

Qatar

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Key facts

Main tax rates

- Corporate tax rate: 35 percent
- VAT/GST: not applicable
- Personal income tax: not applicable

Population/GDP

Population: 1.5 million
GDP: US\$ 95b (2008)

Currency

Qatar rial (QR), pegged to the US\$ at approximately QR 3.64 to US\$1.

Membership of economic groups

Gulf Co-operation Council (GCC), Greater Arab Free Trade Area (GAFTA)

Major industries

Oil and gas

Website of tax/finance authority

www.mof.gov.qa – Ministry of Economy and Finance

Introduction

Qatar has been ruled by the Al-Thani family since 1878. Qatar's strength is derived from its oil and gas revenue (its national income primarily derives from oil and natural gas exports) which has made it one of the wealthiest countries in the world in terms of per capita income and one of the world's fastest growing economies.

The discovery of oil in the 1940s transformed the economy. It has witnessed an economic boom and is fast becoming the global hub of Liquefied Natural Gas ("LNG"). Even with conservative oil price forecasts, Qatar recorded huge budget surpluses in the past two years. Government policy in recent years had recognised the need to promote greater private investment in core industrial projects. Inflation has been the main economic concern in recent years; the current global economic slowdown is however expected to reduce this in 2009.

There are generally no foreign exchange restrictions, controls, quotas or trade barriers within Qatar. Businesses and individuals may freely remit equity capital, debt capital, dividends, branch profits, interests, royalties, management and technical service fees, and personal savings abroad. There are however restrictions on the level of foreign ownership in Qatar entities. Generally, Qatar nationals must own a minimum of 51 percent of Qatar incorporated companies, but foreign ownership limitations may be reduced in some cases by Ministerial Order. Foreigners may generally carry on business either as branches (and for this a Ministerial Decree will be required) or as shareholders in a Qatari company.

Recent developments

The tax law is being comprehensively revised and may soon be enacted. The tax rate is likely to be low (12 to 15 percent) and the rules on issues like the establishment of a taxable presence, withholding taxes and transfer pricing would be in accordance with international norms.

A separate tax regime would apply to companies operating in the Qatar Financial Centre ("QFC"). The QFC will levy a low tax rate on business profits of 10 percent with profits generally to be based on accounts, whether prepared under IFRS or other appropriate GAAP). Broadly, only local source business profits from licensed activities will be subject to tax. Certain activities (captive insurance, reinsurance, collective investment funds, and special purpose and finance vehicles) would be exempt from tax. The rules are expected to be enacted soon, and could come into effect retroactively from May 1, 2008.

Corporate taxes

General outline

The corporate income tax is imposed on foreign companies, including partnerships and joint ventures, carrying on business activities in Qatar. Foreign shareholders of a

Qatar company are also subject to the tax on their share of the profits of the company; in this case tax is assessed on the total profits of the company and the tax thereon is apportioned between the foreign and Qatari shareholders so that the foreign shareholders pay their share to the tax authorities.

GCC shareholders, and companies wholly owned by GCC nationals are exempt from tax. The GCC countries are Qatar, Bahrain, Kuwait, Oman, Saudi Arabia and the United Arab Emirates.

Corporate tax rates

The tax rates are graduated as set out in the following table:

<i>Corporate income (QR)</i>	<i>Tax rate (%)</i>
Below 100,000	nil
100,001 to 500,000	10%
500,001 to 1,000,000	15%
1,000,001 to 1,500,000	20%
1,500,001 to 2,000,000	25%
2,500,001 to 5,000,000	30%
5,000,001 and above	35%

Taxable income is calculated based on accounting profits, as adjusted for specific items based on the tax rules. Head office allocated costs can generally be allowed only up to 3 percent of turnover (as reduced by subcontracted costs and the costs of imported materials). The supporting accounts are prepared based on generally accepted accounting principles, but the tax authorities can assess tax based on deemed profits particularly in cases where proper books of account are not kept or the tax authority is of the view that the tax returns are incorrect.

Capital gains taxes

Capital gains are treated as income and are subject to tax at the regular corporate income tax rates.

Position of losses

Losses may be carried forward for up to three years.

Group treatment

There is no group tax consolidation or relief in Qatar.

Withholding taxes

There are no withholding taxes. However, the final payments due to foreign entities must be retained by government departments and public and semi-public establishments pending the submission of tax clearance certificates by the foreign entities. Also, 5 percent of payments made by subcontractors must be retained pending submission of a tax clearance certificate by the sub-contractors.

Dividends, interest and royalties

Dividends are not subject to tax (instead foreign shareholders pay tax on their proportionate share of the company's profits) and there is no withholding on interest and royalties.

Indirect taxes

There is no VAT or other indirect taxes, but there are plans to introduce GCC-wide VAT in the near future. The customs tariff is generally 5 percent in accordance with the uniform tariff of the GCC Customs Union.

Personal taxes

There is no tax on wages or salaries. Foreign individuals carrying on business in Qatar or owning interests in Qatar companies will be taxable in accordance with the corporate income tax rules earlier explained.

Transfer pricing and anti-avoidance rules

There are no specific transfer pricing regulations. In practice, the tax authorities would require prices of transactions between related parties to be comparable to those applicable to third party arm's length transactions.

Tax treaties

Table 1 lists Qatar tax treaties which are currently in force.

Table 1 Tax treaties in force

<i>State (country)</i>	<i>Date of signing</i>	<i>Date of entry into force</i>
Arab League (with the Arab Countries that have ratified the Convention on Mutual Exemption of Tax on Arab Air Transport Companies)	1979	1983
Equality of the GCC Nationals with the Qatari Citizens in Tax Transactions	1981	1989
Armenia	2002-04-22	2008-01-01
Azerbaijan	2007-08-28	2008-02-24
Belarus	2007-04-03	2007-11-24
China	2004-04-02	2008-10-21
Cuba	2004-04-02	2009-01-01
France	1990-12-24	1994-12-01
India	1999-04-07	2000-01-15
Indonesia	2006-04-30	2007-09-19
Italy (agreement on port and anchorage charges and duties)	2006-10-16	2007-04-11
Macedonia	2008-01-28	2008-10-13
Malaysia	2008-07-03	2009-01-28
Pakistan	1999-04-06	2000-03-28
Romania	1999-10-24	2003-09-04
Russia	1998-04-20	2000-09-05
Senegal	1998-06-10	2000-01-01
Singapore	2006-11-28	2007-09-04
Seychelles	2006-07-01	2007-05-06
Sri Lanka	2004-11-07	2007-04-02
Syria	2003-10-23	2006-04-27
Tunisia	1997-03-08	1999-01-01
Turkey	2001-12-25	2008-02-11
Venezuela	2006-07-28	2007-07-30
Yemen	2000-08-07	2008-01-01