Part Five

Instructions of Government Bodies
First: Ministry of Finance

1- **Instructions on Income Tax**

**Depreciation Deduction**

Deductible depreciation allowance shall be computed under the following conditions:

**First:** As to buildings, ships, airplanes, drilling instruments and intangible assets:

- Buildings and constructions, including roads, bridges, pipelines, storage tanks and port ducks inside the establishment and excluding ready-made light constructions 5% per annum
- Ships and boats 10% per annum
- Airplanes and helicopters 20% per annum
- Drilling instruments 15% per annum
- Intangible assets:
  - Pre-establishment expenses 50% per annum
  - Trade marks, patents and the like Amortized on the expected life time of the asset, provided that the amortization allowance shall not exceed 15% per annum.

These rates apply to the abovementioned assets existing as of 01/01/2010, provided that the accumulated depreciations shall not exceed, in any case, the total cost of the asset.

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53 Refer to circular no. (82/2011) dated 13/10/2011.
Second: As to other assets:

1- These assets are divided into groups, each of them referred to hereinafter as “the group”, and each group is depreciated separately in accordance with the following:

A- First Group: computer hardware and software and annexes thereof. They are depreciated at the rate of 33.33% per annum;

B- Second Group: machinery, plants, equipment, electrical devices and means of transportation of goods and persons other than those mentioned in paragraph (First) of this Article, including cars, vehicles, trucks and cranes. They are depreciated at the rate of 20% per annum;

C- Third Group: office furniture, fixtures and fittings and other assets. They are depreciated at the rate of 15% per annum.

2- Depreciation allowance for a given accounting period shall be calculated by applying depreciation rates provided for in the previous paragraph to the value of the group in that period. The value of the group shall be determined as the difference between items (a) and (b) below:

A- The value of the group in the previous accounting period after the deduction of depreciations of that period plus costs incurred to acquire any fixed assets of the same group during the relevant accounting period;

B- Consideration for the disposal of the assets of the group disposed of during the relevant accounting period. For the purposes of applying these provisions on the first accounting period after the Law has become effective, shall be taken into consideration the net book value of the assets of the group on 01/01/2010 after the deduction of depreciations under Decree Law No. 11 of 1993 concerning Income Tax (repealed). The result shall be considered as the value of the group in the previous accounting period in accordance with item (a) above.

For the purposes of applying these provisions on the first accounting period of the taxpayer, the value of the group in the previous accounting period shall be nil, and the value of the assets shall be considered as a cost incurred to acquire the assets during the first accounting period, in accordance with item (a) above.
3- Where the taxpayer ceases its activities or disposes of or gives up in any way all the assets of the group, and the value of item (a) of subparagraph 2 of this Article exceeds the value of item (b) of the same subparagraph, then the difference (a)-(b) shall be deductible from the taxable income, and no depreciation for the group of assets shall be computed for that accounting period.

4- Where the value of item (b) of the aforementioned subparagraph 2 exceeds the value of item (a) of the same subparagraph in a given accounting period, then the difference (b)-(a) shall be added back to the taxable income, and no depreciation for the group shall be computed for that accounting period.

5- Where the value of the group at the end of an accounting period after the deduction of that period’s depreciation does not exceed QAR (5,000) five thousands, this value shall be fully deducted from the taxable income.

**Head Office’s Expenses Deduction**

The share of the branch in head office’s administrative and general expenses shall be deductible up to the following limits:

- 1% of the gross income of the branch for banks and insurance companies;
- 3% of the gross income of the branch in other cases;

after the deduction of the following:

- Value of contracts and subcontracts;
- Costs of work carried out abroad;
- Value of supplies imported from abroad and related to the activity of the branch; and
- Value of paid reinsurance premiums.

Head office’s administrative and general expenses shall not include amounts paid for direct services provided to the permanent establishment in the State.

**Interest Deduction**

Interest on debts used for the purposes of the activity shall be deductible where the requirements provided for in paragraph 3 of the previous Article are met. However, interest paid by a permanent establishment in the State to the head office or to an
entity related to the head office outside the State may not be deductable. This provision shall not apply banks and insurance companies in the State.

**Tax Rate**

The tax rate shall be 10% of the taxable income which is the net income after deducting the posted losses.

**Withholding Tax**

1- Amounts provided for persons not resident who do not have permanent establishments in the State shall be subject to withholding tax:

- Royalties and technical fees are subject to withholding tax at the rate of 5% of the gross amount without any deduction. Technical fees shall mean amounts paid for technical or consultancy services performed wholly or partially in the State, including the services of engineers, experts, technicians and consultants in technical fields.

- Consideration for other services than royalties and technical fees shall be subject to withholding tax at the rate of 7% of the gross amount without any deduction, where these services are carried out wholly or partly in the State. A service is considered to be carried out wholly or partly in the State where any of the actions required to its performance is carried out in the State. This includes particularly the collection of data, sightseeing and performance of the service. The delivery of the service shall not be considered as an action required to its performance.

- The following interest shall not be regarded as interest subject to withholding:

  - Interest on deposits in banks in the State;
  - Interest on bonds and securities issued by the State and public authorities, establishments and corporations owned wholly or partly by the State;
  - Interest on transactions, facilities and loans with banks and financial institutions;
  - Interest paid by a permanent establishment in the State to the head office or to an entity related to the head office outside the State.

2- Withholding tax shall be made in accordance with the rates and conditions provided for in the previous Article. In the case of an effective agreement for the avoidance of double taxation, the non-resident person who was subjected to
withholding tax in accordance with the aforementioned rates and conditions, or a proxy thereof, shall submit to the Department an application to implement the provisions of that agreement on the form No. 2-3 Withholding Tax, accompanied with a tax residence certificate issued by the competent authorities in the residence State.

The Department shall, in this case, refund the tax that was withheld not in accordance with the provisions of the agreement.

2- Opening Accounts for the Government Authorities and Ministries at Banks Operating in the State of Qatar

- Banks shall not open an account for any ministry or government authorities, unless they get the approval of Ministry of Finance - General Accounting Department.
- Banks must ensure that all necessary documents are available when opening the accounts to check the following points:
  A- Account type (current, on demand, revenue or deposit account).
  B- Account currency type.
  C- Authorized persons to sign cheques for withdrawing from the account.
  D- Any amendments occurring to the mentioned bands.
- The General Accounting Department at Ministry of Finance has the right to inquire about the account balances at any time, and to ask for a print out of the account statements.

3- Loans Collateralized by the State of Qatar

All banks operating in the State of Qatar shall not grant any loans to persons (Qatari individuals or institutions), guaranteed by the Qatari government, unless they could get a written approval of the Ministry of Finance.

4- Procedures of the Assignment of Claim

The following procedures should be complied with to process of the assignment of claim:
The officially contracting government authority should be notified of the assignment of claim by the assigner or assignee. However, acceptance of the assignment of claim should be in written form.

The assignment of claim shall be issued by virtue of articles no. (324-336) of the Civil Law no. (22) of the year 2004, which is effective from 7/9/2004.

The government authority and the assignee bank, when notifying of or accepting an assignment of claim, should immediately notify the Government Auditing Department at Ministry of Finance to accordingly control processing the assignment of claim.

In order for the assignment of claim to be in a fixed date and effective from others, it should be officially authenticated at a proper government authority which is the Real Estate Registration Department.

Banks, for which the assignments of claims will be issued, shall take into account that the government-contractor agreement should not have any pending assignments, especially the texts stated in some agreements in which the government shall be committed to pay directly to the subcontractor when the main contractor has defaulted for settlement.

5- **Banks shall take into account circulars no. (2/2011), (3/2011) and (4/2011) issued by the Minister of Finance attached to annex no. (112).**

6- **Information Exchange for Purpose of Tax**

With reference to the Governor’s circular no. (ق/ن/79/2012/2012) dated 3/9/2013, banks shall furnish QCB with the banking information required from time to time by Ministry of Finance in the framework of the international tax agreements within no more than 15 days as from the application date. QCB will impose the appropriate penalty against banks violating these instructions by virtue of the Law of the QCB and the Regulation of Financial Institutions (Law no. (13) of 2012).

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54 Refer to letter of Ministry of Finance no. (ق/37/1/13/1684), previously was circular no. (60/2012) dated 17/7/2012.
7- **Credit Facilities granted to Governmental Bodies and Entities**

As Ministry of Finance has recently established a Department of Management of Credit and Debt Policies which is assigned to put policies for credit and public debt at the level of the governmental bodies, entities and their subsidiaries according to the Ministry’s directives, banks shall comply with the following:

1- Banks shall neither grant nor renew any type of credit facilities to the governmental bodies, entities and their subsidiaries or those in which the State owns directly or indirectly more than 50% of the their capital and State’s shares are controlling, without obtaining the prior approval of the Ministry of Finance as a condition for granting direct or indirect credit facilities or issuance of any public instrument. The granting banks shall keep a copy of the Ministry’s approval in the file of the credit facilities in order to be examined by QCB’s inspectors.

2- Credit facilities granted to Qatar Petroleum and its subsidiaries as guarantees and letters of credit for the import, export and daily operations shall be exempted from the above-mentioned condition.

3- In case of any queries on any governmental body, entity or subsidiary, banks can contact officers in Department of Management of Credit and Debt Policies at Ministry of Finance.

QCB confirms the following:

- The credit facilities exempted from the credit concentration limits are those granted only to the Ministry of Finance and to the institutions and corporations sponsored and guaranteed by Ministry of Finance according to the exceptions stated in page no. (190).

- Approval of the Ministry of Finance on granting or renewing the credit facilities granted to the government bodies mentioned herein does not exempt banks while dealing with these bodies from compliance with the credit risk management instructions stated in page no. (224) in particular, and with any other instructions or related laws in general.

- Banks shall furnish Department of Management of Credit and Debt Policies at Ministry of Finance with the status of the facilities granted to the government bodies mentioned herein within ten days as from the issuance date.

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• Board of Directors and the executive managements of banks shall be legally and administratively responsible for any violations.

These instructions are effective as from the issuance date. The appropriate sanctions and financial penalties will be imposed on the violating banks by virtue of the Law of the QCB and the Regulation of Financial Institutions (Law no. (13) of 2012).