

• • • • **FZ02: Free Zone Tax Guidelines**

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## 1. Introduction

The purpose of this document is to provide QSTP entities with guidelines to the tax compliance requirements which must be adhered to in order to comply with Law No. 36 of 2005 Establishing a Free Zone for Qatar Science & Technology Park (QSTP). The guidelines herein apply to all companies incorporated (QSTP-LLC) and branches registered (QSTP-B) in the QSTP Free Zone which will be referred to, collectively, as QSTP entities throughout this document. Entities established and licensed by other jurisdictions and operate in QSTP free zone through a Restricted License or a Service License must adhere to the tax rules that apply to their entity unless otherwise decided by the QSTP Board of Directors.

## 2. Tax Law Compliance

All QSTP entities shall comply with the State of Qatar Income Tax Law No. 24 of 2018 (as amended from time to time) and its Executive Regulations issued by the Council of Ministers Decision No. 39 of 2019 (as amended from time to time). QSTP entities shall also comply with all tax decisions issued by the Ministry of Finance or the General Tax Authority.

## 3. Dhareeba Registration

All QSTP entities shall register for Qatar tax purposes through the online system of the General Tax Authority, Dhareeba. This online platform shall be used to make the relevant Qatar tax submissions. Once the registration in Dhareeba is completed, a copy of the Dhareeba Tax Card is to be shared with the QSTP Free Zone Registry. Kindly refer to the below link for the User Manual for Self-Registration, issued by the General Tax Authority.

[New Registration User Manual - QSTP \(dhareeba.gov.qa\)](https://dhareeba.gov.qa)

## 4. Substantial Activity Requirements

Based on Decision of the Minister of Finance No. 20 of 2021 on the Implementation of Substantial Activity Requirements to Economic Activities, a QSTP entity must demonstrate that it complies with the following substance activity requirements in order to benefit from the corporate income tax exemption.

1. A QSTP entity shall carry out real economic activities, shall have a substantial economic presence in Qatar Science & Technology Park (QSTP) and shall not facilitate structures or arrangements aimed at attracting profits which do not reflect real economic activity in QSTP.
2. For the purposes of benefiting from the QSTP tax exemption, the QSTP entity conducting any permitted activity must meet the following requirements:
  - a. the core income generating activities (CIGAs) shall be conducted by that entity or within the State of Qatar; and
  - b. the CIGAs shall be conducted with an adequate number of full-time employees with necessary qualifications and an adequate amount of operating expenditure.
3. A QSTP entity in the Incubation Center (Incubatee) must employ on a full-time basis an adequate number of qualified professionals that are resident in Qatar each earning a total monthly salary (including fringe benefits) of at least QAR 5,000 per month, provided that

this number shall be equal or greater than one in the first financial year and two for each subsequent financial year.

A first, second year Incubatee can submit a request to the QSTP management for a temporary deduction of this requirement. In the request, the Incubatee must clarify the reason for not fulfilling the requirements and must confirm it did not report any profit for tax purposes in the relevant financial year. The request for a temporary deduction must be submitted within one month after the end of the relevant financial year.

The QSTP management will respond within two months after submission of the request with a decision that is not subject to appeal.

4. A QSTP entity other than in the Incubation Center must employ on a full-time basis an adequate number of qualified professionals that are resident in Qatar each earning a total monthly salary (including fringe benefits) of at least QAR 10,000 per month, provided that this number shall be equal or greater than two in the first financial year and three for each subsequent financial year.
5. The counting of employees shall be made taking into account:
  - only employees with an indefinite or fixed-term employment contract, in accordance with the provisions of the labor legislation in force, of at least six months;
  - part-time employees are taken into account when their employment contract, in accordance with the provisions of the labor legislation in force, is for an indefinite period or for a period of at least six months; and
  - apprentices are also retained for the count of the number of employees, when the characteristics of their contract is in accordance with the provisions of the labor legislation in force.
6. A QSTP entity shall report, on annual basis, the following details to the QSTP management:
  - a. identification and activity-related information on the QSTP entity:
    - name and address of the QSTP entity;
    - type of activities the QSTP entity has conducted; and
    - relevant CIGAs the QSTP entity has conducted.
  - b. key accounting data for each of the activities of the QSTP entity:
    - the accounting year or period to which the information reported by the QSTP entity relates;
    - the amount and type of the annual gross income realized during the relevant accounting period or year by the QSTP entity in relation to the activity (e.g. royalties, dividends, sales, services);
    - the amount and type of operating expenses incurred by the QSTP entity in relation to the activity over the relevant accounting period or year, in the course of carrying out the business, including the expenses directly

- incurred with respect to the activity and the outsourcing expenditure incurred by the QSTP entity with respect to the activity;
  - o the amount (net book value) and type of (tangible) assets, physical offices and premises held by the QSTP entity, in the course of carrying out the business; and
  - o number of employees, including the number of full-time equivalent qualified employees that have been employed by the QSTP entity in the relevant period or year in relation to the activity, and the amount of their monthly salary.
- c. information on the intermediate parent, ultimate parent and ultimate beneficial owner (UBO) of the QSTP entity:
- o identification of the intermediate parent, ultimate parent and UBO;
  - o residence jurisdictions of the immediate parent, ultimate parent and UBO; and
  - o the type of UBO interest the person has with respect to the QSTP entity.
7. A QSTP entity generating revenue from an IP asset will be subject to a separate assessment in line with the relevant provisions as stipulated in the Decision of the Minister of Finance No. 20 of 2021 on the Implementation of Substantial Activity Requirement for Economic Activities carried out in the State of Qatar.
8. The QSTP management is entitled to collect information from a QSTP entity in order to identify whether that QSTP entity is conducting relevant activities and whether that QSTP entity meets the substantial activity requirements as laid above.

## 5. Corporate Income Tax Filing

QSTP is offering a tax incentive, subject to meeting substantial activity requirements. Despite the exemption, all QSTP entities have the obligation to file annual corporate income tax return. The deadline for filing is within 4 months from the end of the accounting period.

Failure to comply with the filing requirements might lead to fines being imposed on the QSTP entities by the General Tax Authority.

## 6. Withholding Tax

Qatar withholding tax (WHT) applies in case of certain payments (among others, interest, royalties, technical fees, interest, commissions, brokerage fees, and other payments for services) from the QSTP entity to a non-Qatari service provider if these services are “used, utilized or benefited” in Qatar. In that case, the QSTP entity shall withhold 5% of that payment, file the WHT form through Dhareeba and remit the WHT amounts to the General Tax Authority by the 16th day of the following month.

Failure to comply with the filing requirements might lead to fines being imposed on the QSTP entities by the General Tax Authority.

## 7. Contracts Reporting

All QSTP entities are required to notify the GTA of contracts which it enters with residents and non-resident (subject to certain monetary thresholds, mentioned below) within 30 days of signing the contract. Please note that a penalty of QAR 10,000 applies for each contract that is not reported. With the introduction of Dhareeba, contract notifications are also required to be submitted in Dhareeba.

The following contracts are subject to contract notification:

- Any contract with a non-resident without presence in Qatar;
- Services contracts of QAR 200,000 and above with a resident or non-resident with presence in Qatar; and
- Business and Supply contracts of QAR 500,000 and above with a resident or non-resident with presence in Qatar.

## 8. Transfer Pricing

All QSTP entities exceeding a total of assets or total annual turnover of QAR 10 million, shall submit a so-called transfer pricing form along with the corporate income tax return. In case of exceeding QAR 50 million of assets or total annual turnover, preparing and submitting “master file & local file” is required.

The transfer pricing form or “master file & local file” will require details of the taxpayer’s intra-group transactions and additional transfer pricing information.

## 9. Disclaimer

This guideline document has been prepared for general information purposes only and is not exhaustive. The above information presented is not intended to convey or constitute legal advice, is not to be acted or relied on as such, may not be current and is subject to change without notice. You should not act upon any such information without first seeking qualified professional tax and/or legal advisers for your specific matter.