

A Brief Presentation On Transfer Pricing

TP Country by Country Reporting & TOP UP Tax

Transfer Pricing

As per OECD guidelines and Qatar Laws Provisions of Article 56 of the Executive Regulations (ERs) of the Income Tax Law (ITL) and Articles 2 and 3 of the Decision of the President of the General Tax Authority (GTA) NO.4 of the year 2020 of July 16, 2020:

Declaration on Related Entities Transactions

The Objective of Transfer Pricing Declaration is to prevent the Indirect transfer of Profits between Related Entities.

The entities resident in Qatar must submit a declaration with their Tax return relating to their TP when they meet the following conditions:

The annual tax-free turnover of these entities or the total assets appearing in their balance sheet is greater than or equal to QAR10,000,000; and

these entities are associated to other entities established in Qatar or abroad.

Who is Related or Associate Entity in context with Transfer Pricing

For the purposes of applying the aforementioned provisions, and exceptionally for the reportable fiscal year beginning in or after the first of January 2020, entity is deemed to be associated to another entity, resident in Qatar or abroad, in the following cases: -

- 1 — Either the reporting entity holds, at the end of the financial year (FY), directly or indirectly, more than half of the capital or voting rights of the other entity;
- 2 — or more than half of the reporting entity's capital or of its voting rights is held, at the end of the FY, directly or indirectly, by the other entity.

Nil Declaration

Entities which do not carry out any transactions with related entities resident in Qatar or abroad may submit a “nil” declaration.

Permanent Establishment (PE)

The reporting obligation described above also applies to foreign entities having a permanent establishment (PE) in Qatar, being specified in this case that the conditions mentioned above will be considered as satisfied if they are fulfilled at the level of the PE in Qatar.

Time of Filing Declaration

The Transfer Pricing (TP) declaration must be filed with the Income Tax (IT) Return.

Coverage

The reporting entity must disclose the aggregate amount of sales and purchases of goods and services, as well as acquisitions and disposals of assets, which it recorded for the reporting fiscal year, by nature and by amount, **when the aggregate amount of transactions exceeds QAR 2000,000.**

Master File & Local File Requirements

The entities resident in Qatar must submit a master file and a local file when they meet the following conditions:

The annual tax-free turnover of these entities or the total assets in their balance sheet is greater than or equal to QAR50,000,000;

These entities are associated to other entities established abroad.

Contents of Master File

The information required in the master file provides a "Blueprint" of the MNE group and contains relevant information that can be grouped in 5 categories:

- 1 — The MNE group's Organizational Structure
- 2 — A description of the MNE's Business or Businesses
- 3 — The MNE's Intangibles
- 4 — The MNE's Intercompany Financial Activities
- 5 — The MNE's Financial and Tax Positions

Transactions

The section “Controlled transactions” in the local file form includes a description of significant transactions with associated enterprises, amounts of intra-group payments and receipts, identification of associated enterprises involved in controlled transactions, significant inter-enterprise agreements, a comparability analysis and a functional analysis, an indication of - Transfer Pricing Declaration, Master File, Local File, the transfer pricing (TP) method used.

The transactions concerned are those between the enterprise that establishes the documentation and one or more associated enterprises and **the amount of which, aggregated by category, exceeds QAR200,000 for the year. Transactions carried out between a head office and its branch must, subject to meeting the aforementioned threshold of QAR200,000, also be described.**

Transfer Pricing Methods for Arm's Length Pricing

Qatar mandates the Arm's Length Principle (ALP), requiring related-party transactions to be priced as if they were between independent entities under similar circumstances.

Qatar follows the OECD - approved methods for determining ALP:

Comparable Uncontrolled Price (CUP)

Compares the price charged in a controlled transaction with comparable uncontrolled transaction

Resale Price Method (RPM)

Determines ALP by subtracting gross margin from resale price to independent party

Cost Plus Method (CPM)

Adds appropriate markup to supplier's costs

Transactional Net Margin Method (TNMM)

Examines net profit relative to base (sales, costs, assets). PLI (Net Profit/COGS) widely acceptable

Profit Split Method (PSM)

Allocates combined profits between related parties based on their relative contributions

☐ The TNMM and Profit Split Method are often most relevant for complex cross-border operations in energy, F&B, and medical equipment sectors.

Submission of Master File and Local File

Taxpayers must submit their master files and local files **no later than June 30 of the year following the fiscal year in question.**

Penalty : There is a penalty of 500 QAR per day for non-compliance/ delayed filing.

A. Country by Country Reporting

Country by Country reporting is only reporting for Group MNES along with their Tax jurisdictions and thresh hold is 750,000,000 Euros (3 billion QAR) This was a base for Pillar II.

A. TOPUP Tax as per Qatar Law effective from Jan 2025, Pillar II OECD

Regarding TOPUP Tax, it shall be applicable to Multinational Constituent entities and Ultimate parent entities in Qatar , the group turnover of which exceeds 750,000,000 Euros (3 billion QAR) on a consolidated bases in any 2 years preceding 2025.

Tax Rate

A pillar two tax of 15% shall be imposed as per the jurisdiction for the tested year that is 2025 for the entity that is located in lower Tax jurisdiction. However, a decision about the transition period 2025 to 2028 is yet to be provided by OECD for Qatar to be implemented in Qatar. One Transition period/ fiscal year shall be allowed as per OECD guidelines. Hence for 2025 applicability is still under cloud, however it shall be implemented soon for OECD members.