

Mof-2019-18-2614/0

18-3-2019

Circular of GTA President No. (14) of 2019

Concerning Certain Transitional Provisions for the Application of the Income Tax Law

After perusal of Law No. 24 of 2018 promulgating the Income Tax Law, in particular, Article (3) thereof;

The Income Tax Law promulgated by Law No. 21 of 2009 and its Executive Regulations promulgated by the Minister of Economy and Finance Decision No. 10 of 2011;

Law No. 7 of 2019 on the Protection of the Arabic Language;

and the circulars and decisions applicable within the framework of the competencies of the General Tax Authority; and with regard to the implementation of the provisions of the Income Tax Law promulgated by Law No. 24 of 2018;

Taxpayers and auditors are kindly requested to take note of the following in this circular and to act accordingly until the issuance of the Executive Regulations of the current Income Tax Law:

First: Application of the law *ratione temporis*:

1. The substantive provisions of the (current) Income Tax Law promulgated by Law No. 24 of 2018 shall apply to account periods commencing on or after 13/12/2018. Accounting periods commencing before the said date shall be governed by the provisions of the (canceled) Income Tax Law promulgated by Law No. 21 of 2009. Pursuant to those provisions, the activities of petrochemical industries shall be taxed at a rate of 35% as of the accounting period commencing on or after 13/12/2018.
2. With regard to the calculation of financial penalties for continuous violations, including the violations that occurred before applying the provisions of the current law and continued after its entry into force, the value and the maximum financial penalty stipulated in the canceled law shall be calculated until 16/2/2019, the value and the maximum penalty shall be applied in accordance with the current law as of 17/2/2019.

3. With regard to withholding provisions, the withholding percentage stipulated by the current law shall apply to contracts concluded on or after 13/12/2018. Contracts entered into prior to this date shall be treated as follows:
 1. Before 13/12/2018, the withholding percentage stipulated in the canceled law shall be applied to the payments due in accordance with the contract, even if the actual payment date is later than that date.
 2. The withholding percentage stipulated in the new law shall be applied to the payments due in accordance with the contract after 13/12/2018.
4. Whatever the withholding percentage is determined in accordance with the above, the taxpayer shall withhold and pay the same to the Department before the sixteenth day of the month following the month related to the payment.

Second: Unless the GTA issues a circular or directive to the contrary, Circulars Nos. 2, 3 and 4 of 2011 shall remain in force

Third: Correspondence shall be conducted by written registered letters wherever provided for in the repealed law, its executive regulations and the relevant circulars. No mechanism has yet been activated for e-correspondence or through the information system (the GTA website). Therefore, registered letters shall be adhered to until these e-features are activated and circulated to taxpayers and audit offices.

Fourth: Unless other controls, periods, procedures or limits are expressly stipulated in the current law, all financial controls, periods, procedures and limits that were in force under the repealed law, its executive regulations, circulars and related directives shall continue to apply, except as otherwise provided in this circular.

General Tax Authority

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Fifth: Pursuant to Article (13) of Law No. 7 of 2019 on the Protection of the Arabic Language issued on 14/1/2019, all entities subject to its provisions shall be granted a period of (6) six months (extendable) from the date of its entry into force to take the necessary actions in accordance with its provisions. Hence, the obligation to use the Arabic language in correspondence, letters and clarifications submitted to the GTA shall be effective as of 13/7/2019. As for the financial statements of the taxpayers, and in accordance with the principle of the unity of the fiscal year, the provisions of the aforementioned law will not be applied to the current tax year (2019) , and the same applicable rules shall continue to apply. Accordingly, the obligation to submit financial statements in Arabic applies to the tax year starting on January 1, 2020, unless the period of regularization is extended for another period.

Best Regards,,,

//Signature Affixed//

Ahmed bin Issa Al Muhannadi
General Tax Authority President