

Transfer Pricing insights: Maintenance of documentation

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Transfer Pricing Documentation maintenance requirements as per Income Tax Law and Regulations

This alert is to provide the taxpayers with a quick reminder regarding the Transfer Pricing (TP) Documentation requirements in Qatar and an update on our recent interactions with the General Tax Authority (GTA) in the matter.

The Executive Regulation (ER) to the Income Tax Law no 24 of 2018, introduced specific TP reporting and documentation requirements for certain transactions and entities. We would like to remind everybody that the Tax Law [Article 33 preceded by Article 50 of Tax Law 21/2009] lays the foundation for arm's length pricing. In this context, Article 53 of the ER states that, the prices of its transactions with related entities, have to be determined according to the arm's length pricing method, based on the information reasonably available to such entity. Article 54 of the ER affirms that, each entity related to other entities shall conduct the functional analysis with respect to its related party transactions and shall examine the comparable data available thereto.

Thus, the expectation of reasonable TP Documentation to be maintained by every taxpayer that capture functional and economic analysis and the conclusion of arm's length pricing

goes beyond the filing requirements of the TP Declaration, and is important specifically to those taxpayers who are otherwise not required to comply with the mandatory filing of Master File and Local File on Dhareeba portal. The GTA can require the respective documentation anytime when auditing and/or assessing a company for Corporate tax purposes.

In our recent interactions, the GTA confirmed implications of the abovementioned articles and the documentation to be retained by taxpayers locally in the State of Qatar (see below).



Summary of details excepted as stated by the GTA

The GTA in its interaction confirmed that any entity related to other entities must give appropriate consideration to the Transfer Pricing requirements, in setting prices and other terms of transactions and in reporting the income resulting from these transactions in their tax returns.

The information and documents required to conduct an audit of transfer pricing practices are subject to transactions with related entities, including:

- Information and documents related to the entity's operations and functions.
- Information and documents related to the operations, functions, and financial results of its related entities and with which transactions are concluded.
- Information about potential comparisons, including internal comparisons of related entities.
- Documents relating to the operations and financial results of potentially comparable entities and the transactions that took place between them.
- Information and other documents that the entity or related entities have.

The entity has to maintain transfer pricing information and documents in connection with its transactions with its related entities in accordance with legal requirements.

The unavailability of the necessary data for applying the comparative free price method, any of the other pricing methods approved by the Organization for Economic Cooperation and Development may be applied, taking into account that the financial statements of comparative transactions are updated on annual basis.

The GTA has the right to examine the taxpayer's tax returns, the documents attached, and any records, books, or other data it deems necessary to ensure that what is stated in the statement conforms to the provisions of Law 24/2018, and its ER. The GTA may rely on the information available in the master file and the local file in assessing the TP risks in the tax examination. The GTA highlighted that full documentation of transactions between related entities shall not prevent their prices from being corrected if it is confirmed that they were not made on the basis of full competition.

How can KPMG help you?

KPMG Qatar can help you to comply with the requirements of Articles 53 to 55 by providing support in the developing the TP documentation that shall help you to meet the requirements of the ER, as confirmed by the GTA.

We can also assist you in developing TP policies and related party agreements and contracts from a holistic tax and transfer pricing perspective, which may help in defending the pricing during tax audits.

At KPMG in Qatar, we are committed to the end-to-end delivery of solutions which help your overall tax compliance obligations. We have a Qatar-based team of highly-skilled Corporate and International Tax, TP and VAT professionals, with experience of delivering tax advisory services to local as well as international clients.



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