Executive summary

On 3 May 2017, the Qatar Council of Ministers announced the approval of the Qatar Value Added Tax (VAT) Law and Excise Law and Executive regulations. The new laws are based on the Gulf Cooperation Council (GCC) VAT and Excise Tax Framework Agreements.

The text of the Qatar laws is expected to be published in the Official Gazette in the near future. Until these laws are published it is still unclear as to whether the VAT law represents the final VAT law to be adopted in Qatar or whether the Council of Ministers approval constitutes only the formal adoption of the GCC VAT Framework Agreement.

Detailed discussion

Key features of the GCC VAT framework

- The standard VAT rate will be 5% unless a zero rate or exemption applies.
- The Member States have the right to subject the following sectors to a zero rate or to exempt them from VAT:
  - Education
  - Health
  - Real estate
  - Local transport
The Member States have the right to subject the oil sector, petroleum derivatives, and gas to a zero rate of VAT.

Individual GCC countries have the right to subject certain food products to a zero rate of VAT.

The Member States have the right to subject medical supplies to a zero rate of VAT.

Intra-GCC and international transport will be subject to a zero rate of VAT.

The export of goods to jurisdictions outside of the GCC Member States will be subject to a zero rate of VAT.

The Member States have the right to exempt Financial Services from VAT. The term financial services is not defined but broadly the exemption will generally relate to dealings in money, securities, foreign exchange and the operation and management of loan accounts, deposits, trade credit facilities and related intermediary services. The exemption is not expected to extend to fee based services transacted by a financial institution. However, Member States may choose to apply different VAT treatments to financial services if they wish.

Supplies of goods and services from a VAT registered person in one Member State to a VAT registered person in another Member State are subject to the reverse charge mechanism.

VAT grouping appears to be permitted between two or more legal persons resident in the same Member State.

The treatment of GCC free zones is not addressed and it is left to each Member State to determine its own VAT treatment for free zones.

Businesses with an annual revenue of over QR365,000 (US$100,300) will be required to register for VAT purposes.

Businesses with an annual revenue between QR182,500 (US$50,150) and SAR365,000 will have the option to register for VAT purposes.

**Next Steps for VAT**

EY understands that the Government is committed to implementing VAT in Qatar with effect from 1 January 2018. With the enactment of the VAT law, the Qatar Tax Authority is likely to commence active engagement with business groups on the imperative to be ready for VAT in 2018.

It is advisable for businesses operating in Qatar to take immediate steps to become compliant with the respective GCC member states VAT laws.

A critical step in achieving compliance with the VAT regulation by 1 January 2018 is to commence a study to assess the impact on the business activities, processes, IT system and overall organization. This assessment should consider the impact of VAT on the following key areas:

- Finance and accounting
- IT and systems
- Tax and compliance
- Supply chain - goods and services
- Contracts
- Sales and marketing
- Legal structure
- Human resources

The impact assessment should be used to develop a clear plan as to the steps that must be taken to be ready for VAT by the go-live date of 1 January 2018.

**Key features of the Excise Tax**

The Excise Tax law and executive regulations impose a tax on selective goods and beverages. The tax to be imposed will be an excise tax levied at the import stage or at the production stage of the products within Qatar. The tax will be applied to a narrow base of goods which are primarily seen to have
a level of harm associated with their consumption. These goods include tobacco and sugar sweetened beverages. The law is in accordance with the GCC unified agreement for selective tax.

Under the Qatari law, the selective tax will be imposed at specific rates on “goods harmful to human health and environment, and on luxury goods produced domestically or imported at specific tax rates as set forth in the Table to the law.”

The law includes provisions concerning:

- Application dates for the selective tax
- Conditions where selective goods are presented for consumption
- Value of selective goods
- Persons in charge of application of the provisions of this law
- Registration for tax purposes
- Maintenance of books and records for recording the movement of selective goods
- Tax assessment on the basis of the recognition of tax and installed data
- Cases of suspension of tax and its recovery and exemption
- Confidential information and financial sanctions

The Excise Law is expected to be effective from the publication date in the Official Gazette and accordingly, these taxes are likely to take effect within the first half of 2017.

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Indirect Tax

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