

A photograph of three business professionals (two men and one woman) sitting in red armchairs in a modern office setting, engaged in a conversation. They are positioned in front of a large window that looks out onto green trees. Two black briefcases are on the floor next to the chairs.

GCC - QATAR TAX ROUND-UP

**Changes to the
Contract Reporting Submission
in the Dhareeba Portal**

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STATE OF QATAR

Amendment on Executive Resolutions of the Income Tax Law

- ▶ On the 16th of May 2023, Cabinet Resolution No. (3) of 2023 amended some provisions of the Executive Regulations of the Income Tax Law Issued by Cabinet Resolution No. (39) of 2019 published in the official gazette.

The main changes affecting the work of foreign companies are as follows:

▶ The definition of Permanent Establishment includes:

- 1.) An office, factory, workshop, sale outlet, warehouse, mine, oil or gas well, quarry or any other place for the exploration, extraction and exploitation of natural resources.
- 2.) A construction site, construction, assembly or installation project, or related supervisory activities, provided that such site, project or activities continue for more than six months.

- 3.) The provision of services, including advisory services, by a project, through employees or other employees designated by the project for this purpose, provided that activities of this kind continue within the country for a period of time or periods totalling more than one hundred and eighty-three days during twelve months beginning or ending in the financial year concerned.

▶ The definition of Permanent Establishment does not include:

- 1.) Use of the facilities only for the purpose of storing or displaying goods or merchandise owned by the project.
- 2.) Maintaining a stock of goods or merchandise owned by the enterprise for the purpose of storage or display, or for the purpose of being processed by another enterprise.

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- ▶ The definition of Permanent Establishment does not include:

3.) Maintaining a fixed place of business for the purpose of purchasing goods or merchandise or collecting information for the project, or for the purpose of practicing any other activity of the project.

4.) Maintaining a fixed place of business only for any group of activities mentioned in the preceding subparagraphs of this paragraph, provided that such activity, or that the overall activity of the fixed place of business, has a preparatory or auxiliary character.

- ▶ Other key amendments on Permanent Establishment definition

1.) Foreign project taxable profit will be only:

- The Permanent Establishment itself.
- Sales in the State of goods or merchandise of the same type or of a type similar to those sold through that permanent establishment.
- Other business carried out in the State of the same type or of a similar type to the business carried out through that permanent establishment.

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- ▶ In determining the profits of a permanent establishment, it is permitted to deduct expenses incurred for the purposes of the permanent establishment's business, including general operational and administrative expenses incurred, whether in the State or elsewhere. As an exception, it is not permitted to deduct amounts paid by the permanent establishment (other than actual expenses) to the project headquarters or any of its other offices as royalties, fees or other similar payments for the use of patents or other rights, or as commissions, for certain services rendered or for management, or as interest on funds lent to the permanent establishment, except in the case of a banking project.
- ▶ In determining the profits of a permanent establishment, the amounts charged by the permanent establishment (other than the payment of actual expenses) on the project headquarters or any of its other offices as royalties, fees or other contingent payments for the use of patents or other rights, commissions for certain services rendered or for management, or as interest on funds lent to the business headquarters or any of its other offices, except in the case of a banking enterprise, shall not be taken into account.
- ▶ For the purposes of the application of this article, profits attributable to the permanent establishment shall be determined in the same manner year after year, unless there is a justified and acceptable reason to the contrary.

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► Other key amendments on Permanent Establishment definition

2.) Exchange of information with competent authorities

- The Authority has the right to obtain information and documents for the purpose of conducting a tax examination, or for the purpose of exchanging them with the competent authorities of other countries, in accordance with tax agreements and agreements on administrative assistance and the exchange of information for tax purposes.
- The Authority has the right to obtain information and documents from any person in the State who has such information in his possession or control, even if there is a legal obligation on such person to maintain the confidentiality of the information. The information is under the control of a person if he or she has the legal right or the authority or ability to obtain the information or documents in the possession of another person.

Any Qatari project must exercise a substantial activity and have a real presence in the State. Residents of the State shall not facilitate structures or arrangements aimed at generating profits that do not reflect substantial activity in the State.

Contract report declaration

On the 3rd of August 2023, the General Tax Authority updated the required information for contract reporting in the Dhareeba portal and offered to download a template, fill it up and upload it in the portal.

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- ▶ For any queries about this alert or any other matter on business tax, please reach out to:



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