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ACCOUNTING AND AUDITING

عيسى السليطي للمحاماة
ESSA AL SULAITI LAW FIRM

MODERN LAW

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MAIN FEATURES AND UPDATES OF THE INCOME TAX LAW

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PREAMBLE

In the modern era, taxation stands as a cornerstone among the myriad forms of public revenue that states rely upon to cover their public expenditures. It mandates that individuals contribute to the state's costs or public burdens through the imposition of taxes, adhering to a specific legal and technical framework built on a set of rules and principles. These rules bind individuals to tax payments by enforcing relevant laws. Given the unique nature of taxes as a public resource, their amount varies with the shifts in a society's political, economic, and social landscape where they are imposed. In addition, taxes serve as a financial instrument that facilitates the redirection of resources from private to public use, enabling the state to appropriate a portion of the community members' income and wealth for state purposes and obligations towards its citizens, and to satisfy public needs. Furthermore, taxation plays a pivotal role in fostering economic stability and achieving equitable wealth and income distribution. This is accomplished by utilizing tax revenues to provide social services and promote savings through tax relief, in addition to regulating the economy by adjusting production and growth rates. For instance, during inflationary periods, taxes are increased to absorb excess currency, whereas, in times of economic contraction, taxes are reduced and exemptions are increased, thereby enhancing savings and subsequently encouraging investment expansion. A reduction in taxes, for example, boosts corporate profits, which in turn leads to increased production. Thus, tax adjustments directly concern taxpayers and all those affected by them, primarily because taxes significantly impact living standards and purchasing power, directly influencing the economic well-being of individuals and the state.

Taxes are among the most significant sources of public revenue for the state, attributed to their substantial volume and their profound impact on the economic, political, and social spheres. The study of taxation encompasses a wide range of topics, starting from the fundamental principles considered when imposing taxes, followed by an overview of the stages involved in tax imposition - from the initial contemplation to the eventual deposit into the state's treasury, known as the technical organization of taxation, and the legal consequences of tax evasion.

HISTORICAL EVOLUTION OF TAX LAWS IN QATAR

The inaugural tax regulation in the State of Qatar was issued in 1954, following the Constitution of Qatar of 1953. Subsequently, Law No. 3 of 1966 was enacted, introducing certain tax measures to bolster the national economy and its development, which was later amended by Law No. 10 of 1971. In 1993, the state imposed a corporate tax under Law No. 11 of 1993 concerning income tax. Due to the substantial economic growth and boom experienced by the country, there was a need to adapt to this development, leading to the issuance of Law No. 21 of 2009 on income tax, followed by Law No. 24 of 2018 on income tax. Afterwards, Law No. 25 was issued on 13/12/2018, introducing the excise tax law, and on 11/12/2019, Cabinet Decision No. 39 was issued, enacting the executive regulations of the 2018 Income Tax Law. This law, which we will delve into its key features and recent updates necessitated by practical needs and economic development, reflects the ongoing evolution of the tax regime. In line with the advancements in the tax regime, Amiri Decision No. 77 of 2018 was made on 13/12/2018, establishing the General Tax Authority, followed by the creation of the Tax Authority under the Qatar Financial Centre. Furthermore, Cabinet Decision No. 17 of 2020 was issued to form two tax grievance committees.

A meticulous examination of the trajectory of Qatar's taxation system unveils it as an inherent result of the substantial advancements made by the state across various domains, notably the economic sphere. The state's strategic adoption of an enticing economic policy has efficaciously attracted capital influx by embracing a sophisticated and progressive tax regime that is in harmony with the premier international tax standards and conventions. This includes Qatar's engagement in numerous tax treaties, the exemption of certain revenue streams from taxation, coupled with the imposition of a excise tax on non-essential goods, and the implementation of tax reduction policies. Such measures invariably have a positive impact on the purchasing power, which in turn enhances production and income levels.

OVERVIEW OF TAXATION IN THE STATE OF QATAR

The tax regime in Qatar, recognized globally as the third least demanding, implements best international practices in taxation through two principal tax authorities: the General Tax Authority and the Qatar Financial Centre's Tax Authority. The Qatar Financial Centre's tax regime applies to all companies licensed by the Qatar Financial Centre, while other companies operating in Qatar are subject to the state's tax regime managed by the General Tax Authority.

The state's tax legislation is derived from three primary laws:

- The Income Tax Law (Law No. 24 of 2018).
- The Excise Tax Law (Law No. 25 of 2018).
- The Qatar Financial Centre's Tax Regulations and Rules.

In addition to the executive regulations, Qatar has ratified 84 active tax treaties and is a signatory to the Multilateral Convention of the Organization for Economic Cooperation and Development (OECD), which mandates companies under Qatar's tax regime to adhere to international standards for financial reporting. On the other hand, the Qatar Financial Centre's tax regime utilizes various frameworks, including the International Financial Reporting Standards, Generally Accepted Accounting Practices in the United States and the United Kingdom, and the standards of the Accounting and Auditing Organization for Islamic Financial Institutions. The Qatar Financial Centre classifies taxable profits as local sources if they are generated within Qatar, and profits earned by companies not under the Qatar Financial Centre's jurisdiction from local services intended for use outside the state are not subject to taxation.

TAXABLE INCOME, TAX RATE, AND DETERMINATION METHODS

Before delving into taxable income, it is imperative to discuss the tax benefits for Limited Liability Companies (LLCs) and excise taxes. One of the crucial decisions when initiating a commercial venture is selecting the business entity to establish. Among various options, including sole proprietorships and different forms of companies, LLCs have become increasingly popular due to their tax benefits and flexibility. In these companies, taxes are only levied on the total taxable income generated within the state during the preceding tax year, without affecting the owners' personal assets. Therefore, owners must declare their profits, after deducting expenses, in their tax filings. A significant advantage of LLCs is the potential for tax savings, as taxes are levied on the owners' profits after deducting expenses such as rent and operating capital, thereby avoiding double taxation. Another benefit of LLCs is the flexibility in tax treatment, allowing the company to choose the taxation method that best suits its needs and objectives.

Excise tax is a consumption tax applied to specific goods generally considered harmful to human health, with the revenue often invested in improving public services. Typically, high taxes are imposed on undesirable goods to discourage consumption. For example, soft drinks, excluding unflavored carbonated water, is taxed at 50%, while energy drinks, tobacco products, and special goods are taxed at 100%. Being a consumption tax, the excise tax ultimately falls on the end consumers, though it is collected at an earlier stage of the supply chain by taxable entities (importers, producers, and licensed warehouse operators).

Regardless of the place of incorporation, foreign-owned companies, wholly or partially, deriving income from Qatari sources are subject to taxation in Qatar. Taxable income includes the total income earned through activities conducted in Qatar; contracts executed wholly or partially within Qatar; considerations for the services paid to head offices, headquarters, branches, or related companies; income derived from real estate situated in the Qatar; and the exploration, extraction, and exploitation of natural resources in Qatar; as well as interests on loans obtained in Qatar, **as outlined in Article 3 of Law No. 24 (Income Tax Law) of 2018,** which stipulates the following:

Income derived from the State shall include the following:

1. Gross income derived from an activity carried out in the State.
2. Gross income derived from contracts wholly or partly performed in the State.
3. Gross income derived from real estate situated in the State, and capital gains arising from disposal thereof.
4. Gross income derived from shares or stock in companies that are resident in the State or listed on its stock markets, and capital gains arising from their disposal.
5. Consideration for the services paid to head offices, headquarters, branches, or related companies.
6. Interest on loans obtained in the State.
7. Gross income derived from the exploration, extraction or exploitation of natural resources situated in the State.
8. Gross income subject to tax in the State under a taxation agreement. All of this shall be as specified in the Regulation.

Article 5 of the Executive Regulation for the Income Tax Law delineates the method for determining gross income and net taxable income after deducting expenses and costs incurred in earning the gross income. This includes employee-related costs such as salaries, wages, end-of-service benefits, and other similar payments, as well as raw materials, consumables, and services necessary for conducting business activities. Additionally, rental fees, insurance premiums, interest on loans related to the business and assets at specified rates, uncollectible accounts based on criteria set by the law, and contributions and donations to charitable, humanitarian, scientific, cultural, or sports activities, paid to government bodies, public institutions, or other authorized entities in Qatar, are deductible, provided they do not exceed 5% of the net taxable income before deductions for the same tax year.

An in-depth analysis of taxable income necessitates an exploration of certain tax collection principles embedded in the law, which are directly associated with taxable income. These principles encompass the annual nature of taxation, tax totality, origin of tax, and prevention of double taxation, among others. These principles are outlined as follows:

Annual Nature of Taxation

As stipulated by Article 2 of Law No. (24) of 2018, amended by Law No. (11) of 2022:

"Annual tax shall be imposed on the taxpayer's total taxable income derived from sources in the State during the previous taxable year. "

This implies that the tax should be settled in the tax year immediately following the year of income accrual.

The principle of annual taxation prompts several inquiries, especially regarding incomes accrued within a taxable year but not collected within that year, or those arising from long-term contracts spanning multiple taxable years. How is the tax collected in such cases, and does the General Tax Authority consider these obstacles in its review of the taxpayer's total income, or is the income considered to be only that which is actually generated and collected within the same taxable year? This issue is resolved by **Article (6) of Law No. (24) of 2018, as amended by Law No. (11) of 2022,** where the taxpayer is to specify his taxable income on the basis of the accruals accounting method used in commercial accounting, in accordance with international accounting standards. For instance, a cheque received on December 15th of the current year and collected in the following year is subject to taxation for the current year.

Tax Totality

This principle dictates that tax is levied on the taxpayer's entire taxable income, implying that individuals exempt from tax are also exempt from declaring their income earned during the tax year

Origin of Tax

The default assumption is that taxes are levied on income originating within the state, albeit with specified exceptions. These exceptions encompass profits distributed profits paid by a foreign company domiciled abroad to a Qatari venture, alongside interests and royalties originating from foreign sources and remitted to a Qatari enterprise, contingent upon the absence of a permanent establishment of the Qatari venture within the foreign territory. This is articulated in **Article (2) of Law No. (24) of 2018, amended by Law No. (11) of 2022**, which further subjects gains from the disposition of overseas properties by any Qatari venture to taxation. Per **Article 2/4 of Law No. (24) for the year 2018,** as amended by Law No. (11) of 2022, profits accruing to a permanent establishment of a Qatari venture conducting operations in

a foreign nation are exempt from taxation, provided such profits are subject to taxation within that foreign jurisdiction. The legislation elaborates on the definition of a permanent establishment, encompassing entities such as offices, factories, workshops, sales outlets, warehouses utilized for third-party storage, sites of natural resource extraction, construction sites, and service provision locations, excluding storage facilities, and goods or commodities owned by the venture.

Prevention of Double Taxation

As stipulated in **Article (20) of Law No. (24) of 2018, amended by Law No. (11) of 2022,** if a taxpayer pays foreign tax on income subject to tax in the state, they may deduct that tax due in the state, provided that the foreign tax is an income tax that has been paid and is issued by an authorized authority.

The income tax regime is based on the taxpayer's self-declaration, which is grounded in the principle of initial registration and notification, followed by the tax declaration wherein the taxpayer delineates the tax obligation due.

In relation to the income tax rate, the taxable income is subjected to the corporate income tax rate, established at 10% in accordance with the tax regulations of the State of Qatar. Notwithstanding, an alternate rate may be applicable to taxpayers engaged in activities under contractual agreements with the government or involved in the oil and gas sector, whereby a tax rate of 35% is applied to income derived from petroleum or petrochemical operations, as delineated by **Law No. (3) of 2007** regarding the exploitation of natural wealth and resources, including exploration, field development, drilling, repair, petroleum processing, production, impurity filtration, transport, storage, loading, shipping, necessary equipment and facilities for industrial operations, construction of related energy and water facilities or other utilities, their operation, and the requisite administrative services for the execution of the aforementioned operations.

Should a special agreement with the Government of Qatar have been executed prior to the enactment of **Law No. (3) of 2007** regarding the exploitation of natural wealth and

resources, the tax rate specified within such agreement shall prevail. In the absence of a specified rate within the agreement, a tax rate of 35% shall be applied.

Entities operating within the Qatar Financial Centre are subject to a fixed tax rate of 10% on their taxable profits, in accordance with the QFC's tax regime. Furthermore, the law has introduced a withholding tax, applied at a rate of 5% on profits from all services rendered either wholly or partially within Qatar in instances where the commercial activity is conducted outside Qatar but services related thereto are provided wholly or partially within Qatar. This withholding tax is applicable only if payments are made to individuals or companies not resident in Qatar in respect of activities not connected with a permanent establishment in Qatar.

Deducted losses from net income can be carried forward to subsequent years under both tax regimes. This does not include losses arising from an exempt income source or income that is not subject to taxation.

The tax regime of the State of Qatar allows for a carry-forward period of 5 years, whereas the QFC's tax regime permits an indefinite carry-forward period, as long as the entity affiliated with the QFC continues to generate income.

To summarize the aforementioned points regarding the tax rate, according to the provisions of **Law No. (24) of 2018,** except for entities operating in the oil and gas sector, the tax rate is 10% of the taxpayer's taxable income for the taxable year, after deducting production costs.

Income tax in Qatar is levied based on the source of income, with limited exceptions. Generally, income derived from Qatari sources by individuals or resident commercial entities is subject to a 10% income tax, while profits earned by natural Qatari persons and entities wholly owned by Qataris, as well as entities partially owned by Qataris, are exempt from taxation. In cases involving foreign shareholders, tax is levied on the foreign shareholders' share of the profits.

The application of the income tax law differs for entities operating in the oil and gas sector and the exploitation of natural resources. For entities where the government, ministries, other governmental bodies, or public institutions are involved, the tax rate specified in agreements concluded with these entities before this law came into effect will apply. If the agreement does not specify a tax rate, a tax of 35% is imposed. In this context, it is noteworthy that the law has introduced a withholding tax, levied at a rate of 5% on non-residents for activities not related to a permanent establishment in the state, in return for services rendered wholly or partially within the state. Regarding the withholding tax, the responsibility falls on every natural or legal person residing in the state for amounts paid to non-residents. These withholdings are to be remitted to the General Tax Authority on Form No. (2-1) for withholding, in accordance with the provisions of **Article (9), Paragraph 2 of Law No. 24 of 2018** concerning the enactment of the Income Tax Law, effective from its date of issuance, which stipulates the following: -

" Subject to the provisions of the tax agreements, the royalties, benefits, commissions, and consideration for services rendered in whole or in part in the State, paid to non-residents for activities not related to a permanent establishment in the State, shall be subject to a final deduction from the source by (5%) five percent of the total amount thereof, as specified by the Regulation ".

TAX EXEMPTIONS AND TAX GRIEVANCES

Certain entities are exempt from taxation as specified in **Article 2 of Law No. (24) of 2018, amended by Law No. (11) of 2022,** which states:

"In accordance with Articles (9, Paragraph 2, Item 2) and (13) of the annexed law, the provisions of this law shall not apply to the following:

- Ministries, government agencies, public bodies, and institutions.
- International organizations and their branches operating within the country.
- Associations, private foundations, and private institutions of public interest established under the respective governing laws.
- Salaries, wages, allowances, and similar remunerations.
- Total income from inheritance and bequests.

Furthermore, **Article 4 of Law No. (24) of 2018, amended by Law No. (11) of 2022,** reaffirms the stipulations of **Article 2 of Law No. (24) of 2018, as amended by Law No. (11) of2022,** which exempts private associations, charitable institutions, and private institutions benefiting the public from taxation. However, this exemption does not preclude the taxation of these entities if they engage in taxable activities. The exemptions not subject to taxation can be categorized as follows:

- Exemptions based on the entity's status, such as being an international organization or a ministry.
- Exemptions based on the type of income, such as salaries, wages, inheritances, estates, and capital gains resulting from the sale of an estate, share in it, or any right included.
- Exemptions arising from income originating outside the state, if it is not related to an activity associated with a permanent entity in Qatar.
- Exemptions based on the nature of the activity, such as those related to the gross income arising from agriculture or marine fishing.
- Exemptions conditional on limits, such as the gross income of craft activities.

Generally, exemptions can be viewed as comprehensive, such as those pertaining to the incomes of Qatari nationals, and partial, like those applicable to profits earned by Qatari enterprises from foreign sources.

It is important to note that reading Article 4 of Law No. (24) of 2018, amended by Law No. (11) of 2022, related to exemptions, must be done in conjunction with the additions of Law No. 11 of 2022 amending Article 2 of Law No. (24) of 2018, which complements Article (4), as shown in the following table:

Article	Text	Article	Text	Comment
4-6	Capital gains realized by a Qatari project from the disposition of the following are exempt: a) Immovable properties situated overseas. b) Movable properties constituting part of a permanent establishment›s assets owned by the Qatari project abroad, inclusive of capital gains originating from the transfer of ownership of the said permanent establishment, individually or along with the entire project.	2 Bis	Income derived by a Qatari project from overseas properties and proceeds from the direct utilization, leasing, or any other form of usage of immovable properties shall be subject to taxation, taking into account the following: -1 The Qatari project benefiting from the income generated by immovable properties shall not engage in any business activities within a foreign state where the income-generating property is located through a permanent establishment in that state. -2 The immovable properties yielding the income should not have an actual connection to the permanent establishment.	As observed, the non-availability of the exemptions specified in Article (4) results in the inclusion of the relevant incomes within the taxable base. The presence of a permanent establishment is the determinant for applying tax or granting exemption.
4-8	The subsequent incomes are exempt from taxation: Earnings from shares and other incomes derived from them, provided that the amounts distributed during the year are deducted from: a) Profits subject to taxation as per this law›s provisions. b) Profits distributed by a company whose earnings are tax-exempt	2 Bis / 1	Dividends disbursed by a foreign resident company overseas to a Qatari project are taxable, as well as interest and royalties originating abroad and paid to a Qatari project, provided that the Qatari project does not conduct business activities in the distributing company›s state, and these earnings are not derived from the Qatari project›s permanent establishment within that state.	The exemption pertains to dividends distributed within Qatar, whereas profits obtained from a non-resident source for a Qatari project do not qualify for the exemption.

It is noteworthy that the law does not distinguish between natural and legal persons in this provision, leading to redundancy in **Article 4. Article 2 of Law No. (24) of 2018, amended by Law No. (11) of 2022,** includes legal entities such as ministries and organizations, while also covering incomes of natural persons like wages and inheritances, which should have been encompassed within **Article 4 of Law No. (24) of 2018, as amended by Law No. (11) for the year 2022.**

The State of Qatar's tax regime permits tax exemptions for qualified companies for up to 3 years, subject to the approval of the Minister of Finance. Companies seeking longer exemption periods must obtain approval from the Cabinet based on the recommendation of the Tax Exemption Committee. However, the regime does not provide an exemption for partnerships, with taxes imposed on foreign companies that sell their shares through Qatar-based companies. Conversely, QFC's tax regime provides an exemption on capital gains earned through qualified shares. According to **Article 51 of the Executive Regulations of the Income Tax Law of 2018,** a Tax Exemption Committee was established, comprising two members from the Ministry of Finance and Economy, a representative from the Ministry of Commerce, the Ministry of Energy and Industry, and the Qatar Chamber of Commerce and Industry. **Article 52 of the Executive Regulations of the Income Tax Law of 2018** outlines the committee's responsibilities and mandates adherence to specific criteria when reviewing exemption requests. In case of rejection or non-decision within 30 days, a grievance can be made to the Minister within 30 days, followed by the option to proceed to court.

The Cabinet, under **Decision No. 17/2020 dated 31/05/2020,** established two Tax Grievance Committees, each chaired by an appellate judge, with one member from the State Audit Bureau and one from the Qatar Chamber of Commerce and Industry, appointed by the Minister, to address objections to tax imposition or assessment.

These committees are responsible for adjudicating appeals against decisions made by the Authority. Taxpayers may object to the tax assessment within thirty days of being notified, either in writing or through any means providing evidence of receipt, which can be submitted either manually or electronically.

The objection shall be submitted to the Authority, and the submission of the objection shall result in the suspension of the execution of the tax assessment decision. Where the taxpayer fails to submit an objection within the period stipulated in the first paragraph of this Article, the tax assessment decision shall become final, and taxes shall become due and payable.

The Authority shall consider the objection and notify the taxpayer or the person in charge, of its decision thereon, by any knowledge-proving means, within sixty days from the date of submission of the objection. The lapse of sixty days without a response to the objection shall be regarded as an implicit rejection of the objection. The taxpayer has the right to approach the Appeal Grievance if the objection's outcome is not satisfactory.

Should the taxpayer agree to the Authority's decision on the objection, the tax becomes definitively assessed based on that decision.

TAX REGISTRATION

Article 10 of Law No. (24) of 2018 mandates that taxpayers must register with the General Tax Authority and notify the Authority of any changes that may affect their tax obligations. It also requires taxpayers to apply for a tax identification number. The **Executive Regulation of the Income Tax Law of 2018 details in Article (25)** the procedure and timeline for registration, including the submission of an application for a tax card in accordance with the provisions of **Article 10/1 of Law No. (24) of 2018.** The application must be submitted using the designated registration form along with documents specified by the Authority within 60 days from the date of obtaining approval from the competent authority to commence the activity, registration in the Commercial Register, the first day of income realization, whichever is earlier, or on the same day of registration for any other tax purposes. The Authority may impose financial penalties on the taxpayer for the pre-registration period if the conditions for registration were met and the taxpayer did not apply for registration within the prescribed deadlines, without prejudice to the obligation to pay the due tax. In case the taxpayer ceases the business activity, relinquishes, sells, or legally disposes of it, they must notify the Authority, which will then issue a non-objection certificate recognizing this disposition.

Failure to register with the General Tax Authority or to maintain the validity of the tax card may result in a financial penalty of 20,000 Qatari Riyals as per **Article (24) of Law No. (24) of 2018, as amended by Law No. (11) of 2022.** The penalty may extend to imprisonment for a term not exceeding one year and/or a fine not exceeding three times the due tax or one of these penalties, without prejudice to any harsher penalty stipulated by another law, in cases where forged, fictitious records, documents, or fraudulent methods are used,

including the submission of false information or documents with the intention of obtaining a tax deduction, exemption, refund of previously paid tax, deliberate failure to register for tax purposes, concealment of actual income or any taxable activity, or any act intended to prevent the Authority's employees from performing their duties as per **Article (26) of Law No. (24) of 2018.**

A commercial company becomes subject to income tax if registered under Qatari law, conducts business through a principal office, or has its effective management located in Qatar, known as a permanent establishment. The Qatari tax law defines a permanent establishment as a fixed place of business through which the taxpayer wholly or partially conducts business. A permanent establishment can also be constituted through an agent; a person acting on the taxpayer's behalf or in his interest other than an agent of independent status. The law permits the establishment of a permanent establishment for projects or services lasting 6 months (183 days) or more within a 12-month period, rendering companies with a permanent establishment in the state subject to corporate income tax. The permanent establishment must be commercially registered to file tax returns.

For practical tax registration purposes, the following documents are required:

i. A copy of the commercial register.

ii. A valid ID copy of the authorized signatories as per the commercial register.

iii. In cases where a lawyer or agent represents the taxpayer, a signed authorization letter or power of attorney granting them authority to add the entity, submit returns, and renew the tax card on behalf of the taxpayer is necessary.

iv. A signed and stamped tax card application form along with an authorization letter.

v. A document confirming the start and end of the taxpayer's first accounting period.

vi. The articles of association if the taxpayer is an entity established under Qatari laws.

According to **Article (24) of Law No. (24) of 2018, as amended by Law No. (11) of 2022,** a financial penalty of 20,000 Qatari Riyals will be imposed if the taxpayer fails to register within the specified deadline, which is 30 days from the date of commercial registration or the first day of income realization, whichever comes first.

COMPREHENSIVE INCOME TAX (CIT) RETURN

The law mandates that every individual engaged in a commercial activity must submit a tax return using the designated form before the deadline for filing the comprehensive income tax return, which is four months after the end of the taxpayer's accounting period. Under certain circumstances, an extension of up to four months may be requested. Taxpayers granted a tax exemption must submit a return to the Authority using the designated form, detailing their taxable income and the amount of tax due.

With the Authority's approval, taxpayers may submit an amended return to correct errors in a return for a previous tax year or to include any omissions, provided a request is made and approved by the Authority. The regulations set forth the necessary conditions, controls, procedures, and deadlines for this process.

Practically, for the purpose of fulfilling income tax obligations post-tax year, taxpayers are responsible for preparing and submitting the tax return using the designated form. This return should detail the taxable income, exempt revenues, costs, and adjustments. Once the accounts presented in the return are audited, the taxpayer or the legally authorized signatory, in the case of a legal entity, must sign the prepared form, attach the audited financial statements and the tax card, and upload these documents to the electronic tax portal. The due tax is then paid electronically, and a tax payment receipt is provided along with two printed copies stamped by the General Tax Authority. One copy is given to the taxpayer, and the other is retained in the records of the General Tax Authority.

KEY ASPECTS OF THE INCOME TAX LAW

1. The State of Qatar imposes a 10% income tax on income derived from Qatari sources, with the exception of income from oil operations, which is subject to a general tax rate of 35%.
2. Tax exemptions are applicable to the income of Qatari nationals or Gulf Cooperation Council (GCC) nationals residing in Qatar, income of entities based in Qatar and owned by Qatari or GCC citizens, and income of entities specified by law.
3. Capital gains are included in taxable income and are subject to taxation at the applicable rate. This also applies to non-residents disposing of assets in Qatar, such as shares in a Qatar-based company.
4. The Income Tax Law applies to both natural and legal persons and can be applicable to both residents and non-residents.
5. Individuals are considered residents in Qatar if they have:
   - A permanent place of residence in the State.
   - Resided in Qatar for more than 183 days in a 12-month period, or
   - Hold Qatari nationality, or
   - Their vital interest center is in Qatar, or
   - Any entity established under Qatari laws or effectively managed in Qatar is considered resident in Qatar.
6. A 5% Value-Added Tax (VAT) is applied to all services provided wholly or partially within the State of Qatar.
7. Withholding Tax (WHT) on royalties, technical fees, interest, commissions, brokerage fees, and other payments applies to services rendered.
8. VAT is applicable only if payments are made to individuals or companies not resident in Qatar in relation to activities not associated with a permanent establishment in the state. Practically, since both residents and non-residents with a permanent establishment in Qatar are required to have a tax card, income tax is applicable only if payments are made to service providers who do not hold a valid tax card.

KEY OBSERVATIONS AND UPDATES TO THE INCOME TAX LAW

1. The current law, in **Article (1) of Law No. (24) of 2018, as amended by Law No. (11) of 2022,** introduced definitions not included in the previous legislation. This includes the term "person," defined as any individual or body of individuals, and the term "entity," defined as any legal person or any legal arrangement maintaining separate financial accounts. Therefore, the distinction between a "person" and an "entity," as inferred from the definitions, lies in the maintenance of separate financial statements; a branch of a parent company, which does not maintain separate financial statements, is thus not considered an entity by this definition. Additionally, this law provided distinct tax definitions from those found in civil law and expanded on terms such as "permanent establishment" and "person," differentiating between natural and legal persons and residents. It clearly defined non-profit organizations and set conditions related to their nature of activity, distinguishing them from businesses aimed at generating profit. The law also detailed definitions related to immovable property, including real estate and rights to payments for exploiting natural resources, and covered distributed profits from income derived from shares, requiring that an entity's main management place or place of establishment be in Qatar.
2. This law enshrined important tax principles such as the annual nature of taxation, the tax totality, the origin of tax, and the prevention of double taxation.
3. Corporate Income Tax was introduced in Qatar with **Law No. (21) of 2009,** which came into effect on January 1, 2010 and **the Income Tax Law No. (24) for the year 2018,** which became effective from December 2018.
4. The Income Tax Law in Qatar is a progressive law in line with treaties ratified by the state and only applies to income generated from commercial activities.
5. **Law No. (24) of 2018, as amended by Law No. (11) of 2022,** introduced a withholding tax on payments made to non-residents outside Qatar, known as Withholding Tax, which is a tax on income earned by a non-resident of Qatar and is deducted at source at a rate of 5%. Resident companies, permanent establishments of non-resident companies, and governmental entities are responsible for deducting this tax at source and remitting it to the account of the Authority when paying service amounts to non-residents in the state. These deducted amounts must be paid to the Authority's account through the Authority's electronic systems or can be remitted using the prescribed form and paid to the Authority manually.
6. Qatar has concluded double taxation treaties with 67 other jurisdictions (currently in force), containing so-called distribution rules that determine the contracting state entitled to impose tax (or to what extent each contracting state may impose taxes).
7. Specific tax rules apply to companies registered in the Qatar Science and Technology Park (QSTP), one of the new Qatar Free Zones (QFZ), or the Qatar Financial Centre (QFC).
8. Regarding financial penalties and sanctions, **Law No. (24) of 2018, as amended by Law No. (11) of 2022,** imposes stricter penalties and financial sanctions compared to Law

No. (21) of 2009. This reflects the state's fiscal policy aimed at curbing tax evasion. For instance, the financial penalty for failing to submit a tax declaration was previously 100 QAR for each day of delay, while the current law stipulates a penalty of 500 QAR for each day of delay. Additionally, the financial penalty rate for non-payment of tax on time has increased from 1.5% to 2%, as well as regulations regarding non-registration, failure to submit audited financial statements, and bookkeeping requirements. The penalties have also been enhanced, with imprisonment now not exceeding one year and fines not exceeding three times the tax due, whereas the previous law set the penalty at no more than three months' imprisonment and a fine not exceeding 15,000 QAR for submitting forged records or documents and using fraudulent methods to obtain a tax exemption or refund, or to prevent Authority employees from performing their duties. It is also noteworthy regarding financial penalties that the law introduced a deterrent measure following the granting of exemptions, as stipulated in **Article (24), Paragraph (4) of Law No. (24) of 2018, as amended by Law No. (11) of 2022,** which states:

"Every taxpayer who benefits from a tax exemption and he does not submit the tax return and the documents to be attached thereto in accordance with the provisions of this Law and the Regulation shall be fined with a financial sanction of ten thousand (10,000) Riyals."

CONCLUSION

The purpose of this study is to highlight two significant elements: the updates introduced to the Income Tax Law and the fundamental characteristics that distinguish this law from previous legislation. Additionally, it emphasizes the importance of income tax as a crucial economic resource that enables the state to achieve its financial goals, which in turn reflects on society and contributes to social justice. Through this, the state formulates its economic policy by limiting the manufacturing and importation of certain goods that waste resources and harm humans, by increasing the tax rate on such goods as is the case with goods subject to excise tax. It should be noted that an objective assessment of the impact of the amendments brought by **Law No. (11) of 2022, amending Law No. (24) of 2018,** cannot be made until a new executive regulation is issued that aligns with the developments introduced by **Law No. (11) of 2022.** This regulation must set forth more practical and detailed procedures for the articles within the law, provide explanations, and define the directives of the tax administration that can achieve the legislative purpose of the law without conflicting with the tax treaties signed by the State of Qatar due to their international implications in the field of taxation. From what we have discussed, it is evident from this study that the State of Qatar, driven by the economic boom it has experienced, has adopted a robust tax system that is also investment-friendly and in line with global economic and legal systems, demonstrating the state's wise economic leadership.

SOURCES:

1. Law No. (24) of 2018 and its amendments.
2. Law No. (21) of 2009.
3. Qatar Financial Centre Law No. (7) of 2005.
4. The Executive Regulation of the Income Tax Law No. (24) of 2018.
5. Cabinet Decision No. (39) of 2019.
6. Cabinet Decision No. (17) of 2021.
7. Cabinet Decision No. (3) of 2023, amending some provisions of the Executive Regulation of the Income Tax Law issued by Cabinet Decision No. (39) of 2019.
8. Minister of Economy and Finance Decision No. (13) of 2010, issuing the Qatar Financial Centre taxes regulations.
9. The official website of the General Tax Authority.

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