollar.

While Arabic stands as the primary language, English is widely spoken, particularly in business settings.

Governed by the Al-Thani family since the mid-1800s, Qatar's historical trajectory has seen it evolve from a British protectorate renowned for pearling to an independent state. Abundant oil and natural gas revenues have propelled

Qatar to the forefront of per-capita income countries, fostering one of the world's swiftest-growing economies.

Distinguished by the third-largest natural gas reserves globally, Qatar anticipates these reserves to extend well into the 22nd century. Similarly, proven oil reserves position the nation for sustained production at current levels for years to come.





03

Qatar National Vision 2030

In 2008, Qatar unveiled the Qatar National Vision 2030 (QNV 2030) with the ambitious goal of transforming into an advanced country by 2030. The vision seeks to ensure self-sustaining development and a high standard of living for current and future generations.

Four pillars underpin this vision:

- **Human Development:** Empower all Qataris to contribute to a prosperous society.
- **Social Development:** Cultivate a just and compassionate society with moral integrity, playing a significant role in global development.
- **Economic Development:** Foster a competitive, diversified economy catering to present and future needs.
- **Environmental Development:** Manage the environment harmoniously with economic growth and social progress.

Aligned with QNV 2030, National Development Strategies (NDS) have been crafted, with the second cycle (2018-2022) concentrating on building a knowledge-based economy via innovation and entrepreneurship.

Targets include training Qatari nationals, attracting skilled expatriates, promoting entrepreneurship (especially SMEs), and enhancing the business environment.

Qatar's progress and initiatives

Significant strides have been made towards these objectives, exemplified by Education City housing seven prominent Western universities.

Government bodies, including the Ministry of Communications and Information Technology (MCIT), actively drive the digital agenda. Sector-specific development, such as in FinTech, reflects Qatar's commitment to strategic growth.

Initiatives like the Qatar Metro System, labor and residency law enhancements, and streamlined administrative processes contribute to making Qatar an appealing destination for skilled expatriates.

The commitment to progress and sustainable development underscores Qatar's ascent as a global player in the 21st century.





04

Economic profile & outlook

Qatar, a rapidly advancing high-income country on the Arabian Peninsula, stands as the world's largest exporter of liquefied natural gas (LNG). Embracing an economic diversity strategy aligned with Qatar 2030, the nation has experienced positive drivers, including elevated energy prices, advancements in the North Field LNG expansion, improved regional relations, and preparations for the 2022 World Cup.

Post-COVID-19, Qatar is navigating economic transformation with a focus on private sector development, effective fiscal management, digitization, glocalization, sustainability, and value creation. In the wake of the pandemic, opportunities and challenges emerge, emphasizing

digitalization, localization, and a shift towards a knowledge-based economy.

Simultaneously, Qatar is on the brink of its second gas boom, marked by the North Field

Expansion, boosting LNG output by 64% by 2027. These developments contribute to robust fiscal and trade surpluses, fostering an environment conducive to private sector growth.

Fitch estimates a deceleration in Qatar's real GDP growth from 4.6% in 2022 to 2.8% in 2023, linked to a broader slowdown in the non-oil economy. Inflationary pressures are subsiding, following the peak in Q2 2022 related to the FIFA World Cup, tourism recovery, and non-oil sector investments.





05

Ease of doing business

Qatar boasts one of the world's least demanding tax frameworks, ranked third globally in the 2020 Paying Taxes report by PwC. Overcoming historical challenges for investors, the nation has expanded options, including the Qatar Financial Centre (QFC), Qatar Science and Technology Park (QSTP), and Qatar Free Zones Authority (QFZA).

Foreign investors find increased flexibility under the State legislative framework, propelled by the 2019 Foreign Direct Investment Law allowing 100% foreign ownership in most sectors.

The Ministry of Commerce & Industry operates a global "one-stop-shop" for business registration, enhancing the ease of doing business. Legislative reforms and digitalization through the "Dhareeba" tax system further streamline processes.

Regulatory Environment

Qatar's regulatory landscape has evolved in line with global trends, featuring three key regulators: Qatar Central Bank (QCB), Qatar Financial Markets Authority (QFMA), and Qatar Financial Centre Regulatory Authority (QFCRA). The QCB oversees financial activities, QFMA manages financial markets and investment products, and QFCRA regulates financial services.

FinTech, Blockchain & Emerging Technologies

Leveraging high internet usage, Qatar explores financial innovation through initiatives like the Qatar FinTech Hub (QFTH),

offering regulatory sandboxes, an incubator, accelerator, and hackathon programs. The QCB has introduced its regulatory sandbox for digital payment companies, encouraging innovation and fostering a surge in fintech trends.

The QFC has introduced a fintech licensing category, allowing firms to provide B2B fintech services within the QFC platform. These services include cybersecurity solutions, cloud computing, enhanced APIs, real-time transaction platforms, online and digital budgeting, and portfolio management tools.

In conclusion, Qatar's economic landscape and regulatory framework reflect a strategic approach to embrace innovation, attract foreign investment, and foster sustainable growth in a rapidly evolving global economy.





06

Post World Cup 2022: Legal and regulatory landscape



Overview

The FIFA World Cup 2022 marked a historic event as the first to be hosted in the Middle East, serving as a catalyst for Qatar's and the region's long-term development goals. A substantial amount of public spending on infrastructure, as outlined in Qatar's National Development Strategy (NDS), was dedicated to preparing for this global spectacle.

Specific policies for the World Cup were established by FIFA, FIFA World Cup Qatar 2022 LLC, and the Supreme Committee for Delivery & Legacy (SCDL), encompassing Environment, Social, Economic, Human, and Corporate Governance aspects. Notably, Decision 9 of 2022 from the Ministry of Finance provided Tax and Customs Duty exemptions for certain activities related to the FIFA World Cup, applicable to both resident and non-resident FIFA and FIFA affiliate organizations.

The Qatar Financial Centre (QFC) also detailed potential tax exemptions available within its framework.

Qatar's Permanent Constitution, effective since 2005, serves as the administrative framework for the governance of the State. Executive authority is wielded by the Emir, assisted by the Cabinet or Council of Ministers, which he appoints.

Legislative authority is channeled through the Shura Council, which considers draft laws and may propose new legislation. Proposals are subjected to committee review before reaching the full Shura Council, and ultimately, the Emir for final approval.

Islamic Shari'a is a primary source of legislation in Qatar. In the absence of specific legal rules, judges refer to Shari'a Law, as stated in Law No. (22) of 2004 issuing the Civil Code.

The Qatari judicial system comprises three layers of courts: the Court of First Instance, the Court of Appeal, and the Court of Cassation. Appeals from the Court of First Instance go to the Court of Appeal, and judgments from the latter can be reviewed by the Court of Cassation.

In matters where both special and general laws apply, the principle is that the special law prevails. In commercial and civil transactions without specific laws, the Civil Code takes precedence, emphasizing the contractual agreements between parties.

Qatar hosts several special economic zones, both onshore and offshore, including the Qatar Financial Centre and the Qatar Free Zones. The QFC operates its independent legal, tax, and regulatory framework parallel to the existing framework in the State of Qatar. Additionally, the Qatar Free Zones Authority (QFZA) manages two free zones, and the Qatar Science and Technology Park (QSTP) contributes to Qatar's diverse economic landscape.



07

Establishing a business in Qatar



Legal jurisdictions & company incorporations

For those venturing into business in Qatar, a critical starting point is understanding the diverse regulatory regimes available. Currently, options include the State system under the Ministry of Commerce and Industry (MOCI), the Qatar Financial Centre (QFC), the Qatar Free Zones Authority (QFZA), and the Qatar Science &

Technology Park (QSTP).

Traditionally, foreign investors in Qatar were required to have a Qatari partner holding at least 51% ownership in the company. Exceptions existed for certain restricted activities, such as banking, insurance, and specific activities outlined by the Council of Ministers.

However, alternative options with fewer restrictions are available through the QFC and other economic zones.

The choice of legal jurisdiction depends on the proposed activities, with considerations for the most suitable type of legal entity, such as a Branch or a Limited Liability Company (LLC).

Key legal jurisdictions for company incorporations in Qatar

State System (Ministry of Commerce and Industry):

- Governed by the Qatari Companies Law No. 11 of 2015, amended by Law No. 8 of 2021, and the Foreign Investment Law No. 1 of 2019.
- Seven types of companies include Joint Liability Company, Limited Partnership, Unincorporated Joint Venture Company, Joint Stock companies (Public or Private Shareholding Company), Partnership Limited by Shares, Limited Liability Company, and Holding Company.

Qatar Financial Centre (QFC):

- Operates its own legal, tax, and regulatory framework.

- Provides an onshore regime with fewer restrictions than the mainland/State system.

Qatar Free Zones Authority (QFZA):

- Offers a platform for business with reduced restrictions.
- Provides opportunities for diverse economic activities.

Qatar Science and Technology Park (QSTP):

- Focuses on fostering technology and innovation.
- Attracts companies engaged in research and development.
- For entities established within the MOCI (State System), the legal framework includes various company types, each tailored to specific structures

and objectives. These include Joint Liability Companies, Limited Partnerships, Unincorporated Joint Venture Companies, Joint Stock Companies (Public or Private), Partnership Limited by Shares, Limited Liability Companies, and Holding Companies.

Understanding the legal jurisdictions and company structures in Qatar is crucial for foreign investors looking to establish a successful and compliant business presence in this dynamic and evolving market.





Establishing business entities in Qatar: Options and regulations

Foreign Branch

In adherence to the Foreign Investment Law, a foreign investor can register a 100% foreign-owned branch in Qatar under certain conditions, primarily by having a contract with a relevant entity. The registration process includes implementing the contract, obtaining commercial licensing, and fulfilling authorities' requirements throughout the contract term. Tax considerations include Contract Tax Retention, deductible upon contract completion.

GCC Branch

According to Law No. (7) of 2017, companies from Gulf Cooperation Council (GCC) countries can establish branches in Qatar. Criteria include registration in a GCC country for at least three years, engaging in activities permissible for GCC nationals, and having GCC citizens manage the branch.

Representative Trade Office (RTO)

Ministerial Decision no. 396 of 2017 allows foreign entities to set up wholly foreign-owned

Representative Trade Offices (RTOs) in Qatar. RTOs focus on marketing and cannot engage in profit-generating activities. Visas can be obtained for foreign employees based on marketing activities.

Qatar Financial Centre (QFC)

The QFC permits 100% foreign ownership for investors in specific sectors. Divided into regulated and non-regulated activities, the QFCRA authorizes entities for regulated activities, while the QFCA processes licenses for non-regulated activities. Regulated activities cover financial, banking, investment, insurance, and related businesses. Non-regulated activities include professional services supporting financial firms, expanded to include various sectors like IP management, consultancy services, and more. Qatari investors can also benefit from tax concessions if the business is at least 90% Qatari owned.

These options offer diverse avenues for foreign entities to establish a presence in Qatar, each tailored to specific business objectives and activities. Understanding the legal frameworks and regulatory requirements is crucial for successful and compliant business operations in the country.





Legal form of entities in Qatar: A comprehensive overview

In the Qatar Financial Centre (QFC), entities can take various legal forms, each designed to suit specific business objectives and activities. The legal forms include:

Limited Liability Company (LLC):

- Suitable for both regulated and non-regulated activities.
- Requires a minimum of one director and a Senior Executive Function (SEF) with residency in Qatar for regulated LLCs.

Company Limited by Guarantee - LLC(G):

- A separate legal entity without share capital, ideal for entities like Business Councils and Chambers of Commerce.

Special Companies (SPC and HoldCo):

- Two types of LLCs with specific regulations for activities listed in relevant regulations.

Single Family Offices (SFO):

- Manages business, investments, and wealth of a high net worth "Single Family" with specific asset criteria.

Investment Clubs (LLC(IC)):

- A simple legal entity for groups of friends to jointly invest.

Limited Liability Company (Public) (LLC(Public)):

- Designated upon listing on the Qatar Stock Exchange (QSE) or other exchanges.

Limited Liability Partnership (LLP):

- A separate legal entity governed by an LLP Agreement, suitable for regulated and non-regulated activities.

Limited Partnership (LP):

- Not a separate legal entity, consisting of one general partner and at least one limited partner.

General Partnership (GP):

- Not a separate legal entity, involves joint business operations with unlimited liability for partners.

Branch (of a non-QFC company, of a non-QFC LLP, of a non-QFC LP):

- Registered in the QFC, with no separate legal personality, governed by the non-QFC parent company.

Foundation:

- A legal entity for asset protection, confidentiality, and estate planning, requiring registration and licensing.

Trust:

- A fiduciary arrangement available only in the QFC, allowing 100% foreign ownership of Trust assets.
- In addition to the QFC, Qatar offers the Qatar Free Zones Authority (QFZA) and the Qatar Science and Technology Park (QSTP) for business setups:

Qatar Free Zones Authority (QFZA):

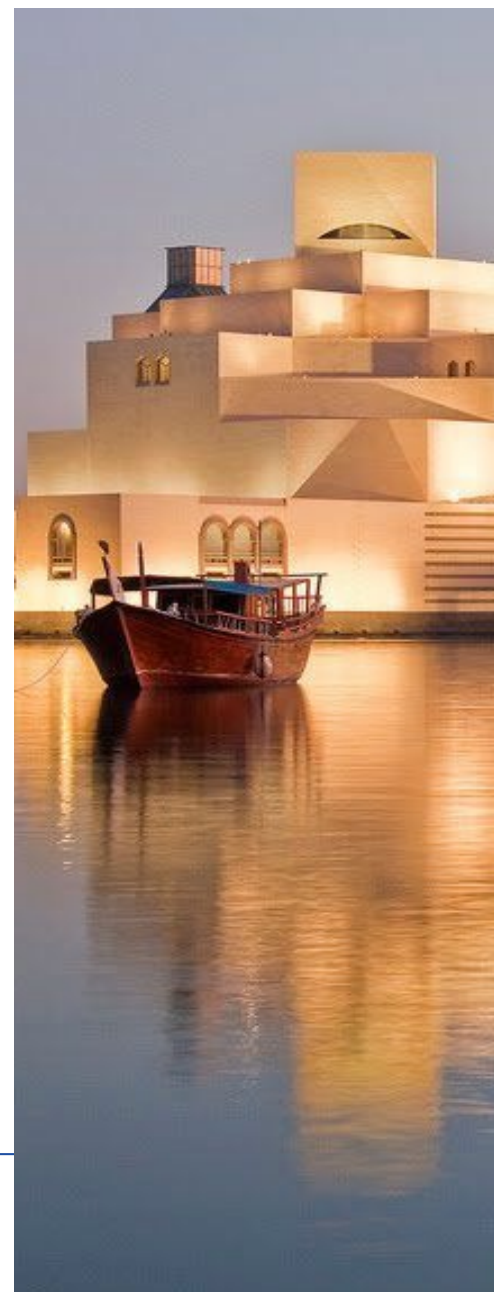
- Independent authority offering flexibility to investors.
- Free Zones focus on logistics, chemicals, and emerging technology.
- Provides office facilities, tax exemptions, 100% foreign ownership, and partnership opportunities.

Qatar Science and Technology Park (QSTP):

- Aims at incubating and growing Qatar's post-carbon economy.
- Entities located within QSTP zone are exempt from corporate income tax.
- Commonly registered entities are branches of foreign companies or LLCs.

Commercial Agency:

- Governed by the Commercial Agencies Law.
- Allows foreign businesses to sell goods in Qatar through a Qatari commercial agent.
- Complications may arise if services beyond importing are required.
- Understanding these legal forms and regulatory frameworks is vital for foreign entities aiming to establish a successful and compliant business presence in Qatar.





08

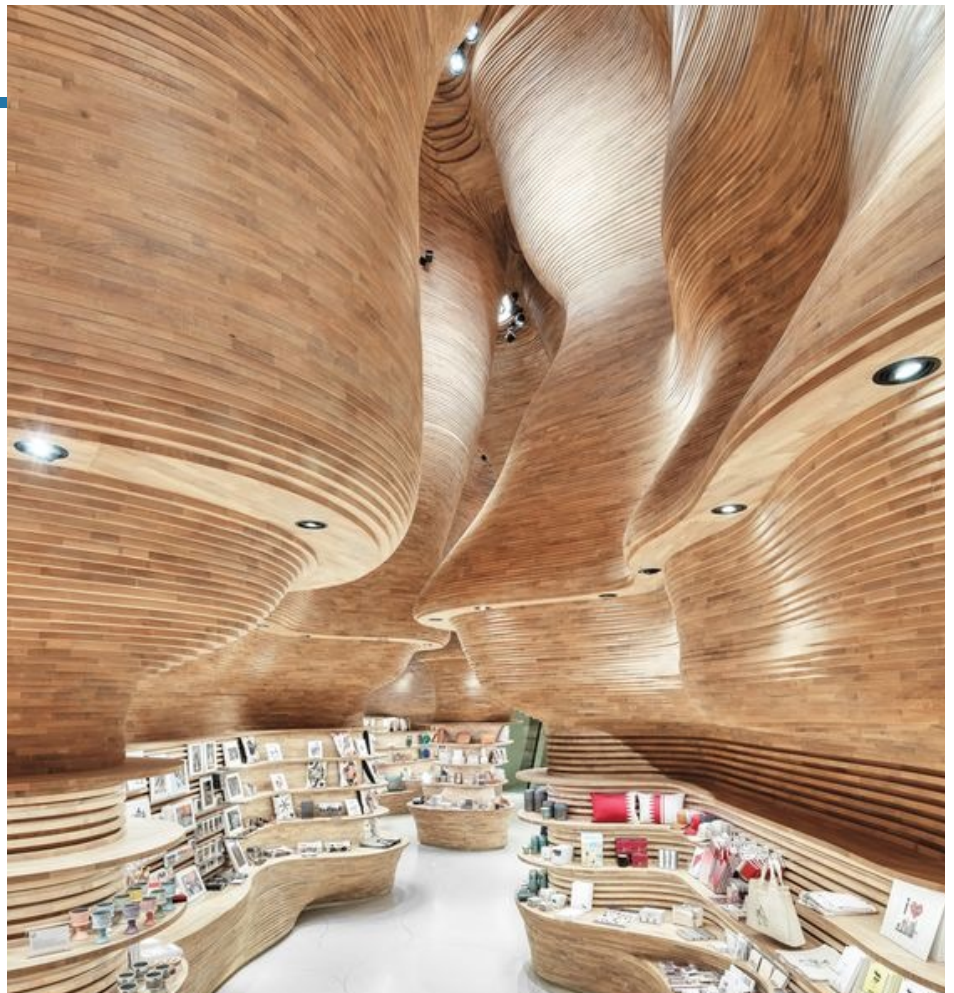
Operating legally in Qatar

Entry strategies and key considerations

Historically, some foreign businesses in Qatar adopted various strategies, such as registering a permanent establishment (PE) with the General Tax Authority (GTA) or obtaining short-term business visas. However, it's crucial to emphasize that engaging in commercial activities without proper registration, violating the Foreign Capital Investment Law, is a serious offense with potential legal consequences, including imprisonment and fines. Offending businesses might also face restrictions from operating in Qatar in the future.

Unincorporated Joint Ventures (UJV)

Unrelated third parties have traditionally used Unincorporated Joint Ventures (UJVs) to pool resources and expertise for joint project bids and management. While UJVs offer commercial benefits, their accounting, legal, and tax implications can be complex, necessitating careful planning before entering into such arrangements. This is particularly common in large-scale construction projects in Qatar.



Mergers and Acquisitions

Foreign companies can opt for mergers or acquisitions as a market entry strategy by investing in or acquiring an existing Qatari company. Share and asset purchases are both possible, but conducting thorough due diligence is crucial. Investors should also be aware of the need to obtain tax clearance from the GTA to register any share transfer with the Ministry of Justice.

Key Considerations for Market Entry

Investors have several jurisdiction and legal entity options to establish a legal presence in Qatar, including the traditional State jurisdiction, Qatar Financial Centre (QFC), Qatar Science and Technology Park (QSTP), and Qatar Free Zones Authority (QFZA). As of December 2022, Qatar Media City (QMC) is not actively accepting applications, subject to change in 2023.

Incorporation times vary based on the selected jurisdiction. Some jurisdictions allow online applications with minimal requirements, while others may demand documentation, legal translations (into Arabic), and notarization/legalization of foreign-issued documents. Incorporation times are influenced by factors like legal type, commercial activities, pre-approvals from other government authorities, and whether investors are natural persons or legal entities.

To expedite the process and minimize delays, investors are advised to prepare all required documents and information thoroughly before submitting applications. This proactive approach can streamline the incorporation process and facilitate a smoother entry into the Qatari market.



09

Taxation in Qatar

Overview of key regimes

Qatar operates under a territorial taxation system, where entities are subject to taxation in Qatar if they generate income from Qatar, irrespective of their place of incorporation. The taxation landscape includes two main regimes: the State tax regime and the Qatar Financial Centre (QFC) tax regime, each with distinct rules. Here are the key features of these regimes:

Ministry of Commerce and Industry - State System

Corporate Income Tax (CIT)

The State of Qatar's tax regime, governed by Law No. 24 of 2018, imposes a flat rate of 10% corporate income tax on profits attributable to non-Qatari nationals, Qatari and/or GCC nationals not residing in Qatar. Entities engaged in oil and gas/petrochemical operations or activities under a government agreement may face a tax rate of 35% or higher.

A Qatari/GCC-nationals-owned entity incorporated in Qatar, with shareholders tax-resident in Qatar, is exempt from corporate income tax. The definition of "residency" aligns with the Tax Law, requiring careful evaluation



to determine shareholder eligibility.

Permanent Establishment (PE)

The Tax Law defines a PE in a manner similar to the OECD Model Convention. It is characterized as a fixed place of business conducting the taxpayer's business, encompassing branches, offices, factories, and more. Additionally, the presence of a "dependent agent" representing the taxpayer's interests may establish a PE. Notably, the Tax Law doesn't specify auxiliary or preparatory activities exempt from creating a PE.

QFC Tax Regime

The QFC tax regime operates independently, providing a platform for foreign investors in specific sectors. The Qatar Financial Centre Regulatory Authority oversees regulated activities, including financial, banking, and investment

businesses, while non-regulated activities encompass a broader range. Tax concessions, such as exemption from corporate income tax, are available, especially for businesses that are at least 90% Qatari-owned.

Conclusion

Understanding the nuances of Qatar's taxation systems, including CIT and PE definitions, is crucial for foreign investors. The State tax regime and QFC tax regime offer distinct advantages, and choosing the appropriate framework depends on factors like ownership structure, residency status, and the nature of business activities. Continuous adherence to evolving tax regulations and guidance from the General Tax Authority is essential for a compliant and successful business operation in Qatar.



10

Tax administration in Qatar

Compliance and Dhareeba system

In the realm of tax administration in Qatar, notable changes and regulations have been introduced, warranting careful consideration by non-resident entities engaging in business activities within the country. Key aspects of tax administration include:

Permanent Establishment (PE) Scope Expansion

The Executive Regulations have significantly broadened the PE definition, incorporating provisions such as habitual contract conclusion, routine goods storage, an expansive force of attraction rule, an anti-fragmentation rule, and the notion that a "complete business cycle" can establish a PE. Non-resident entities must assess potential PE risks associated with their business activities in Qatar.

GTA Scrutiny and Double Tax Treaty Claims

The General Tax Authority (GTA) conducts thorough examinations to determine PE existence, particularly when taxpayers seek withholding tax (WHT) refunds under Double Tax Treaties (DTT). If a PE is identified, Law No. (1) of 2019 mandates formal registration as a company, temporary branch, or another legally permitted entity.



Income Determination and Corporate Income Tax Exposure

Corporate Income Tax is levied on local-source income generated by resident entities and non-residents with PEs in Qatar. Even if a company is not a Qatar resident, income determination remains crucial, especially concerning WHT on received payments.

Losses and Their Treatment

Losses can be carried forward for up to five years from the year of occurrence, with no provision for carrying losses backward.

Introduction of Dhareeba System

The GTA has implemented a new tax administration system called "Dhareeba," effective from July 1, 2020. All taxpayers are mandated to manage their tax affairs through Dhareeba.

Tax Registration and Compliance

Entities conducting business in Qatar must register with the GTA through Dhareeba within 60 days of obtaining commercial registration or the first income realization. Penalties apply for delayed registration.

Filing and Payment Requirements

Taxpayers are obligated to submit income tax returns, including audited financial statements, and settle any tax dues within four months after the end of the applicable accounting period. Late filing incurs penalties of QAR 500 (\$138) per day, capped at QAR 180,000 (\$49,500). Additionally, a separate penalty of 2% of the monthly tax amount applies for delayed tax payments.



Accounting Period Considerations:

The accounting period aligns with the taxable year, normally 12 months. Special considerations apply for new business commencements and activity liquidations, impacting the accounting period's duration.

Tax-Exempt Activity Reporting

Entities engaged in tax-exempt activities, including those wholly owned by Qatari (or GCC) nationals and entities in the Qatar Science and Technology Park (QSTP), are generally required to submit tax returns, including financial statements.

In navigating Qatar's evolving tax landscape, adherence to the Dhareeba system, meticulous compliance with registration and filing requirements, and strategic planning to address PE considerations are imperative for foreign entities conducting business activities in the country.

Tax Compliance and Obligations in Qatar

In Qatar, tax compliance is a crucial aspect for businesses, with various obligations and regulations outlined by the General Tax Authority (GTA). Key components of tax compliance in Qatar include:

Contract Notification Obligation

Taxpayers are mandated to inform the GTA of contracts with residents and non-residents, especially those exceeding specified monetary thresholds (QAR 200,000 for service contracts or QAR 500,000 for goods and services contracts). Failure to report incurs a penalty of QAR 10,000 per contract.

Tax Assessments and Appeals

Tax is assessed based on the income declared in tax returns, with the GTA having the authority to seek additional information and reassess taxes. Taxpayers can object to reassessments within 30 days, followed by a GTA response within 60 days. Unsuccessful objections can lead to appeals to the Tax Appeals Committee and Qatar Courts. The Statute of Limitations for tax assessment and penalties is five years, extended to 10 years if no return is filed.

Accounting and Audit Requirements

Accounts must comply with International Financial Reporting Standards and be audited by a Qatar-registered auditor. Records and documentation related to activities in Qatar must be maintained for 10 years post the taxable year.

Withholding Taxes (WHT)

Entities in Qatar or with a Permanent Establishment (PE) must withhold a percentage of payments made to non-Qatar PEs. A 5% WHT applies to services utilized by the Qatar entity, irrespective of the location of service delivery. WHT is also levied on interest, royalties, and commissions. Unpaid amounts deemed as settled after a specified period introduce a change in previous WHT practices.

Double Tax Treaty (DTT) and Relief

Qatar has an extensive DTT network (over 80 treaties), featuring a pay and reclaim mechanism. No automatic entitlement to Treaty benefits exists, requiring specific documentation for withholding tax refund applications.

Capital Gains Tax

Capital gains, including those from the sale of shares in Qatar tax resident companies, are taxed at the regular corporate income tax rate of 10%. However, gains from the sale of shares in listed companies are exempt. Non-resident capital gains are closely monitored by the GTA. Capital gains tax returns must be submitted within 30 days from the asset sale or contract conclusion.

Dividends

Dividends from Qatar tax resident companies are not subject to withholding tax. Income distributed from already taxed profits faces no additional taxation for the recipient.

In navigating Qatar's tax landscape, businesses should meticulously adhere to contract notification requirements, engage in transparent tax assessments, maintain stringent accounting standards, comply with WHT obligations, and leverage DTTs where applicable. Staying informed and compliant is imperative for sustainable business operations in Qatar.





11

Tax & legal landscape in Qatar

Navigating business operations

In the realm of business operations in Qatar, understanding the intricacies of tax and legal obligations is paramount. The tax framework, administered by the General Tax Authority (GTA), encompasses various aspects that impact both resident and non-resident entities. Key features include:

Permanent Establishment (PE) Risks:

The Executive Regulations have broadened the scope of a PE, introducing provisions related to the definition of a dependent agent, force of attraction rules, anti-fragmentation rules, and the concept of a "complete business cycle" or "operation." Non-resident entities conducting business in Qatar must carefully assess the potential PE risks.

Income Determination and Corporate Income Tax:

Corporate Income Tax is imposed on local source income generated by both resident and non-resident entities with PEs in Qatar. Losses can be carried forward for five years. The tax administration system, Dhareeba, is central to managing tax matters.

Tax Registration and Filing Requirements:

Entities must register with the GTA within 60 days of obtaining commercial registration or realizing income. Timely filing of income tax returns, including audited Financial Statements, is mandatory within four months of the end of the accounting period.

Contract Notification Obligation:

Taxpayers must notify the GTA of contracts meeting specific thresholds within 30 days. Failure to report incurs penalties.

Withholding Taxes (WHT) and Double Tax Treaties (DTT):

WHT applies to certain payments made to non-residents. Qatar's extensive DTT network allows for relief, but specific documentation is crucial for withholding tax refund applications.

Capital Gains, Dividends, and Other Tax Aspects:

Capital gains are subject to a 10% tax rate, with exemptions for certain cases. Dividends from Qatari tax resident companies are not subject to withholding tax. Various tax incentives apply to entities, such as exemptions for investment funds and holding companies.

Contract Tax Retention and Transfer Pricing:

Temporary branches are subject to contract tax retention, impacting cash flow. Transfer pricing requirements include the Comparable Uncontrolled Price methodology and functional analysis.

Focus Areas for the GTA:

The GTA concentrates on tax compliance aspects related to representative offices, PE existence, related-party transactions, capital gains, and adherence to contract notification and WHT requirements.

Special Zones:

Entities operating in Qatar Science and Technology Park (QSTP) and Free Zones benefit from tax exemptions and other privileges. Qatar Financial Centre (QFC) entities follow a distinct tax regime.

Excise Tax, VAT, and Customs Duties:

Excise tax applies to specified goods. While Qatar currently lacks VAT, its introduction is anticipated. Customs duties are imposed on non-GCC goods.

Personal Income Tax and Other Levies

No personal income tax is imposed on individuals' salaries. Qatari listed entities face a sport and social levy of 2.5% of annual net profits.

Legal Considerations

Legal aspects encompass dissolution and liquidation procedures, data protection laws, immigration requirements, and employment regulations. Qatar's commitment to international standards is evident in its legal reforms.

Corporate Governance and Dispute Resolution:

Corporate governance requirements, especially for listed entities, are governed by various laws. Dispute resolution mechanisms include traditional courts and alternative methods such as the Qatar International Court and Dispute Resolution Centre.

Navigating the dynamic tax and legal landscape in Qatar demands a nuanced understanding of regulations, proactive compliance, and strategic considerations for sustainable business success.



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Labor reforms in Qatar: a summary



Background: Over the past few years, the Government of Qatar has initiated comprehensive labor reforms aimed at improving the conditions of migrant workers within the country. These reforms include legislative changes, enhanced labor administration systems, and improved labor relations.

ILO Support:

The International Labour Organization (ILO) has played a pivotal role in supporting Qatar's labor reforms through technical cooperation programs, particularly with the Ministry of Labour (MOL).

Dismantling the Kafala System:

Several new laws and regulations adopted between 2018 and 2020 have addressed the most problematic aspects of the kafala system, such as the requirement for a No Objection Certificate (NOC) to change jobs.

Workers can now change employers without their previous employer's permission, leading to increased labor mobility and reduced vulnerability to forced labor.

Minimum Wage Legislation:

Qatar implemented a non-discriminatory minimum wage law in March 2021, applying to all workers regardless of nationality or sector. The law ensures a minimum monthly basic wage, decent accommodation, and food provisions, benefiting approximately 280,000 workers.

Wage Protection System (WPS):

The WPS, introduced in 2015, monitors wage payments by obliging all private sector employers to transfer wages through Qatari banks.

Independent assessments have led to recommendations for enhancing the effectiveness of the WPS, resulting in increased compliance and coverage among enterprises and workers.

Establishment of Joint Committees:

Legislation adopted in 2019 allows for the establishment of joint committees at the enterprise level, enabling social dialogue between management and worker representatives.

Over 70 private companies and public bodies have established joint committees, promoting worker representation and addressing workplace issues.

Training and Support:

Worker and management representatives on joint committees receive training on their roles, employee participation rights, grievance mechanisms, discrimination, and violence/harassment prevention.

Support is provided to companies in strengthening policies and procedures, with a focus on enhancing complaint mechanisms.

These labor reforms signify significant progress towards improving labor conditions in Qatar. While challenges remain, the collaborative efforts of the government, international organizations, and stakeholders demonstrate a commitment to continuous improvement and ensuring fair treatment of workers.

Visa policy

Qatar stands out as one of the most hospitable destinations globally for visitors. With visa-free entry granted to nationals from 102 countries, and an accessible e-visa application process available through the Hayya platform online, traveling to Qatar is convenient for travelers from around the world.



About AKSAA

Alok K. Saksena & Partners Accounting & Auditing, is established in Qatar in 2010 to provide auditing & accounting services in Qatar. The firm is specialized in the area of Audit & Assurance, Tax, Consultancy and Advisory.

The firm offers a wide-range of industry-focused solutions. Since commencement of practice, the firm is conducting Audits of several WLL Companies, Partnerships, Shareholding Companies and Banks. At present our audit sectors includes construction, trading, hotels, e-commerce, security guarding services, Information technology, petroleum, manufacturing, travel agents & banks.

International reach – makes a difference!

Our global accounting network, your local contact in the world

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CA. Naresh Dasari

Partner

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Accounting & Auditing

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