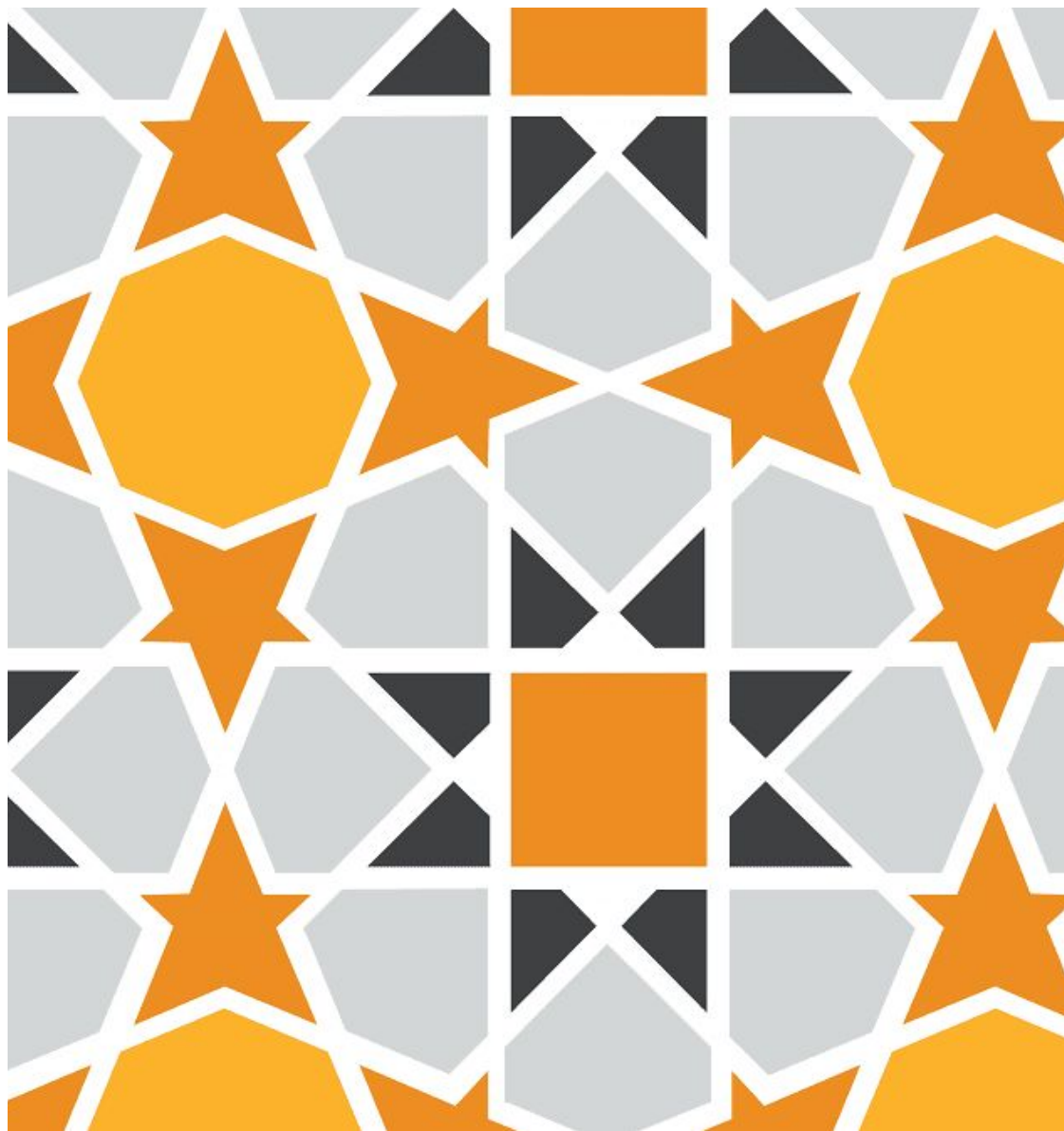


Qatar: Issuance of presumptive tax assessments by the General Tax Authority (GTA)

April 2024





The General Tax Authority has started issuing a large number of presumptive tax assessments to taxpayers resulting in significant tax exposures.

Issuance of presumptive tax assessments by the General Tax Authority (“GTA”)

Under the Income Tax Law No. 24 of 2018 and its Executive Regulations (“Income Tax Law”), the GTA has the right to conduct tax audits and field inspections at taxpayers’ places of business and review their tax returns, activities, information systems and databases, accounting records, and financial information. The GTA also has the right to issue tax assessments on a presumptive basis in cases where taxpayers fail to file tax returns or submit supporting documents within the time limits prescribed under the Income Tax Law.

The Income Tax Law stipulates that presumptive tax assessments shall be issued based on the evidence and objective assumptions that are available to the GTA (such as the data available in the accounts of the taxpayer, nature and characteristics of the taxpayer’s activities, data related to similar cases, etc.).

In this regard, we have recently observed that the GTA has started issuing a large number of presumptive tax assessments to taxpayers as a result of the following:

- **Failure to submit a response to the GTA’s inquiries** (i.e. information / supporting documentation) as part of the GTA’s tax audit process within the stipulated timeline (ranging from three (3) to twenty (20) days).
- **Failure to submit the tax return** within the stipulated deadline.
- The auditor’s opinion in the financial statements submitted along with the tax return is **other than an unqualified opinion** (e.g. qualified, adverse, or disclaimer).

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The GTA has started issuing a large number of presumptive tax assessments to taxpayers for various reasons, such as failure to respond to the GTA’s inquiries, failure to submit tax returns within the statutory deadline, and submitting audited financial statements with an opinion other than an unqualified opinion.

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Impact for taxpayers

In practice, we have observed that the GTA issues presumptive tax assessments based on the following:

- Applying a specific deemed profit rate on the total revenue reported in the tax return for a taxable year – based on our recent experience, the deemed profit rate applied by the GTA typically ranges from 20% to 30%, depending on the nature of the taxpayer's activities.
- Disallowing all the expenses that were the subject of the GTA's inquiry where the taxpayer did not provide a response within the deadline.

As a result, presumptive tax assessments can lead to significant revisions in the taxable income / losses declared in the tax return, which could result in substantial additional taxes and penalties imposed on taxpayers.

We have also noted that the presumptive tax assessments generally do not include detailed explanations or clarifications in relation to the basis for the assessments. Accordingly, taxpayers have to go through a lengthy dispute resolution process in order to address presumptive tax assessments.

Taxpayers should be ready for the GTA's tax audit process

In case information is not readily available when requested by the GTA during tax audits, this could lead to significant exposure for taxpayers as the GTA can issue presumptive tax assessments, resulting in additional taxes and late payment penalties.

Considering the large number of recently issued presumptive tax assessments, it is our view that all taxpayers should start preparing for tax audits well in advance, considering their detailed nature and the short timeline provided by the GTA.

For tax audit purposes, the Income Tax Law stipulates that taxpayers are required to:

- Provide all relevant records and clarifications to the GTA for the tax period under audit.
- Allow access and support the GTA in examining the software, systems, and information applications used to record financial information and prepare tax returns.
- Allow access and support the GTA in examining the data necessary for the exploitation of these software, systems, information applications, processes, as well as databases used to process transactions, billing, revenues, receipts, assets, and inventory.

How can we help?

Based on our experience and in similar cases, PwC is ideally placed to help you in determining whether you are ready for a tax audit from the GTA. As part of our support, we can analyze the information provided in your tax return, advise you on potential areas that may be subject to tax audits, review underlying supporting documents, identify gaps and assess your existing process in place to comply with the GTA's tax audit requirements. Where we notice any shortcomings, we can provide our recommendations to improve the process and ensure that you are able to effectively respond to any future GTA's inquiries, which will reduce the risk of receiving presumptive tax assessments with substantial additional taxes and penalties.

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Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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