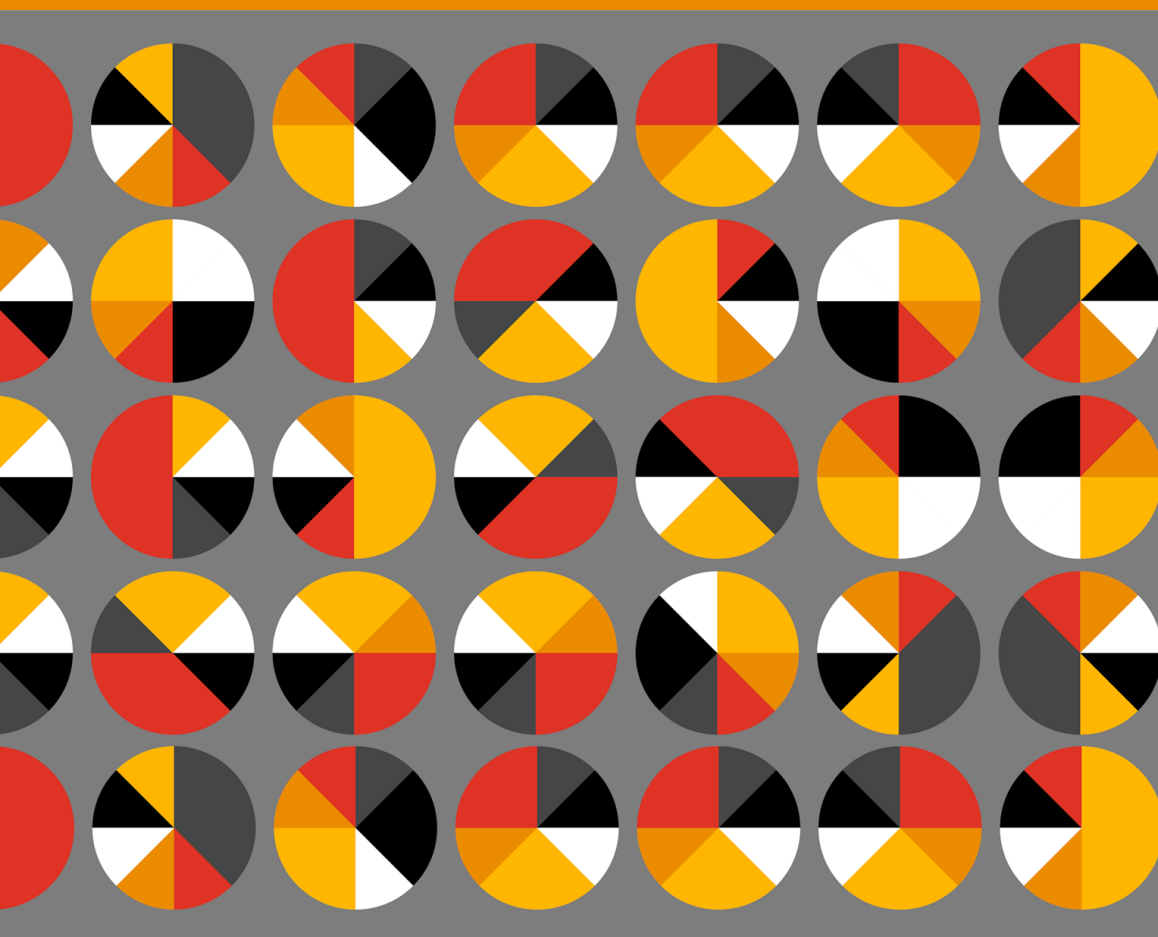


Qatar: Country-by-Country- Reporting Update

June 2019



In brief

On 16 June 2019, the General Tax Authority in Qatar, which is the 'competent authority' in matters related to Country-by-Country Reporting ("CbCR"), issued a notice with respect to CbCR obligations in Qatar, which will now be effective for financial years beginning on or after 1 January 2018.

The notice requires mandatory CbCR submission for Ultimate Parent Entities ("UPE") that are a tax resident in Qatar, and reported consolidated revenues equal to or more than QAR 3 billion (approx. EUR 700 million or USD 824 million) in the preceding financial year. The CbCR submission will need to include all qualifying constituent entities. For the time being, no CbCR reporting or notification obligations, apply to a constituent entity, that is tax resident in Qatar, if the Ultimate Parent Entity is resident outside Qatar.

The General Tax Authority, in collaboration with the Qatar Financial Center ("QFC") Tax Department where applicable, will monitor the non-compliance with the CbCR obligations and apply penalties in accordance with the Income Tax Law.

In detail

Background

The Qatar Ministerial Decision No. 21/2018 (the "Decision") on CbCR was published in the Official Gazette, becoming effective as of 10 September 2018 with applicability for reporting fiscal years beginning on or after 1 January 2017. The CbCR rules outlined under the Decision were in line with the OECD guidance on CbCR.

On 28 November 2018, Qatar's Ministry of Finance published Circular 6/2018 (the "Circular") providing further guidance on the implementation of the CbCR obligations introduced by Decision 21/2018. The Circular stated that MNE groups with an Ultimate Parent Entity or a Surrogate Parent Entity resident in Qatar are required to comply with the CbCR notification and submission deadline for financial years beginning on or after 1 January 2017 by 31 December 2018.

However in December 2018, the Qatari Tax Authorities suspended the CbCR notification and filing obligations for all constituent entities, and for all UPE's that are resident in Qatar (provided such UPEs had filed a CbCR in another jurisdiction), until further notice. As such, the notice issued by the General Tax Authority on 16 June 2019 is of key importance as it reinstates the CbCR filing obligation requirements in Qatar but only for UPE's that are tax resident in Qatar.

Key points of consideration

Entities subject to CbCR obligations

The notice by the General Tax Authority on 16 June 2019 comes soon after the suspension and goes back to include mandatory CbCR submission for entities that fulfill the following requirements:

- To be resident in Qatar;
- To be the Ultimate Parent Entity of a multinational enterprise (“MNE”) group; and
- Reported consolidated revenues equal to or more than QAR 3 billion (approx. EUR 700 million or USD 824 million) in the preceding financial year.

Content of the CbCR to be filed with the General Tax Authority

The notice issued by the General Tax Authority requires Ultimate Parent Entities that are required to file a CbCR to include the information as described in the CbCR model in the OECD’s Action 13 Final Report. As such, the OECD CbCR template should be followed for CbCR preparation and submission purposes.

Constituent entity definitions

The notice emphasizes that the CbCR submission will need to include all qualifying constituent entities. Constituent entities are defined in the notice in a manner consistent with the OECD guidance on CbCR, as outlined below:

- *“to be a separate business unit of the MNE group that is included in its consolidated financial statements for the purpose of financial reporting or that shall be included in the financial statements if the shares thereof are listed on the stock exchange;*
- *to be a business unit that is excluded from the consolidated financial statements of the MNE group only for reasons related to its size; or*
- *to be a permanent establishment of a separate business unit that is described in the two previous bullet points on the condition that the business unit prepares separate financial statements for that permanent establishment for regulatory or tax purposes, financial reporting purposes or internal management and supervisory purposes.”*

Constituent entities with a non-Qatari Ultimate Parent Entity

The notice further asserts that any constituent entity resident in Qatar for tax purposes and that is part of a MNE group the Ultimate Parent Entity of which is resident outside Qatar **shall not be required to file the group CbCR** to the General Tax Authority for the time being. In addition, the respective constituent entity **shall not be required to submit a notification** with respect to the identity of the reporting entity of its place of residence.

Effective date

The CbCR obligations will be effective for financial years beginning on or after 1 January 2018. The CbCR notification and the CbCR will be due within 12 months as of the last day of the MNE’s financial reporting period. This means that for financial years ending on 31st December, 2018, CbCR notification and reporting will be due by no later than 31 December 2019.

Penalties

The notice also includes details on non-compliance and related penalties. The General Tax Authority will monitor non-compliance and apply penalties on failure to notify, failure to submit the CbCR, or any notifications with missing or incorrect information. Entities which fail to comply with the CbCR obligations will be subject to the financial sanctions provided under Article 24 (8) of Income Tax Law. For QFC entities, monitoring of compliance and enforcement will be carried out in coordination with the QFC Tax Department.

Notification and filing requirements

Ultimate Parent Entities subject to the CbCR obligations are required to submit the notification using the form which was attached to Circular 6/2018, issued last year.

With respect to the CbCR filing, the CbCR shall be submitted using the XML schema format as per the guidance provided by the OECD. In this regard, the General Tax Authority will issue an announcement, in due course, that will include the electronic link for the submission of the report.

The takeaway

The reinstatement of the CbCR filing obligations in Qatar, albeit only for Qatar resident Ultimate Parent Entities, is an important and expected development given Qatar's commitment to the OECD's overall Base Erosion and Profit Shifting ("BEPS") Action Plan as a BEPS Inclusive Framework member. It is advisable to not view the reinstatement of the CbCR obligations in Qatar in isolation from other BEPS Action 13 requirements. Specifically, the information reported through the CbCR should be supportable by transfer pricing documentation (Masterfile and Local File(s)), as applicable.

www.pwc.com/me

Let's Talk

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

Mohamed Serokh
Tax Partner and Middle East
Transfer Pricing Leader
mohamed.serokh@pwc.com

Lav Chadha
Tax Partner - Middle East
Transfer Pricing
chadha.lav@pwc.com

Sajid Khan
Partner - Qatar Tax Leader
sajid.khan@pwc.com

Neil O'Brien
Tax Partner
neil.obrien@pwc.com

Zeeshan Humayun
Senior Manager - Transfer
Pricing
humayun.zeeshan@pwc.com

©2019 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details. This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.