



*cutting through complexity*

# Investing in Qatar

Tax and Corporate Services

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## Foreword



With the discovery of the third largest gas reserves in the world, Qatar has become one of the fastest growing economies. This abundance of natural resources and favorable demographics, has allowed Qatar to boast of the highest per capita income in the world.

In recent times, Qatar has streamlined its regulations to attract foreign capital and is making a concerted effort to diversify into non-hydro-carbon sectors. The Government of Qatar through its investment arm, Qatar Investment Authority, has also been making strategic investments both in Qatar, and overseas to reduce its dependency on oil and gas.

These opportunities to do business have grown with Qatar winning the bid to host the FIFA World Cup in 2022.

This publication aims to provide potential foreign investors with practical information about doing business in Qatar. The key focus is on tax policy, tax incentives, exchange controls and the foreign investment regime, addressing some of the typical issues faced by first-time investors in Qatar.

We will be delighted to work with you in Qatar, from advising on the appropriate entity for your business, to assisting your growth and meeting your business development needs. We therefore take this opportunity to wish you great success in investing in Qatar.

Yours sincerely,

Craig Richardson  
Partner – Tax and Corporate Services

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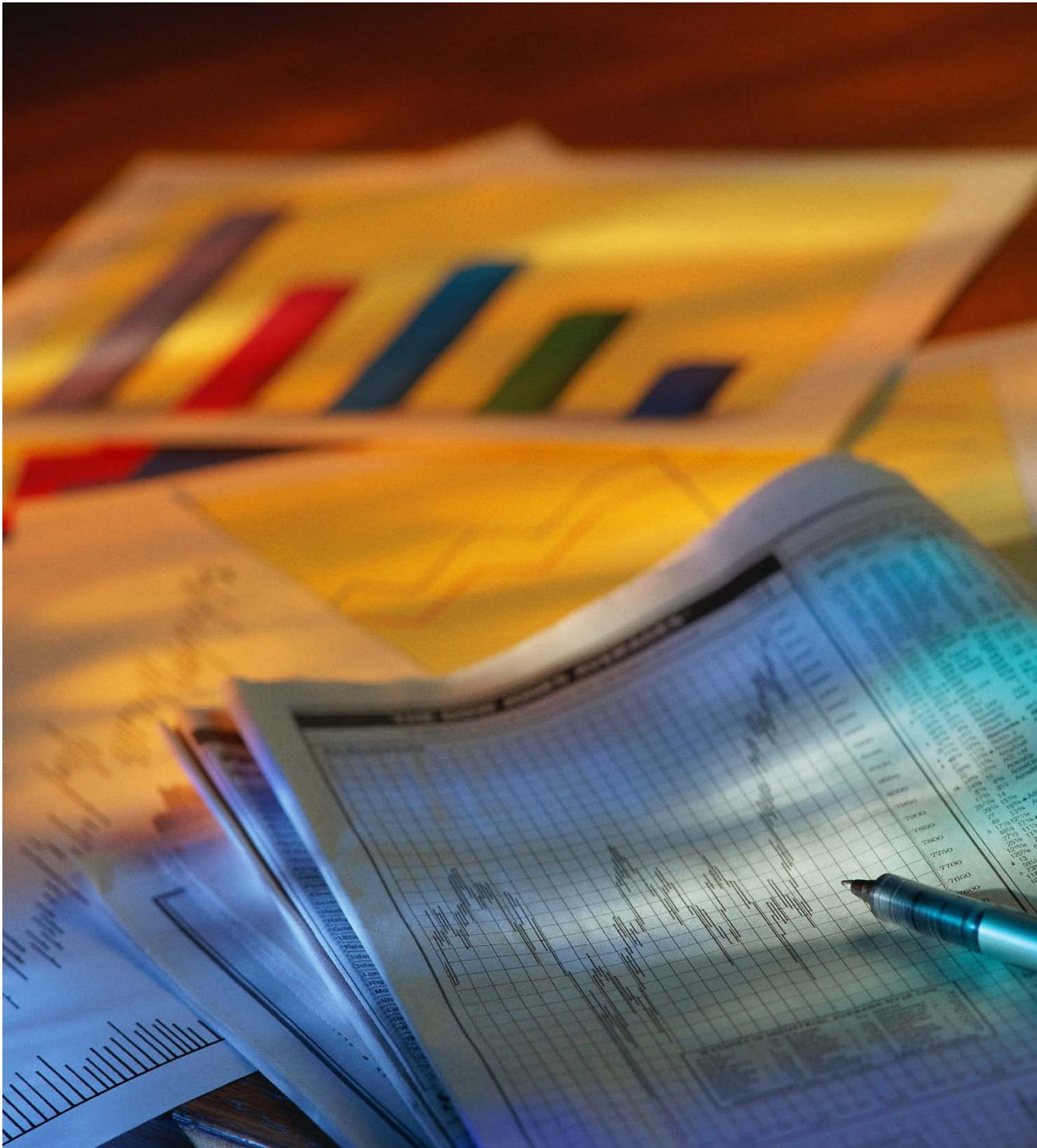
## Ease of starting a business in Qatar

Qatar is ranked 48th for the year 2014 in the 'Ease of Doing Business' ratings (out of 189 economies) maintained by The World Bank. The table below is an extract from The World Bank report which covers some of the basic procedures to be completed to start a business in Qatar

No.	Procedure	Time to Complete	Associated Costs
1	Reserve a unique company name at the Ministry of Business and Trade	Less than one day (online procedure)	QAR 1000
2	Obtain the approval of the Commercial Companies Inspection Department on the articles of association	1 day	QAR 1500
3	Open a bank account and deposit the minimum capital	1 day	no charge
4	Authenticate the Articles of Association at the Ministry of Justice (one-stop-shop counter at the Ministry of Business and Trade)	1 day	QAR 24 for first 2 shareholders + QAR 9 for each additional shareholder
5	Register with the Commercial Registry and the Chamber of Commerce and Industry at the one-stop-shop of the Ministry of Business and Trade	1 day (simultaneous with previous procedure)	QAR 2,200 (Chamber of Commerce) + QAR 500-5,000 (Commercial Registration)
6	Obtain the trade and signage licenses from the Municipality of Doha (one-stop-shop counter at the Ministry of Business and Trade)	1 day (simultaneous with previous procedure)	QAR 10,020 (Trade license) + QAR 50-150 (signage license)
7	Make a company seal	2 days	QAR 150



# Foreign investment policy in Qatar



## Legal framework

The main legal framework for companies doing business in Qatar is the Commercial Companies Law No. 5 of 2002, which deals with companies and partnerships. The Commercial Companies Law, read with the Foreign Investment Law No. 13 of 2000, govern the general principles of foreign investment in Qatar. Foreign participation in business activities in Qatar is allowed in all sectors of the national economy except in banking and insurance (unless authorized by a Decision of the Cabinet of Ministers), commercial agency and real estate trading sectors.

The general rule under Article 2(1) of the Foreign Investment Law is that non-Qataris, whether natural or juristic persons, may invest in all sectors of the national economy only through the medium of a company incorporated in Qatar in which one or more Qatari persons and/or 100% Qatari entities hold not less than 51% of the share capital.

Foreign investors can, with a ministerial approval, increase their investment from 49% to 100% if the entity operates in the fields of agriculture, industry, health, education, tourism, development and use of natural resources, energy, mining, consultancy services, technical works services, information technology, cultural, sports, entertainment and distribution services. Also, where projects are in-line with Qatar's development plan (other than in the fields mentioned above), foreign investors may be authorised to hold 100% of an entity's capital. Such authorisations are assessed on a case-by-case basis, are not automatic and have been granted in a limited number of cases, in our experience.



### Limited Liability Company

The Limited Liability Company (LLC) is the most commonly used investment vehicle. It is akin to the private company in other jurisdictions.

#### Common features are:

- Liability of shareholders is limited to the amount of issued capital
- An LLC is not permitted to issue shares to the public
- Minimum capital of QAR 200,000
- Requires at least two shareholders. Subject to approvals, if the share capital is entirely held by the foreign investor, it would be termed as a "One Person Company"
- It is very common for the profit share attributable to the foreign investor to exceed their legal shareholding through shareholder's agreements.

### Branch Office

A foreign entity carrying out a project in Qatar may be permitted to establish a Branch Office with 100% foreign ownership provided the contract is entered into with a government or quasi government entity. The project should facilitate the delivery of a certain service or should be in the public interest.

Generally, a branch's existence is co-terminus with the project's duration. It is sometimes possible to extend the duration of the branch with the approval of the Ministry of Economy and Commerce. However, contracts with private parties do not typically qualify for Branch Office status.

### **Representative Trade Office (RTO)**

RTO allows a foreign company to market its services and products in Qatar. The RTO cannot undertake any commercial activities or contractual work of its parent company in Qatar. Registration of the RTO is renewable on a yearly basis.

### **Commercial Agency relationship**

As discussed above, foreign nationals or juristic persons cannot undertake agency activities in Qatar. Those foreign investors who do not wish to establish a formal presence in Qatar may appoint a Qatari national or a company wholly owned by Qataris as commercial agents. The Commercial Agents Law No. 8 of 2002, in conjunction with the Foreign Investment Law, governs commercial agency agreements. Commercial agents must be on the Commercial Agents' Register, kept by the Commercial Affairs Department at the Ministry of Economy and Commerce in Qatar. The Qatari agent may be authorised to distribute goods or carry out services on behalf of the foreign principal in return for a fee or commission. The agency agreements may be for a fixed duration or for an unlimited period.

It is important to note that, where the agency agreement does not specify the time period, termination can occur only with the mutual consent of both parties.

Further, Articles 8 and 9 of the Commercial Agents Law provide that, notwithstanding any other contradictory agreement and on the expiry of the agency agreement, the agent has the right to claim compensation from the principal if, in the belief of the agent, his activities have brought about substantial success in the promotion of the principal's products, and refusal to renew the agency agreement has deprived the agent from gaining the remuneration arising from that success.

### **Registering with the Qatar Financial Centre (QFC)**

The QFC was established in 2005 with the aim of providing a world-class platform, the right legal and business environment to the financial services sector to realize Qatar's ambition to become a prominent financial hub in the region. The main focus of the QFC was asset management, reinsurance and captive insurance. The QFC provides a robust regulatory regime and business friendly administration. The legal system in the QFC is based on English Common Law.

The QFC prescribes a range of activities (termed as "Permitted Activities") which may be conducted in or from the QFC. Within the range of Permitted Activities are two sub-classifications: Non-Regulated Activities and Regulated Activities.

The ambit of Non-Regulated Activities covers providing professional services (such as audit, tax, legal and consulting services); ship broking and shipping agents; formation, operation, administration of companies; investment grading; activities of holding companies.

Regulated Activities are those financial services that require continuing scrutiny for proper conduct of a business, such as deposit taking, dealing in, advising on and managing investments, arranging credit facilities and effecting insurance.

Carrying out Permitted Activities in or from the QFC can only be done by entities with a legal presence (and obtaining a license) in the QFC. Legal presence can only be established by incorporating a Limited Liability Company

(LLC) or Limited Liability

Partnership (LLP) with the Companies

Registration Office (CRO), or by registering a branch of a non-QFC legal entity with the CRO.

### Recent changes in the QFC

In a bid to diversify and attract investment, the QFC amended its regulations and laws to allow for the establishment of Single Family Offices, Holding Companies and Special Purpose Companies.

## Highlights of the new structures in the QFC

Structure	Purpose	Activities and Benefits
Single Family Office	<p>It is a body corporate established for the sole purpose of providing services to and carrying on activities in relation to a Single Family</p> <p>A Single Family is a family made up of a group of individuals all of whom are the bloodline descendants of a common ancestor or their spouses</p>	<ul style="list-style-type: none"> <li>• Manage wealth of the family</li> <li>• Advise on investment and financial activities</li> <li>• Make investments by pooling funds</li> <li>• Financial and risk management</li> <li>• Generational transfer of wealth</li> <li>• Tax planning</li> </ul>
Holding Company	Hold and maintain one or more subsidiaries	<ul style="list-style-type: none"> <li>• Hold central or regional assets</li> <li>• Hold and protect Intellectual Property</li> <li>• Provide central management and administrative services to group companies</li> <li>• Provide indemnity and guarantees to third parties in respect of group companies</li> </ul>
Special Purpose Company	<p>May only be established for the purpose of a Transaction.</p> <p>A Transaction means a single transaction or a series of transactions in connection with which the Special Purpose Company has been established</p>	<ul style="list-style-type: none"> <li>• Acquire, hold or dispose assets</li> <li>• Can structure transactions to mitigate risk</li> <li>• Tax planning</li> </ul>
Support Service Providers	<p>Provide corporate and administrative services to Special Purpose Companies.</p> <p>A Special Purpose Company is required to appoint and retain at all times a Support Services Provider</p>	<ul style="list-style-type: none"> <li>• Management and administrative services</li> <li>• Services as a registered agent, director or similar officer</li> <li>• Provision of a registered office, place of business or address</li> </ul>



### Key benefits of the QFC

- Allows for 100% foreign participation
- Can set up a branch, an LLC or LLP
- The recent changes now allow for a wider range of activities to be offered in or from the QFC
- The regulations do not impose any restriction on the types of activities or business carried out by the subsidiaries of a QFC Holding Company, subject to necessary approvals
- The QFC has its own immigration department that can fast track visa and immigration approvals.

### Registering with the Qatar Science and Technology Park (QSTP)

The QSTP is a free zone in Qatar, which was started with the vision of being recognized as an international hub for applied research, innovation and entrepreneurship. It is seen as a step towards building Qatar as a knowledge economy.

The QSTP is primarily a technology park rather than a business park. Any entity whose main activity relates to the advancement of technology can apply for a license in the QSTP. Projects that are one-off and which are unlikely to create intellectual property would generally not qualify for a license. Entities must be physically located within the boundaries of the QSTP and can only perform those activities which are in accordance with their license.

There is no standard application form and the applicant would typically have to demonstrate that a majority of its activities will be dedicated to research and development. Once a license is issued, a foreign entity may either register as a branch or a LLC in the QSTP.

While a standard license holder is entitled to all free zone benefits, a restricted license provides limited free zone benefits as designated by that license.

### Key benefits of the QSTP

- Allows for 100% foreign participation
- Exemption from tax in respect of licensed activities
- Duty-free import of goods, equipment and tools into the free zone
- Can trade directly in Qatar without a local agent
- The rents at the QSTP are highly subsidized.



## Foreign exchange controls

Qatar generally does not have any foreign exchange controls or restrictions on the remittance of funds out of Qatar. Foreign investors in Qatar are free to remit profits, capital and cash, without any restrictions. Qatar, however, criminalizes money laundering and imposes sanctions against those committing this crime.

## Other commercial law aspects

### Proxy law

Law No. 25 of 2004, commonly known as the Proxy Law or the Cover-up Law, prohibits non-Qatari nationals from being engaged in any commercial, economic or professional activity except those which are in accordance with applicable laws. The Proxy Law also makes it unlawful for any natural person or legal entity from harboring the non-Qatari in any manner whatsoever, enabling him/her to carry-out their activities.

Breach of the Proxy Law could result in heavy penalties or imprisonment or both. Penalties could also include cancellation of the commercial license and annulment of the commercial registration. Additionally, the amount of tax, if any, and penalties thereof could also be recovered.

### Legal reserve requirements

The Commercial Companies Law mandates LLCs to transfer at least 10% of its annual profits (Articles of Association can specify a higher percentage) to a legal reserve. Such transfers can cease when the balance in the legal reserve reaches 50% of the share capital. The legal reserve is not available for distribution. The reserve may be used to cover the LLC's losses or to increase its capital. Therefore, it follows that heavily capitalized companies may have to set aside a larger portion of profits towards the legal reserve, which is not available for distribution.

### Unincorporated joint venture (UJV)

UJV is an unincorporated entity which is formed between two or more partners, which has no legal personality of its own and is not subject to any registration procedures in the

commercial register. Therefore, third parties only have a right of action against individual partners in the UJV. However, if that partner held that a separate company existed, then the joint venture will be treated as a general partnership in order not to prejudice the third party's rights. This could lead to difficulties in effecting commercial or contractual rights and dispute resolution.

It is expected that the capital contributed by the foreign partner is restricted to 49% and the joint venture may not carry on any business which is reserved by law for Qataris.

An UJV is also not recognized by the Tax Legislation nor the Tax Authorities, but rather the individual parties to the UJV register as separate legal entities for tax purposes.

### Approvals and licenses

Although, in general, all applications to establish a presence in Qatar are made to the Ministry of Economy and Commerce, certain approvals and licenses may be required from other government departments depending upon the proposed activity. A few examples are described below:

- Manufacturing or industrial company – requires clearance from the Supreme Council of Environment and Natural Reserves
- Tourism company – requires clearance from the licensing department at the Qatar Tourism Authority
- Pharmaceutical companies – should register drugs with and obtain clearance from the Supreme Council of Health
- Education institutions – requires approval from Supreme Education Council.



### **Engineering Consultancy Office**

Foreign engineering firms may be allowed to establish an Engineering Consultancy Office in Qatar as a 100% branch. An application must be made to the Acceptance Committee at the Ministry of Municipality - Urban Planning and Development Authority for a license. The main office should be licensed to practice the engineering profession in the foreign state in which the license is issued and at least 10 years must have elapsed since the issuance, during which time the main office has practiced continually in the engineering profession.

The engineer appointed by the branch must be entered in the International Register of Engineers maintained at the Ministry. The engineer must hold prescribed educational qualifications and practical experience of at least 10 years.

The process for registration could be lengthy and substantial documentation may be required. Approvals for joint ventures with a Qatari Engineer partner through the medium of a 51%-49% LLC is often an easier option.

The Ministry of Economy and Commerce has prepared a draft version of a new Commercial Company Law and it is currently being discussed with the relevant stakeholders. Once enacted, the new law will repeal the existing Commercial Companies Law No.5 of 2002.

The main objective of the new law is to streamline procedures and to implement international best practices in order to improve Qatar's ranking in terms of ease of doing business.

## **Investment protection**

The Foreign Capital Investment Law states that foreign investments will not be expropriated unless it is in the national interest and that in the event of expropriation, compensation will be paid equal to the value of the investment before the expropriation.

The foreign investor can transfer the equity ownership of the investment to another foreign or Qatari investor, or to the Qatari partner in the project, in accordance with other applicable laws and regulations in Qatar. The investment will continue to be treated in the same way under the foreign capital investment law, provided that the new investor continues the operations of the project and assumes the rights and obligations of the original investor. Compensation received on expropriation may also be freely remitted overseas.

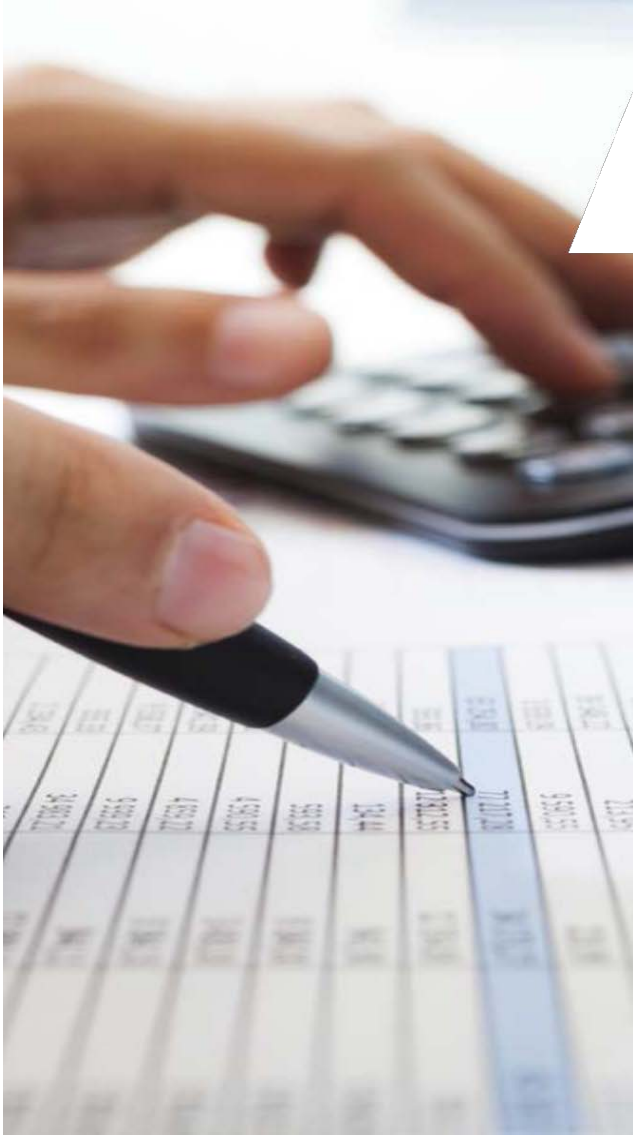
## Taxation in Qatar





## Tax regime at a glance

Corporate tax rate	10%
Capital gains tax rate	10%
Branches / Permanent Establishments	10%
Personal income tax*	None
Alternate minimum tax	None
Withholding tax	
Royalties and technical fees	5%
Interest**	7%
Dividends	Nil
Commissions, attendance fees and other services	7%
Carry forward of losses	3 years
Carry back of losses is not allowed	
Tax year	Calendar year or through separate approval if different
CFC and Thin Capitalization rules	None
Tax treaty network	58 in force
Wealth tax, estate tax, gift tax*	None
Indirect taxes	
Sales tax / VAT	None
Customs general rate	0% and 5%



\*The provisions of the tax law do not apply to

- Salaries, wages, allowances
- Income from legacies and inheritances.

\*\*Certain interest payments are exempt from withholding tax as provided for in the Executive Regulations.

The operative tax law is the Income Tax Law No. 21 of 2009 (effective since 1 January 2010). The QFC has its own tax law that applies only to entities that are licensed by the QFC.

## Corporate tax overview

Qatar tax resident companies wholly owned by Qataris and citizens of the other Gulf Cooperation Council (GCC) countries (Bahrain, Kuwait, Oman, Saudi Arabia and United Arab Emirates) are exempt from tax. Qatar tax resident companies that are not wholly owned by Qataris and other GCC citizens, are taxable up to the level of profits ultimately attributable to the non-GCC shareholders. Such companies are subject to tax at a flat rate of 10% on their taxable income (being gross business income minus allowable deductions). Only income derived from sources in Qatar is taxable.

Qatar does not impose income taxes on individuals' salaries, wages, allowances or fringe benefits. Individuals other than Qatari or GCC nationals carrying out business activities in Qatar would be taxed under the rules for companies. When deemed a non-resident, tax will be withheld at either 5% or 7% (withholding tax rates) on the gross amount of income derived from Qatar.

The taxation of the oil and gas sector is generally governed by the agreements signed by those companies. Further, the tax rate applicable to oil operations as defined in Law No. 3 of the year 2007 concerning the exploitation of natural wealth and resources shall not be less than 35%.

### Residential status

A body corporate shall be considered as a resident in Qatar when any of the following criteria are met:

- It is incorporated under Qatari laws
- Its head office is situated in Qatar
- Its place of effective management is situated in Qatar.

Individuals are considered to be resident when they meet any of the following conditions:

- Has a permanent home in Qatar
- Has been in Qatar for more than 183 consecutive or separate days during any 12 month period
- Has the centre of vital interests in Qatar.

### Permanent Establishment definition

A Permanent Establishment is defined as a fixed place of business through which the business of a taxpayer is wholly or partly conducted, including a branch, office, factory, workshop, mine, oil or gas well, quarry, a building site, an assembly project or a place of exploration, extraction or exploitation of natural resources. Permanent establishment also includes the activity carried out by the taxpayer through a person acting on behalf of the taxpayer or in his interest, other than an agent of an independent status.



## Capital gains

Capital gains are aggregated with other income and are subject to tax at the regular corporate income tax rate. The sale by a non-resident of shares in a Qatar tax resident company is taxable at a rate of 10%. There are no special provisions dealing with computation of capital gains or capital losses.

## Expenses

A tax deduction from gross business income will generally be allowed on expenditure, where there is a direct nexus with business income earned, in accordance with the guidelines of the Executive Regulations.

Allowable deductions include expenditure:

- Necessary to derive gross business income
- Actually incurred and supported by documentation
- Other than of a capital nature – depreciation is allowable on fixed assets
- Related to an activity carried out in the taxable year.

## Tax Administration

The key administrative requirements under the tax law are as follows:

- Relevant accounting records and documents to be maintained according to International Financial Reporting Standards (IFRS) for a period of 10 years following the year to which they are related.
- Mandatory tax registration within 30 days of commencing activity in Qatar, where the entity is tax resident, or has a permanent establishment in Qatar.
- Tax returns are required to be submitted within 4 months from the end of the relevant tax year.

Even where an entity is granted exemption from tax, it must file a tax return.

- Audited financial statements are required to be submitted with the tax return if:
  - Taxable income exceeds QAR 100,000
  - Capital exceeds QAR 100,000
  - Head office is located outside of Qatar.
- Withholding tax returns must be submitted by persons who are required to withhold tax. Nil returns are not required to be filed.
- Group entities cannot elect to be taxed and assessed on a consolidated basis. Each entity within the group must file a separate tax return.

## Penalties prescribed under the tax law

- Late payment of tax – 1.5% of the tax due for each month or part thereof, capped at the amount of tax due.
- Late filing of tax return – QAR 100 per day subject to maximum of QAR 36,000.
- Late registration or failure to notify in case of disposal or cessation of activities – QAR 5,000 for failure to register within the allocated time or notification of cessation of activities.
- Tax exempt entities – QAR 10,000 for failing to submit the tax return and audited accounts.
- Fraud – 3 months imprisonment or QAR 15,000.
- Audited accounts – QAR 15,000 for not submitting audited financials or maintaining adequate records for the required period.
- Withholding tax – penalty will be the amount of withholding tax not paid (i.e., 100% of the tax not withheld and remitted to the Tax Authorities).

## Tax refunds

Taxpayers can claim a refund for taxes and penalties unduly collected by making a claim. This must be done within 5 years from the date it was established that the Tax Authorities had no right to collect the tax and financial penalties related thereto, and the taxpayer's knowledge of this fact.

## Statute of Limitations

The Tax Authorities have the right to assess the tax and financial penalties related thereto as follows:

- 5 years following the year in which the taxpayer submitted the return.
- 10 years following the year in which the return should have been lodged or where the taxpayer has failed to register with the department, then 10 years from the date of discovery by the Tax Authorities of the taxpayer's activities.

## Anti-avoidance rules

Under the Anti-avoidance rules, the Tax Authorities can impose 'market value' on transactions where it deems a particular transaction is not incurred at 'arm's length' between related parties. The arm's length price is determined using Uncontrolled Comparable Price (similar to the OECD's CUP) method. If application of CUP is not possible, then the taxpayer must request for approval from the Tax Authorities to use any other OECD prescribed method with respect to transfer pricing of multinationals.

The Tax Authorities may take a substance over form approach in assessing the reasonableness of a transaction or the expenses incurred. The taxpayer may be requested to reconsider the expenses or produce relevant supporting documents.

## Other miscellaneous provisions

- **Listed companies:** Law No. 20 of 2008 exempts the share of non-Qatari investors in the profits of companies listed on the Qatar stock exchange. These listed companies are subject to a levy of 2.5% of their net profits, which is accumulated in a fund, governed by the Chairman of the Qatar Central Bank. The fund is used for charitable purposes.
- **Foreign tax relief:** Qatar imposes taxes only on income generated from sources in Qatar, hence, foreign sourced income is not brought to charge. Where foreign sourced income is taxable in Qatar, a deduction is allowed for taxes suffered overseas. The tax law, otherwise, does not have a unilateral tax relief mechanism.
- **Contract retention:** Where the activity of a foreign branch is linked to a specific contract or project with a duration of at least 1 year, such branch shall be subject to a retention at the higher of 3% of the contract value or the last payment. The retention amount shall be released on the presentation of a non-objection letter issued by the Tax Authorities.
- **Air and sea transport companies:** Non-Qatari air and sea transport companies operating in Qatar are exempt from tax provided Qatari air and sea transport enjoy a similar reciprocal treatment in the respective foreign countries (i.e. country of residence of the foreign company).
- **Interest paid by a branch or permanent establishment** in Qatar to the head office or any related entity outside Qatar is not deductible for tax purposes. On the other hand, such interest is not subject to withholding tax in Qatar.



## Tax Administration System

The Tax Authorities introduced the new Tax Administration System (TAS) on 28 September 2014, which is an online system for tax filings, tax payments and file management process. TAS has been introduced in line with the Qatar National Vision 2030 with the objectives of bringing in complete automation and improving services to taxpayers by way of greater data integration, greater efficiency and reduced manual operations.

The TAS portal provides a whole gamut of information which includes general information on the tax department, tax regulations, effective double tax treaties, links to other government departments and links to access the online facilities. The taxpayer information on TAS includes information on current and historic return data, submissions made, correspondence with the Tax Authorities and assessment status. It is expected that the introduction of TAS will streamline the existing taxpayer database and tax tracking system at the Ministry of Finance. However, taxpayers and advisors are likely to face challenges during the transition period of moving from the current manual documentation process to the electronic filing system.

Tax registrations and the issuance of tax cards now requires completion of the E-Registration process on TAS and the information provided will be reviewed and validated against a valid Qatar Commercial Registration. In case of any discrepancy or in the absence of a Commercial Registration, the tax registration form will be rejected. The validation process therefore imposes difficulties for Permanent Establishments who currently operate without a Qatar Commercial Registration, and consequently tax card registrations for these taxpayers requires manual submission.



## Tax in the QFC

The salient features of the QFC tax law are as follows:

- Corporate tax is charged at 10% on each QFC entity in respect of the full amount of its local source taxable income.
- Taxable income is classified as local source if it arises in or is derived from Qatar.
- Accounts may be prepared in accordance with IFRS, UK GAAP, US GAAP, or in accordance with standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). The QFC Tax Department may also authorise the use of other accounting standards.
- Tax returns need to be submitted within 6 months from the end of the accounting period.
- There is a participation exemption for dividends and capital gains on qualifying shares.
- There are no withholding taxes in the QFC. Also, payments received by QFC entities from within Qatar are also not subject to withholding tax.
- There is no personal income tax, wealth tax or value added tax in the QFC.
- QFC entities may carry forward their losses to succeeding accounting periods indefinitely.
- The QFC has provisions to provide unilateral tax relief.
- QFC entities belonging to the same group may opt for 'Group Relief', wherein the losses of one entity can be set off against the chargeable profits of another entity of the same Group. This provision is also now available to LLPs.
- The QFC offers an advance ruling mechanism allowing licensed entities to determine the tax treatment of transactions. The ruling will be binding on the QFC Tax Department, but not on the taxpayer.
- The QFC's transfer pricing manual features guidance on transfer pricing regulations and rules. The manual covers topics ranging from transfer pricing basics to more detailed explanations of certain financial transactions, thin capitalization and transfer pricing methodologies.
- The prescribed safe harbor debt-to-equity ratio is 4:1 for financial institutions and 2:1 for other entities.
- Qatari Owned QFC Entities and companies engaged in captive insurance or reinsurance services may elect to be taxed at a concessional rate of 0%.
- LLCs registered with the QFC can now make effective use of their tax losses by claiming a reimbursement, subject to certain conditions.
- The QFC has revised the QFC Tax Law and Regulations to align it with the new structures that have been introduced, viz., Single Family Offices, Holding Companies and Special Purpose Companies.

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### Taxation of Islamic Finance

Qatar's tax law does not contain any specific provisions on Islamic Finance or on the related tax treatment. As a result, the normal tax treatment of the transactions based on a 'substance over form' approach may apply (i.e. treated in the same manner as a non-Islamic financial arrangement).

Similarly, the QFC also aims to support the development of Islamic financial services and ensures that the tax treatment of Islamic finance transactions is no less advantageous than that of the conventional finance alternatives.

## Customs duty

On 1 January 2003, the GCC member countries adopted the common customs union of the GCC States. The customs union is based on the following principles:

- A common external customs tariff for goods and products imported from outside the GCC
- A common customs law
- Unified customs rules and regulations applicable in the GCC
- Single point of entry for goods imported where customs duties are collected
- Free movement of goods in the GCC.

Goods brought into and used in a free zone, shall be exempt from customs duties when they are re-exported. Goods crossing the 'customs line' and brought into the local markets (i.e. entering the Customs Zone of Qatar) shall be deemed to be imported from overseas and be subject to customs duties.

The general rate is 5% ad valorem. Tobacco products are subject to duty at 100%. While alcohol is a severely restricted item, pork and pork products are prohibited. The GCC States approved a list of 417 exempt goods at the time of adopting the customs union. This list includes items such as foodstuffs, personal effects and household items, goods imported for diplomatic or consular purposes, imports for the military and items imported for charitable purposes. Each member state has now also created its individual exempted goods list. There are no export duties.

Goods are assessed on the CIF (Cost, Insurance, Freight) value and the 'Transaction Value' is the most commonly used method of valuation of goods. Where, this method cannot be applied or is rejected, the customs rules prescribe 5 alternate methods for valuation. Disputes in valuation may be referred to the valuation committee.

General importation documentation includes:

- Certificate of Origin - must contain the invoice number and HS code
- Commercial Invoice - must contain consignor and consignee name, full description of the goods and HS code, number of units, unit price. For non-commercial shipments a proforma invoice may be acceptable
- Shipping documents (bill of lading or airway bill)
- Packing list
- Health and quality certificate, wherever applicable.

Subject to prior approvals, goods may be imported on a temporary basis without any customs duty. Such approvals are generally valid for a period of 6 months.

## Investment incentives





## Investment incentives

### Free Trade Zones

Apart from the Qatar Science and Technology Park, currently there are no Free Trade Zones in Qatar.

### Tax exemption under the Income Tax Law No. 21 of 2009

Tax exemptions may be granted for a period not exceeding 6 years for certain companies, regardless of the nationality of the owners. A Tax Exemption Committee evaluates applications for tax exemptions. When considering the applications for exemption, the Tax Exemption Committee shall take into account the following criteria:

- The project shall contribute to supporting and developing industry, agriculture, fishery, trade, petroleum, mining, tourism, land reclamation, transportation or any activities or projects needed by the country which provide social and economic benefits, whether such projects are wholly or jointly owned by Qatari or foreign individuals, companies or enterprises.
- The project shall be in line with the objectives of the economic development plan, shall be approved by the competent government authorities and shall contribute to the development of the national economy, provided the following is taken into consideration:
  - The volume of investment and the location thereof
  - The commercial profitability
  - The extent to which the project is integrated with other projects
  - The extent to which the project relies on the production factors available in the country

- The impact of the project on the balance of trade and the balance of payments.

- The project shall introduce modern technology.
- The project shall lead to the creation of employment opportunities for nationals.

### Investment incentives under the Foreign Investment Law No. 13 of 2000

In addition to the tax incentives described above, the Foreign Investment Law may grant a foreign investor the following tax exemptions:

- Exemption from income tax for a period not exceeding 10 years from the date of commencement of the project.
- Exemption from customs duty in respect of imported machinery and equipment required for the set-up of the project.
- For industrial projects, exemption from customs duty on imported raw materials and semi-manufactured materials which are necessary for production purposes and not available in the local markets.



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