

Qatar – New FAQs on Transfer Pricing

Background:

Earlier in December 2019, Qatar's General Tax Authority (GTA) has issued Executive Regulation to Law No. 24 of 2018 by way of Decision No. 39 of 2019 published on 11th December 2019 introducing substantive changes in Tax and Transfer Pricing Regulation.

Subsequently, GTA has issued additional Transfer Pricing guidance on documentation and compliance requirement by way of President's Decision No. 4 of 2020.

In furtherance to the above, recently, **GTA has released Frequently Asked Question (FAQ)** to address the concerns of taxpayer on Transfer Pricing Regulation. FAQ is divided in two parts i.e. (1) Transfer Pricing declaration form (2) local file and master file documentation.

We have summarised key considerations of FAQs as under:

A. FAQ on Transfer Pricing declaration

- Taxpayers are required to submit Transfer Pricing declaration form along with tax return on newly launched Dhareeba Tax Portal when:
 - Annual tax-free turnover or gross asset appearing on balance sheet is **greater than or equal to QAR 50,000,000**; and
 - Taxpayer is associated with other entity situated in or outside Qatar
- **'Nil' declaration** to be submitted if taxpayer has not carried out any transactions with related entities.
- Declaration obligation is also applicable to foreign entities having a Permanent Establishment in Qatar.
- Nature-wise controlled transactions to be reported on aggregate basis for each jurisdiction. Again, disclosure is required only when **aggregate value of particular type of transaction exceed QAR 200,000**. In other words, only one amount to be mentioned for each type of transaction per related party's jurisdiction of residence.

- Surprisingly, unlike Transfer Pricing disclosure form of other countries, GTA does not require details of each related party, instead **only requires jurisdiction-wise transaction information**.
- In case taxpayers wishes to adopt 2 different methods for similar nature of transactions, method to be disclosed in declaration form should be “**main TP method applied**”. Ex. 80% of the amount of intra-group goods purchased are benchmarked using comparable uncontrolled price (CUP) method and balance 20% on the basis Resale Price Method, only CUP method (being main method) to be disclosed in form.

B. FAQ on local file and master file

- Taxpayers are required to submit Transfer Pricing local file and master file when:
 - Annual tax-free turnover or gross asset appearing on balance sheet is **greater than or equal to QAR 50,000,000**; and
 - Taxpayer is associated with other entity situated in or outside Qatar
- While local file and master file needs **to be submitted no later than 30th June following the fiscal year**, FAQ has clarified that these documents to be prepared on **contemporaneous basis** i.e. on or before filing tax return and Transfer Pricing Declaration Form.
- Interestingly, it is clarified that if taxpayer reasonably demonstrates that cost of searching comparable data would be disproportionately higher owing to the amount involved, they are not required to incur such additional cost to search comparable data.
- Similar to Declaration form, it is clarified that only “material” transactions (nature-wise aggregated) which exceed **QAR 200,000** are required to be included in local file.

Way Forward:

Qatar, in line with other Middle East and Africa countries, are frequently providing guidance for taxpayers before their first compliance for FY 2020 due in 30th June 2021. FAQ’s are a welcome step to provide much needed clarity to taxpayers. Now, the taxpayers in Qatar are recommended to –

- I. Conduct a health-check for their intra-group transaction (domestic or cross-border) keeping in mind requirements of Transfer Pricing Regulation
- II. Take corrective steps, basis the risk areas identified during the health-check
- III. Ensure accurate/ appropriate disclosures to be submitted in Transfer Pricing Declaration form and local file/ master file documentation within prescribed time.

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