

Qatar enacts new income tax law

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On 13 December 2018, His Highness Tamim Bin Hamad Al Thani, the Emir of Qatar, issued Law No. (24) of 2018 to promulgate a new income tax law. The new law replaces Law No. (21) of 2009, and is effective from 13 December 2018.

The new law retains most features and provisions of the previous law. Qatar will continue to apply a territorial tax system with a standard corporate income tax rate of 10%. The profits of companies that are wholly owned by Gulf Cooperation Council (GCC) nationals, and the share of corporate profits attributable to GCC nationals who are resident in Qatar, will remain exempt from tax.

The main changes introduced in the new law are:

- ▶ A flat tax rate of 35% will now also apply to agreements relating to petrochemical industries. Previously, the 35% rate applied only to petroleum operations.
- ▶ Taxpayers may seek approval for an exemption or preferential tax rate for projects based on criteria related to the nature of a project or its location. The Ministry of Finance may grant exemptions for up to five years. The Council of Ministers may approve exemptions for longer periods, or approve a preferential tax rate.
- ▶ The 7% withholding tax rate has been removed, and a single withholding tax rate of 5% will now apply to payments made to nonresidents for royalties and services that are performed in Qatar without a permanent establishment.

- ▶ Gains resulting from the revaluation of assets that are used as in-kind contribution to the capital of another resident stockholding company will be exempt, provided the shares of that company are not sold for five years.
- ▶ The exemption from tax for profits attributable to non-Qatari stockholders in companies and investment funds listed on the Qatar Stock Exchange, as well as gains arising from trading the shares or units of such companies or funds, has been moved from a special law into the Income Tax Law.
- ▶ The penalties for non-compliance relating to filing the annual tax return, settling tax liabilities, reporting contracts, and registering as a taxpayer, have been increased significantly, and are as follows:

– Late filing of tax return	QAR500 (approximately US\$137) per day up to a maximum of QAR180,000 (US\$49,451)
– Late payment of tax or withholding tax	2% per month, up to a maximum of 100% of the amount of tax due
– Failure to register for tax	QAR20,000 (US\$5,495)
– Failure by tax-exempt entity to file a tax return	QAR10,000 (US\$2,747)
– Failure to maintain proper records	QAR30,000 (US\$8,242)
– Failure to file audited financial statements	QAR30,000 (US\$8,242)
– Failure to report contractor information	QAR10,000 (US\$2,747)
– Failure to deduct withholding tax	100% of the withholding tax
– Failure to provide information related to international exchange of information	QAR 500,000 (US\$137,363)
- ▶ The Head of the General Tax Authority, established under Decree No. 77 of 2018, will have the authority to relieve taxpayers from penalties up to a maximum of QAR500,000 (US\$137,363). Previously the limit was QAR50,000 (US\$13,736).
- ▶ Taxpayers enjoying tax exemptions will be required to submit their annual corporate tax return showing the amount of income that would have been taxable without the exemption, and the amount of tax exempted.

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