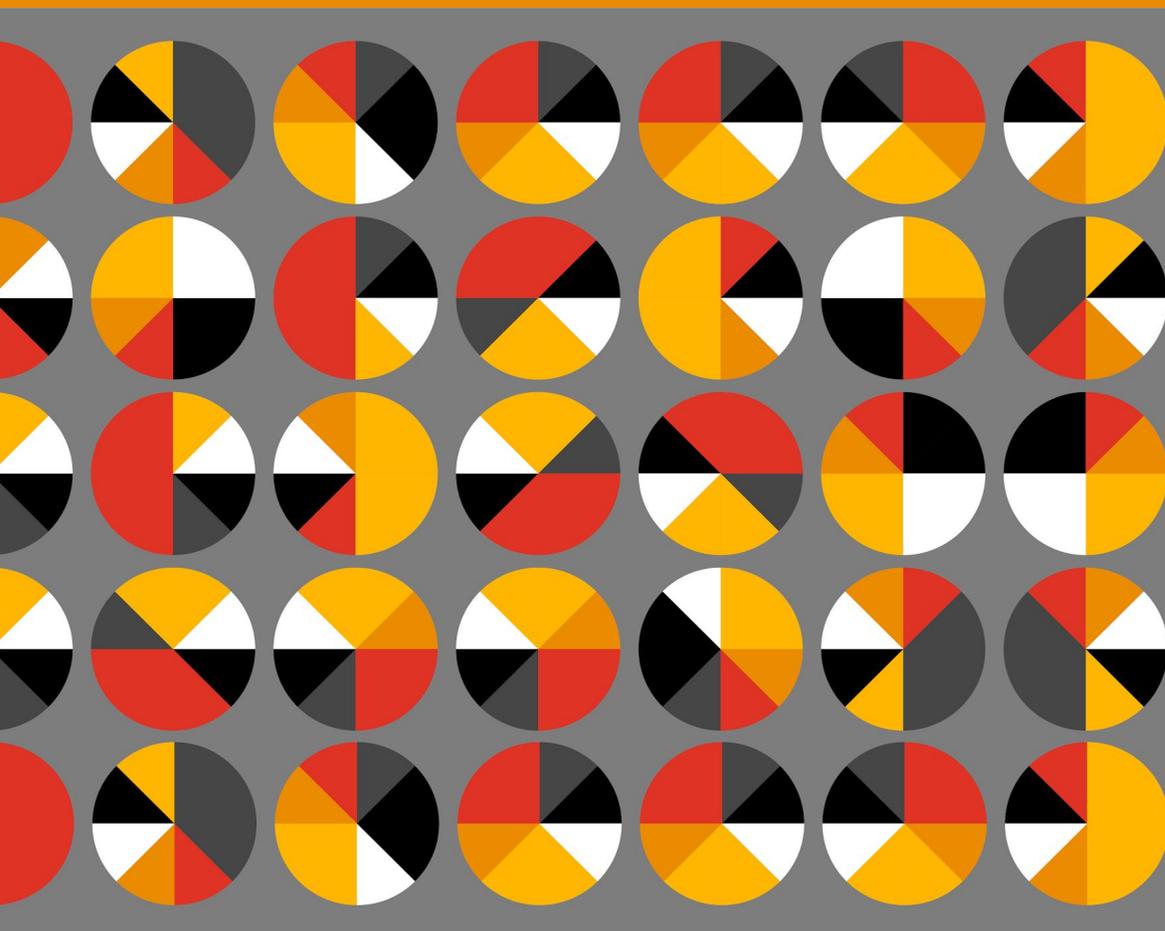


# Changing Tax Audit Landscape in Qatar - Are you prepared?

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## Changing Tax Audit Landscape in Qatar - Are you prepared?

Following the formation of the General Tax Authority (“GTA”) and the recent implementation of the online tax administration portal “Dhareeba”, we have been witnessing a significant increase in the volume and the nature of tax audits initiated by the GTA.

It is becoming a norm that an unpretentious initial request for supporting documents and/or a breakdown of certain expenses from the GTA to spiral out into a more complex Corporate Income Tax (“CIT”), Withholding Tax (“WHT”) or Transfer Pricing (“TP”) queries or assessments.

In most of the cases, we have observed that the GTA urge from taxpayers to submit further documentation or clarifications within a Twenty (20) days deadline. As per the Income Tax Law No 24 of 2018 (“ITL”), taxpayers are required to respond within the deadlines stipulated by the GTA, and has provided the GTA rights to issue tax assessments on a presumptive basis, applying additional tax liabilities and penalties, if the taxpayers fail to provide sufficient supporting documents and/or clarifications within those deadlines.

Given the detailed nature of some of the GTA queries we have seen recently, coincided with the short window to respond, many taxpayers struggle to submit the appropriate details to the GTA, leading to further detailed queries and/or assessments; which could have been avoided if the taxpayers were prepared and/or responded strategically.

As such, it is critical for the taxpayers to now evaluate their open tax years to ensure their tax and financial records, including supporting documents are up to date and can be readily availed, if requested during a GTA tax audit. Some of the domains that we have recently seen increased scrutiny from the GTA are as follows:

1. High value expense items such as salaries, direct costs, etc. included in the financial statements
2. Classification of expenses that are (conditionally) disallowed (e.g. management fees, sponsorship fee etc.)
3. Details of payments made to suppliers / subcontractors including the accuracy of the related WHT deductions along with the underlying supporting documents.
4. Adequacy of Transfer Pricing documentation or rationale for intercompany transactions.

Based on the current tax audit practices of the GTA, we believe there is a significant risk to taxpayers, especially if they have outstanding tax returns. Additionally, for open tax years, if the GTA makes adjustments to the submitted tax returns as part of the tax audit, there would be a significant cost to the taxpayer to dispute such adjustments or assessments either in the Tax Appeal Committee (“TAC”) or in the Court, which could be avoided if taxpayers are prepared in advance and/or manage their tax audits in a timely and strategic manner. Furthermore, there will be significant late payment penalties on additional tax resulted from any adjustments / assessments made by the GTA.

We would highly recommend taxpayers to perform a health check of their historical tax returns (years for which the tax assessment or No Objection Certificates are not yet been issued by the GTA) to identify risky areas in advance and to be prepared to address any queries raised by the GTA in a timely and adequate fashion to avoid any unnecessary tax/penalties assessments and any related objection/appeal costs.

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## Let's talk

If you would like to have a discussion regarding your open tax years or has any queries please contact:

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