

## ***Excise Tax Law comes into effect in Qatar starting 1 January 2019***

*January 2019*

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### ***In brief***

His Highness Sheikh Tamim Bin Hamad Al-Thani, Emir of the State of Qatar, has issued the Law No. (25) of 2018 on Excise Tax ("Qatar Excise Tax Law"). The Qatar Excise Tax Law comes into effect on 1 January 2019 and is the foundation of the new Excise Tax system that Qatar is introducing based on the Common Excise Tax Framework signed by the six Gulf Cooperation Council ("GCC") states.

Excise Tax will be administered by the newly established General Tax Authority ("GTA") which replaces the Qatar Tax Department ("QTD") as the competent authority for managing all taxes in Qatar. The Qatar Excise Tax Law sets out the various rules and obligations for taxpayers. The Excise Tax Executive Regulations, which have yet to be published, is expected to provide more details on the compliance requirements relating to Excise Tax.

A copy of the Qatar Excise Tax Law (in Arabic) and other key information is now available on the General Authority of Customs (GAC) website ([http://www.customs.gov.qa/eng/EX\\_Tax.php](http://www.customs.gov.qa/eng/EX_Tax.php)).

This alert provides a summary of the key features of the Excise tax regime in Qatar based on the Qatar Excise Tax Law and the information provided on the GAC website.

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## In detail

### Establishment of the General Tax Authority

The General Tax Authority (“GTA”) has been established as a separate entity, under the supervision of the Ministry of Finance, and will be in charge of the implementation of all taxes in Qatar. Apart from Excise Tax, the GTA will be responsible for administering corporate income and withholding taxes in the State of Qatar. Entities set up under the Qatar Financial Centre will not be impacted by the change and their tax matters will continue to be managed by the Qatar Financial Centre Authority.

### Goods subject to Excise Tax

Excise Tax is applied to the import, production, stockpiling and storing of Excise goods. Excise Tax will be applicable on the following goods at their respective tax rates:

<b>Tobacco &amp; tobacco derivatives</b>	<b>Tax rate: 100%</b> <ul style="list-style-type: none"><li>Includes any product falling under Chapter 24 of the Unified Customs Tariff of the GCC States such as cigars, cigarettes, cigarillos and water pipe tobacco</li></ul>
<b>Carbonated drinks</b>	<b>Tax rate: 50%</b> <ul style="list-style-type: none"><li>Refers to any aerated beverage (except unflavoured aerated water) such as carbonated water with added sugar, other sweeteners or flavours</li><li>Also includes concentrates, powder, gel or extracts intended to be made into an aerated beverage</li></ul>
<b>Energy drinks</b>	<b>Tax rate: 100%</b> <ul style="list-style-type: none"><li>Refers to any beverages that is marketed, or sold as an energy drink, containing stimulant substances that provide mental and physical stimulation such as caffeine, taurine, ginseng and guarana</li><li>Also includes any concentrates, powder, gel or extracts intended to be made into an energy drink</li><li>Excludes coffee, tea and alcoholic beverages</li></ul>
<b>Special purpose goods</b>	<b>Tax rate: 100%</b> <ul style="list-style-type: none"><li>Includes goods that are consumed under specific conditions and authorisations</li></ul>

The value of the Excise goods (i.e. the ‘tax base’) for Excise Tax purposes would be the higher of (1) the retail sales price (RSP) declared by the producer, importer or warehouse keeper of the Excise goods (after deducting any Excise Tax amount included in that price) or (2) the standard price as listed in a Ministerial Decision/ minimum value listed by the GTA on its website. At present, there have not been any Ministerial Decisions issued on Excise Tax and the minimum values have yet to be provided by the GTA. However, the transitional Excise Tax return uploaded on the GAC website provides standard prices for a limited number of Excise goods. In the absence of such standard prices, the RSP should be used to determine the tax base of the Excise goods.

### Registering for Excise Tax

Any person engaged in the importation or production of Excise goods, or in the operation of a tax warehouse in the state of Qatar, must register with the GTA for Excise Tax purposes. For the transitional period, the

application should be submitted within 90 days from the effective date of the Qatar Excise Tax Law by all persons liable to register for Excise Tax, i.e., by 31 March 2019.

Following the transitional period, any person who intends to engage in the importation or production of Excise goods or in the operation of a tax warehouse would be required to submit the registration application within 30 days prior to the actual or intended involvement in such activities.

Once registered, taxpayers must submit quarterly Excise Tax returns within 15 days following the end of the tax period and pay the due taxes.

### *Transitional Excise Tax return*

All persons who own or hold Excise goods on the date the Qatar Excise Tax Law comes into force and who intend to sell these goods for business purposes must file a one-time transitional Excise Tax return (no threshold for transitional) within 30 days from the effective Excise Tax date, i.e. by 30 January 2019. Businesses are to calculate the Excise Tax due based on their stock count on 31 December 2018 (11:59 PM). The Excise Tax due must be paid to the GTA within 30 days following the date of filing the transitional Excise Tax return.

If the value of the stock declared in the transitional Excise Tax return is more than QAR 50,000, an audit certificate from an accredited auditor in Qatar would need to be attached to the return before submission.

### *Tax warehouse*

A tax warehouse allows for Excise goods to be produced and stored under a tax suspension arrangement where the charging of Excise Tax is deferred until the Excise goods are removed from the suspension arrangement. Any person who wishes to operate a tax warehouse may apply to the GTA for a tax warehouse licence. A Customs warehouse may be treated as a tax warehouse without being subject to additional licencing requirements.

### *Exemptions and refunds*

Certain categories of persons including diplomatic and consular bodies, international organisations and travellers are exempt from the payment of Excise Tax. The GTA may refund the Excise Tax originally paid by taxable persons in any of the following cases:

- Export or re-export of Excise goods already released for consumption in Qatar;
- Use of Excise goods already released for consumption in Qatar to produce other Excise goods; or
- Movement of Excise goods already released for consumption in Qatar to another GCC Member State implementing Excise Tax.

### *Recordkeeping requirements*

Taxpayers are required to maintain regular and independent books and records relating to their Excise Tax transactions (physical or electronic) for at least 5 years following the end of the corresponding tax period.

### *Inspection and penalties*

The GTA has extensive powers to ensure compliance with the Qatar Excise Tax law through audits, inspections and assessments. The GTA may also apply penalties to businesses that do not comply with the Excise Tax requirements such as failure to register for Excise Tax, submit returns and pay the Excise Tax due within the prescribed timeframe. The Qatar Excise Tax law provides further details on the cases of non-compliance and the type of penalties that may be levied on the taxpayer.

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## *The takeaway*

The introduction of Excise Tax from 1 January 2019 brings a significant change for all businesses that import, manufacture or trade in Excise goods in Qatar. Businesses should monitor for further Excise Tax developments including any additional requirements that may arise once the Excise Tax Executive Regulations and other guidelines are published.

There is a very short timeframe for businesses that are impacted to prepare the transitional Excise Tax return, perform the transitional stock count and apply for registration of Excise Tax. Business should be prepared to comply with the requirements to ensure that there is minimal disruption to the organisation and to avoid any penalties arising from non-compliance. Our team can help you organise your business and align yourself with all requirements necessary for this implementation.

## *Let's talk*

For a deeper discussion of how this issue might affect your business, please contact:

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