



# SIMPLIFIED USER GUIDE

**for Tax Calculation**



**The General Tax Authority has issued this guidance manual with the aim of clarifying the method of tax calculation.**

\* The content of this guide is not considered an amendment to any provisions of the laws or regulations applied the State of Qatar.

\* This guide is not considered a legal reference and cannot be relied upon in judicial and tax rulings.

# Table of Contents

<b>04</b>	<b>Introduction</b>
<b>04</b>	<b>Purpose of the Guide</b>
<b>05</b>	<b>Key Definitions</b>
<b>06</b>	<b>Income Tax Calculation</b>
<b>10</b>	<b>Tax-Exempt Income</b>
<b>12</b>	<b>Acceptable and Non-Acceptable Deductions</b>
<b>13</b>	<b>Loss Carry-Forward</b>
<b>14</b>	<b>Foreign Partner's Share</b>
<b>15</b>	<b>Tax Return and Financial Penalties</b>
<b>17</b>	<b>Depreciation</b>
<b>19</b>	<b>Rates of Deductions and Commissions</b>

## ◆ Introduction

An annual income tax of 10% is imposed on the net income earned by individuals or legal entities (such as companies and establishments) from any profit-generating commercial or professional activity during the preceding tax year.

### **Profits of resident legal entities are exempt to the extent of:**

- | The share of profits of Qatari or GCC natural persons residing in the State.
- | The share of profits of legal entities wholly owned by Qatari or GCC nationals residing in the State.
- | The share of profits of legal entities partially owned by Qatari or GCC nationals residing in the State, in proportion to their profit shares therein.



## Purpose of the Guide

To provide guidance and clarification to taxpayers on the method of calculating tax, in accordance with Law No. (24) of 2018 on Income Tax, its Executive Regulations, and their amendments.

This guide is intended exclusively for taxpayers subject to the 10% income tax rate only.

## ◆ Key Definitions

Term	Definition
<b>Gross Income</b>	The total income and profits of a taxpayer arising from the sources specified in the law during the financial year.
<b>Net Income</b>	The gross income after deducting the allowable expenses in accordance with the provisions of the law.
<b>Exempt Income</b>	Any income exempt from tax pursuant to Law No. (24) of 2018 on Income Tax, its Executive Regulations, as amended, or any other applicable legislation in force in the State..
<b>Taxable Income</b>	It is the net income after deducting losses and the Qatari partner's share, in accordance with the provisions of Law No. (24) of 2018 and its Executive Regulations.
<b>Loss Carry-Forward</b>	The right granted to a taxpayer to deduct losses incurred in a given tax year from profits earned during the following five years, ensuring that tax is applied only after those losses are fully offset.
<b>Tax Return</b>	A declaration of income, expenses, exemptions, and due tax submitted by the taxpayer using the form approved by the Authority.
<b>Depreciation</b>	The process of allocating the cost of a fixed asset (such as buildings, vehicles, or equipment) over its useful life, recognizing that its value decreases over time due to use, aging, or technological change. Depreciation is deductible when calculating taxable income in accordance with the maximum rates specified in Article (16) of the Executive Regulations.
<b>Deductions</b>	The amounts or expenses that a taxpayer is allowed to subtract from gross income when calculating taxable income, within the limits and conditions set by the law and its Executive Regulations.

## ◆ Income Tax Calculation



### Taxable Income

It is the taxpayer's total income resulting from all transactions, after deducting allowable expenses, current losses, minus carried forward losses, in accordance with the law.



### Mechanism for Calculating Taxable Income

Gross Income – Allowable Expenses – Carried-Forward Losses



### Conditions for Deducting Expenses

Expenses must be:

- Necessary for the activity.
- Actually incurred and supported by documentation.
- Not increasing the value of assets.
- Related to the same tax year.

### Practical Example:

**Q:** How can Company (A) calculate its net income if the following data are available?

- Sales: QAR 200,000
- Allowable Expenses: QAR 130,000
- Carried-Forward Losses: QAR 10,000

**A:** 1. Determine Gross Income: QAR 200,000

2. Subtract Allowable Expenses:  $200,000 - 130,000 = \text{QAR } 70,000$

3. Subtract Carried-Forward Losses:  $70,000 - 10,000 = \text{QAR } 60,000$

**Result:**

Taxable Income of Company (A) = QAR 60,000

## ◆ Income Tax Calculation



### Determining Total Revenues

It includes all income generated from the activity, gains from the disposal of assets, and compensation due for the damage of an asset, excluding income expressly exempted by law.



### Deduct Allowable Expenses

For example: salaries, rents, and interest supported by documentation, provided they are related to the activity and the tax year.



### Deducting Depreciation

For fixed assets at specified rates (solid buildings 5%, ships 10%, airplanes 20%, computers 33%, cars and machinery 20%, furniture 15%, etc.).



### Deduction of Provisions

Such as bad debts and the allowable provisions for banks, financing companies, and insurance companies.



### Deduction of Donations and Zakat

Up to 3% of the net income before deducting donations and zakat, provided they are actually paid within the country.



### Deduction of Other Taxes and Fees

Except for income tax itself.

## ◆ Income Tax Calculation



### Entertainment and Gifts

| Deductible up to 2% of the net income before this deduction or QAR 500,000, whichever is higher.

| Entertainment and gift expenses incurred outside the country are deductible up to QAR 500,000.



### Non-Deductible Expenses

Such as salaries of the owner and their family members, partners, or the majority-owning manager, as well as fines and expenses that are contrary to the law.



### Taxable Income

It is the net income after deducting losses and the Qatari partner's share.

## ◆ Income Tax Calculation

### Practical Example:

**Q:** How can Company (B) calculate its taxable income and tax due if its data are as follows:

Foreign partner ownership: 49%

Gross income: QAR 2,000,000

Allowable expenses:

Salaries + Rent + Operating expenses: QAR 600,000

Depreciation: QAR 150,000 (buildings and machinery)

Provisions: QAR 50,000 (bad debts)

Donations and Zakat: QAR 70,000 (within the 3% allowable limit)

Other taxes and fees: QAR 30,000 (government fees)

Entertainment and gifts: QAR 40,000 (deductible limit = QAR 30,000)

Non-deductible expenses: QAR 20,000 (fines and owner's salaries) — not deductible

**A** Gross income: QAR 2,000,000

Minus allowable expenses: QAR 600,000

Minus depreciation: QAR 150,000

Minus provisions: QAR 50,000

Minus donations and zakat: QAR 70,000

Minus other taxes and fees: QAR 30,000

Minus allowable entertainment expenses: QAR 30,000

### Result:

Taxable Income of Company (B) = QAR 1,070,000

**Tax Due = 10% × 49% × 1,070,000 = QAR 52,430**

## ◆ Tax-Exempt Income



All income that is not subject to tax under Income Tax Law No. 24 of 2018, its Executive Regulations, and their amendments.



Dividends distributed from profits that have been taxed or derived from exempt profits.



Income of Qatari natural persons residing in the State  
(Equal treatment applies to GCC nationals residing in Qatar.)



Gross income from manual crafts that do not use machinery, provided that:

- The annual gross income does not exceed QAR 200,000.
- The average number of workers during the tax year does not exceed three (3).
- The activity is conducted through a single establishment.



Income from agriculture and fishing.



Income from publicly traded investment funds.



Income of charitable associations and public benefit institutions.



Income of Qatari projects derived from a permanent establishment located abroad, provided that it is subject to tax in that foreign country.



Board of directors' fees in companies resident abroad.



Income of non-Qatari shipping companies, provided reciprocity applies.



Income of private non-profit entities.



Shares of non-Qatari investors in listed companies, investment funds, and traded securities.

## ◆ Tax-Exempt Income

### Practical Example 1:

Small Craft Company Run by a Qatari Individual:

Gross Income: QAR 180,000

Number of Workers: 2

Activity: Relies on simple manual tools:

This activity is tax-exempt because it falls under the small craft activity exemption (annual gross income less than QAR 200,000 and fewer than 3 workers).

### Practical Example 2:

Qatari Individual Owning Shares in a Qatari Company:

Dividends Received: QAR 50,000 during the year

These dividends were already subject to corporate tax at the company level

These dividends are tax-exempt for the shareholder, as they fall under the dividend income exemption.

### Practical Example 3:

Non-Qatari Investor Owning Units in a Publicly Listed Investment Fund in Qatar:

Dividends Received: QAR 25,000

These dividends are tax-exempt because they are derived from investments in publicly traded investment funds.

Although there is actual income in each case, it is not considered taxable income, as it falls under the exemptions provided by the law and its executive regulations.

## ◆ Allowable and Non-Allowable Deductions



### Allowable Deductions

Expenses that meet all of the following conditions:

- Necessary to generate income.
- Supported by documentation.
- Related to the tax year.
- Do not increase the value of fixed assets.



### Non-Allowable Deductions

- Fines and penalties due to violation of state laws.
- Personal expenses.
- Salaries of non-working family members.
- Income tax paid.
- Commissions to foreign company agents exceeding the allowable limit.
- Administrative expenses of the head office.
- Entertainment, hotel, restaurant, vacation, club, and gift expenses (except within the limits specified in the regulations).

### Practical Example:

- Financial penalty for late tax payment: QAR 10,000 Not deductible
- Salary for a non-working son: QAR 12,000 Not deductible

### Practical Example:

Example Calculation:

Revenue: QAR 1,000,000

Allowable expenses: QAR 300,000

Non-allowable expenses: QAR 50,000

Taxable income:

$1,000,000 - 300,000 = \text{QAR } 700,000$

## ◆ Loss Carry-Forward



### Loss Carry-Forward

It is a taxpayer's right that allows them to deduct losses incurred in a given tax year from the profits of subsequent years, so that they are not taxed on the full amount of future profits until those losses have been covered. Losses arising from an exempt or non-taxable source of income cannot be carried forward.



### Time Frame

- The period shall not exceed five years following the year in which the loss occurred.
- Losses cannot be carried forward if they arise from exempt income or non-taxable activities.

### Practical Example:

If a company incurs a loss of QAR 400,000 in 2023 and earns a profit of QAR 250,000 in 2024, the entire loss is deducted from the profit.

### Result:

There is no taxable income for 2024, and the remaining QAR 150,000 loss is carried forward.

In 2025, if the company earns a profit of QAR 300,000, it deducts the remaining QAR 150,000 loss, making the taxable income QAR 150,000 only.

If the losses are not used within five years, they expire and cannot be carried forward thereafter.

## ◆ Foreign Partner's Share



### Calculating the Foreign Partner's Share in Profits

To calculate the foreign partner's share in profits, refer to the Articles of Association or the Commercial Registration.

If the foreign partner's percentage of capital ownership differs from their percentage of profit share, the higher percentage is used when calculating the tax due on the foreign partner.

#### Practical Example:

If the foreign partner owns 45% of the capital, but their profit share is 40%, and the company's total profit is QAR 500,000, the tax is calculated on 45% (QAR 225,000), as it is the higher percentage.

## ◆ Tax Return and Financial Penalties



### Tax Return

Every taxpayer must submit an annual tax return within four months from the end of their accounting period. The return must include details of revenues, expenses, and net income.

#### Practical Example:

If a company's financial year ends on 31/12/2024, it must submit its annual tax return before 30/4/2025.



### Delay in Submitting the Tax Return

Any taxpayer who fails to submit the tax return within the prescribed period is subject to a financial penalty of QAR 500 for each day of delay, up to a maximum of QAR 180,000.

**Example:** A company's financial year ends on 31/12/2022, and it submitted its annual tax return on 20/7/2024.

**Delay period:** 446 days

**Late submission penalty:**  $446 \times 500 = \text{QAR } 223,000$

Since this exceeds the maximum limit, the penalty applied is QAR 180,000.



### Delay in Paying the Tax Due Based on the Return

Any taxpayer who fails to pay the tax due within the prescribed period, or any individual or entity that fails to remit the withheld tax at source within the specified deadlines, is subject to a financial penalty of 2% of the unpaid tax amount for each month of delay or part thereof, not exceeding the total amount of tax due.

**Example:** A company's financial year ends on 31/12/2022 and it submitted its annual tax return within the legal deadline, but payment was made on 20/7/2023.

The amount of tax due is QAR 500,000.

**Delay period:** 3 months

**Late payment penalty:**  $500,000 \times 3 \times 2\% = \text{QAR } 30,000$

## ◆ Tax Return and Financial Penalties



### Liquidation or Sale of Business

When a business ceases operations, is sold, or liquidated, a tax return must be submitted covering the accounting period up to the date of cessation.

#### Practical Example:

If a business ceased operations on 15/8/2025, it must submit a tax return covering the period from 1/1/2025 to 15/8/2025.



### Change of Accounting Period

When approval is obtained from the Authority to change the accounting period (for example, shifting from the calendar year to a different fiscal year), the amended period must be specified.

#### Practical Example:

If a company adopts a new accounting period from 1/9 to 31/8 instead of the calendar year, it must submit a tax return covering the transitional period from 1/1 to 31/8.

## ◆ Depreciation



### Depreciation

The process of allocating the cost of a fixed asset (such as buildings, vehicles, or equipment) over its useful life, as the value of the asset decreases gradually due to use, obsolescence, or technological advancement.

Depreciation is deductible when calculating taxable income, according to the maximum rates specified in the Executive Regulations.



### Conditions for a Depreciable Asset

The asset must be:

- Fixed in nature,
- Owned by the taxpayer,
- Used in a taxable activity, and
- Capable of being depreciated.



### Non-Depreciable Assets

- Land.
- Goodwill and similar intangible assets.



### Start of Depreciation

Depreciation begins from the date the asset is actually put into use, not from the date of purchase.



### Specified Rates

Each type of asset has a specific depreciation rate — durable buildings (5%), vehicles (20%), computers (33.33%), office furniture (15%), and air conditioners (25%) — as stated in Article 16 of the Executive Regulations.



### Low-Value Assets

If the value of an asset does not exceed QAR 5,000, it may be fully depreciated in the first year.

## ◆ Depreciation



### Industrial Machinery

If industrial machines operate two shifts per day, a higher depreciation rate equal to 1.5 times the standard rate may be applied.

If they operate three or more shifts per day, the rate is doubled.



### Request to Increase the Rate

The taxpayer may submit a request to the Authority to increase the depreciation rate.

If no response is received within 60 days, the request is considered rejected.

### Practical Example:

In 2024, an industrial company purchased:

An administrative building valued at QAR 10,000,000 Depreciation = 5% = QAR 500,000

Production equipment valued at QAR 2,000,000 operating three shifts daily Depreciation =  $20\% \times 2 = 40\%$  = QAR 800,000

Computers valued at QAR 300,000 Depreciation = 33.33%  $\approx$  QAR 100,000

Result: The total allowable depreciation for the year = QAR 1,400,000, deductible from taxable income.



### General Notes:

| Land and goodwill cannot be depreciated.

| Assets valued at QAR 5,000 or less may be fully depreciated in the same year.

| Depreciation rates for industrial machinery may be increased by  $\times 1.5$  for two shifts or  $\times 2$  for three or more shifts.

| A request to increase depreciation rates may be submitted to the Authority, and no response within 60 days is considered a rejection.

## ◆ Deduction and Commission Rates



### Deductions

The amounts or expenses that a taxpayer is allowed to subtract from total income when calculating taxable income, within the limits and conditions specified by the law and the Executive Regulations.



### The following expenses and costs are not deductible

| Income tax paid by the taxpayer within the State.

| Tax borne by the taxpayer on behalf of a non-resident person in the State.

| Indirect taxes that may be deducted or refunded under the provisions of the law regulating them.

No.	Expense / Cost Description	Deductibility
1	Expenses related to a tax-exempt activity	Not allowed
2	Traffic violation fine for a goods transport truck related to the activity	Not allowed
3	Expense related to the tax year but not supported by documents	Not allowed
4	Cost of purchasing an asset used in the activity	Not allowed
5	Expense related to the tax year, supported by documents but not necessary	Not allowed
6	Expenses related to another taxpayer's activity	Not allowed
7	Expense accrued during the tax year but not yet paid	Allowed
8	Income tax paid on behalf of a non-resident	Not allowed
9	Salaries Paid to Employees Who Are Also Board Members of the Company	Allowed

## ◆ Deduction and Commission Rates



### Deductions

A taxpayer is allowed to deduct the total expenses spent on entertainment, hotel accommodations, restaurant meals, vacations, club memberships, and client gifts up to 2% of the total net income before applying this deduction for the same accounting period, or QAR 500,000, whichever is higher. In all cases, expenses incurred outside the country for these purposes are only deductible up to a limit of QAR 500,000.

#### Practical Example:

**Q:** If a taxpayer's net income is QAR 1,000,000 and they spent QAR 25,000 on entertainment expenses, what is the allowable deduction limit for these expenses?

**A:** First, we review the net income before the deduction, which is QAR 1,025,000 (1,000,000 + 25,000).

The allowable deduction limit =  $2\% \times 1,025,000 = \text{QAR } 20,500$ .

Therefore, only QAR 20,500 of the entertainment expense is deductible, and the remaining QAR 5,500 is disallowed.



### Deductions

A taxpayer is allowed to deduct the total gifts, donations, grants, and subscriptions to charitable works or those paid within the country to any licensed non-profit entity in the state, provided that their total value does not exceed 3% of the net income before applying this deduction. Zakat amounts paid by the taxpayer are treated as donations and deducted according to the same limits and conditions.

#### Practical Example:

**Q:** If a taxpayer's net income is QAR 1,000,000, and they made donations worth QAR 40,000, what is the maximum allowable deduction for these donations?

**A:** First, we review the net income before the deduction, which is QAR 1,040,000 (1,000,000 + 40,000).

The allowable deduction limit =  $3\% \times 1,040,000 = \text{QAR } 31,200$ .

Therefore, only QAR 31,200 of the donations are deductible, and the remaining QAR 8,800 are rejected.

## ◆ Deduction and Commission Rates



### Commissions

It is permissible to deduct commissions paid by foreign companies to their local agents, up to 3% of the total actual revenue of the activity.

Any amount exceeding this limit is not deductible.

### Practical Example:

**Q:** If the total actual revenue for the year 2023 of a foreign company's local agent in the country is QAR 1,000,000, and the company paid him commissions amounting to QAR 50,000 for the same year, what is the deductible amount?

**A:** The maximum allowable deduction =  $1,000,000 \times 3\% = \text{QAR } 30,000$ .

Therefore, only QAR 30,000 are deducted from the commissions, and the remaining QAR 20,000 are not approved for deduction.

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