

**Finance Minister`s Decision No. (20) of 2021 Regarding the Application of the  
Substantial Activity Requirements on the Economic Activities that are Practiced in the  
State of Qatar**

**20 /2021**

**Number of Articles: 30**

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**Minister of finance,**

Having reviewing the law no. (7) of 2002 regarding the protection of copyright and neighboring rights,  
And the law no. (9) of 2002 regarding trademarks, commercial indications, trade names, geographical indications and industrial designs  
And the law no. (5) of 2005 regarding the protection of trade secrets,  
And the law no. (6) of 2005 regarding the protection of layout design of integrated circuits  
And the law for the Qatar financial center promulgated by law no. (7) of 2005, and the amending laws thereof  
And the law no. (34) of 2005 regarding investment free zones, as amended by decree-law no. (21) of 2017,  
And the law no. (36) of 2005 regarding establishing a free zone for Qatar science and technology park  
And the patent law promulgated by legislative decree no. (30) of 2006,  
And the law no. (17) of 2011 regarding border measures to protect intellectual property rights,  
And the income tax law promulgated by law no. (24) of 2018,  
And the law no. (1) of 2019 by regulating non-Qatari capital investment in economic activity,  
And the law no. (10) of 2020 concerning the protection of industrial designs,  
And the decree no. (56) of 2020 regarding ratifying the multilateral agreement to implement measures related to tax agreements to prevent base erosion and profit shifting,  
And the cabinet's approval of this decision at its regular meeting (15) for the year 2021 held on 14/4/2021,  
**Has decided the following:**

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**Title One: Definitions**

**Article 1**

In the application of the provisions of this resolution, the following words and expressions shall have the meanings shown next to each of them, unless the context requires another meaning:

**Country:** state of Qatar.

**Competent authority:** the general authority for taxes.

**Licensing authority:** each authority entrusted with licensing the work of companies or entities, and manages preferential tax systems for the benefit of such companies or entities, in accordance with the laws in force in the state.

**Tax system:** any system that provides a tax advantage compared to the general principles of income taxes in the state, regardless of the form or amount of the advantage.

**Eligible entity:** an entity that carries out a covered service activity or an intellectual property activity and is eligible to benefit from a preferential tax system, in accordance with a law in force in the country.

**Covered service activities:** any of the financial activities or other service activities stipulated in article (7) of this resolution.

**Intellectual property activities:** any activity that calls for research and experimental development, and includes every initial and systematic work followed in order to increase the stock of knowledge and devise new applications of the available knowledge.

**Research and development:** include three types of activities:

**Fundamental research,** which means experimental or theoretical work conducted primarily to acquire new knowledge of the substantial foundations of specific phenomena and facts, without any particular application or use.

**Applied research,** which means original research conducted in order to acquire new knowledge, and directed primarily towards a specific practical goal or purpose.

**Experimental development,** which means systematic work that relies on knowledge obtained from research and practical experience, and produces additional knowledge directed towards the production of new products or methods or the improvement of existing products or methods.

**Primary revenue-producing activity:** the activity that forms the core of the eligible entity's business.

**Non-primary revenue-producing activity:** activity that doesn't constitute the core of the eligible entity's business, such as clerical, informational, and jobs related to payroll, related disclosures, and legal services.

**Eligible expenses:** expenses incurred by an eligible entity for the purpose of actually carrying out a research and development activity, which are directly related to an intellectual property origin, and consist of the following expenses:

**Expenses directly related to research and development,** incurred by the eligible entity itself to develop intellectual property origin, including salaries and wages, direct costs, overhead costs directly attributable to the research and development facilities, and costs of supplies, as long as all such costs arise from activities undertaken to promote understanding of scientific links or technologies, address known scientific or technological obstacles, increase knowledge or develop new applications, as well as expenses incurred to improve intellectual property origins after their acquisition.

**Expenses** that are directly related to research and development, incurred by the eligible entity when outsourcing non-related to it, whether it is located in the country or abroad.

Expenses directly related to research and development, incurred by the eligible entity when outsourcing related to it is located in the country and carrying out the activities assigned to it by the eligible entity.

The following expenses and costs are not considered eligible expenses:

- Expenses related to research and development incurred by an eligible entity when outsourcing related to it and existing outside the country.
- Interest payments.
- Construction costs.

- The costs of acquiring intellectual property assets, including those incurred to obtain research rights, royalties, and fees paid for licensing in using the intellectual property asset.
- Any costs that cannot be directly linked to a specific intellectual property asset.

Total expenses: the sum of all expenses that would be counted as eligible expenditures if made by the same entity, and comprised of the following expenditures:

- Eligible expenses.
- Expenses directly related to research and development incurred by the eligible entity when it outsources related to it and existing outside the state.
- The costs of acquiring intellectual property assets, including those incurred to obtain research rights, royalties, and fees paid for licensing the use of an intellectual property asset.

The following costs and expenses are not included in the total expenses:

**Unsuccessful research and development expenditures.**

- Non-eligible expenses, except as noted above, even if incurred by the eligible entity itself, such as interest payments, construction costs and other costs that do not represent actual research and development activities.

**Eligible intellectual property assets:** intellectual property assets that are legally protected. For this purpose, legal protection includes exclusive rights to use intellectual property assets, necessary legal measures against infringement of intellectual property assets, trade secret protection, and contractual and criminal protection against unauthorized use of intellectual property assets or unauthorized disclosure of information about intellectual property assets.

The assets of the eligible intellectual property include only the following two categories:

- Patents.
- Copyrighted software.

Marketing related intellectual property assets, including trademarks, cannot be eligible for any preferential tax system.

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**Title Two: Scope of Application (2-3)**

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**Article 2**

This resolution applies to eligible entities in the country.

**Article 3**

Residents of the country may benefit from any preferential tax system for the activities of the covered services and the intellectual property activities they practice, if they meet the conditions required for this. Entities that they created or participated in may benefit from a preferential tax regime, regardless of the percentage of such participation.

The practice of the activities stipulated in the previous paragraph in the local market shall not be a justification for limiting or withdrawing the use of a preferential tax system.

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**Title Three: Requirements for Substantial Activity (4-9)**

**Chapter One: Requirements of Substantial Activity Regarding the Activities of.. (4-7)**

**Article 4**

In consideration of article (5) hereof, any eligible entity may practice one or more covered activities to benefit from the preferential tax regime if meet the required conditions for that, provided that entity practice the core activities that provide revenues benefit from that system.

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**Article (5)**

The eligible entity which desires to benefit from the preferential tax system on income of any covered service activities to practice the substantial activities that are producing income to the state, and it may use external parties related or unrelated to it directly to practice these activities provided that it must be existing in the state and practice the activities entrusted to it.

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**Article 6**

1- An eligible entity, when practicing basic income-generating activities, must:

- Have in the country an appropriate number of full-time employees with the necessary qualifications.
- Incur an appropriate amount of operational expenses to carry out these activities,
- Fulfill other requirements to be determined by the licensed bodies in coordination with the competent authority.

2- In consideration with the provisions of the previous paragraph, the licensed bodies, each within their jurisdiction, may set a minimum required number of employees and the required amount of operational expenses and other requirements, in coordination with the competent authority, taking into account the characteristics of each of the activities covered.

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## Article 7

1. Basic income-producing activities, in relation to the activities of the covered services, shall include:

### **A. Headquarters business:**

Managing, coordinating or controlling the business activities of groups of companies, including the following:

- Planning and developing the group's business strategies.
- Making relevant administrative decisions.
- Incurring expenses on behalf of the constituent projects of the group.
- Coordinating the activities of the group's constituent projects.
- Managing and coordinating the group's supply chain.
- Monitor and provide services to the group.

### **B. Distribution and service centers:**

Purchasing raw materials and finished products from other members of the group and reselling them, and providing them with the following services:

- Transportation and storage of goods.

- Inventory management.
- Receive requests.
- Providing consultancy or other administrative services.

**C. Financing and leasing:**

- Approving the financing terms.
- Determining, acquiring and possessing the assets to be leased (in case of leasing).
- Determining the terms and duration of any financing or leasing.
- Management of lease contracts.
- Monitor and review agreements.
- Risk management.

**D. Fund management:**

- Making decisions related to the acquisition and sale of investments.
- Calculation of risks and reserves.
- Make decisions about interest rate or currency fluctuations and take precautionary measures.
- Preparing regulatory or other relevant reports for government agencies and investors.

**E - banking activities:**

- Money collection.
- Risk management, including credit, currency and interest risk.
- Taking decisions about the positions that require hedging.



- Providing loans, credit or other financial services to customers.

- Organizational capital management.

- Preparing regulatory reports and declarations.

**F. Insurance activities:**

- Risk anticipating and calculation.

- Insurance or reinsurance against risks.

- Providing services to clients.

**G. Shipping:**

- Crew management, including hiring, paying and supervising crew members.

- Ship transportation and maintenance.

- Supervise and track deliveries.

- Determining the required goods and their delivery date.

- Organizing and supervising trips.

**H. Holding companies:**

1- Regarding holding companies that own a variety of assets and achieve different types of income (such as interest, rents and royalties), the primary income-generating activities are those activities related to the income generated by the holding companies.

2- Regarding purely holding companies that only own equity contributions and earn only dividends and capital gains, the primary income-generating activities are those related to holding and managing equity

contributions. For this purpose, purely holding companies must provide the people and premises necessary to carry out these activities, and respect all applicable reporting requirements.

**I. Technical consulting:**

- Providing opinion, information or advice on technical issues according to a scientific methodology.
- Providing technical assistance.
- Carrying out technical studies.
- Submitting technical proposals and recommendations.

**J. Technical training:**

- Preparation, exercise and assistance.
- Providing trainees with scientific and practical studies that lead to raising their skill level when performing job duties.
- Giving the entirety of theoretical and practical knowledge to acquire the practice of a profession.

2- the authorized entities may, each in their respective capacity, specify the basic income-generating activities in relation to any other covered service activities and it approves by a resolution of the competent authority, in coordination with the licensing bodies, the basic income-generating activities, in relation to any activities identified by the forum on harmful tax practices.

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**[Chapter Two: Requirements of The Substantial Activity with Regard to \(8-9\)](#)**

**Article 8**

In order to benefit from a preferential tax system for income from intellectual property activity, it is required that the eligible entity conducts research and development activities in the country.

The activity, whether continuous or episodic, is a research and development activity, if it meets the following basic criteria:

- It has to be new.
  - It has to be creative.
  - The results are uncertain.
  - It has to be methodical.
  - It must be transferable and reproducible.
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## Article 9

1- An eligible entity doesn't benefit from the preferential tax system only with respect to income generated from its intellectual property activity and to the extent it generates from the eligible expenses incurred in research and development that have contributed to the establishment of the eligible intellectual property asset.

2- The percentage of income benefiting from the preferential tax system shall be equal to the percentage of eligible expenditures resulted from the total expenditures. To determine this percentage, the following calculation shall be applied:

$(\text{Eligible expense} / \text{total expense}) \times \text{gross income from eligible intellectual property asset} =$

Income benefiting from the preferential tax regime for intellectual property activity

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## [Section One: Eligible Expenses](#)

### Article 10

Eligible expenses are included in the calculation of the ratio provided for in paragraph (2) of the preceding article at the time they are incurred, regardless of whether they are treated for accounting or other tax

purposes.

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#### **Article 11**

Upon calculating eligible expenses, the eligible entity is allowed to raise in them with an increase of 30%, provided that the expenses computed by applying that increase shall not exceed the total expenditures incurred.

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#### **Section Two: Total Expenses**

#### **Article 12**

Total expenses shall be included in calculating the percentage stipulated in paragraph (2) of article (9) of this resolution at the time they are incurred, regardless of their treatment for accounting or other tax purposes.

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#### **Section Three: Outsourcing**

#### **Article 13**

If the eligible entity outsources its research and development activities, the expenses arising from that are eligible expenses, to the extent that the associated parties are available within the state and carry out the activities assigned to them by the eligible entity.

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#### **Article 14**

If the eligible entity outsources its research and development activities, the expenditures arising from that are considered eligible expenditures, whether those external sources are available inside or outside the country.

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#### **Section Four: Gross Income**

##### **Article 15**

Gross income is calculated after deducting the intellectual property expenses for intellectual property income incurred in the year from the total intellectual property income earned in the year.

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##### **Article 16**

Gross income includes only income from the following eligible intellectual property assets:

- Royalties.
  - Capital profits.
  - And any other income from the sale of those assets.
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#### **Section Five: Intellectual Property Assets Acquisitions (17-19)**

##### **Article 17**

The costs of acquiring intellectual property assets are calculated in total expenses, but not calculated in eligible expenses.

Expenses incurred to improve the intellectual property assets after their acquisition are treated exclusively as eligible expenses.

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##### **Article 18**

If the eligible entity acquires an intellectual property asset from a related party, the perfectly competitive price is used to determine acquisition costs.

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#### **Article 19**

Acquisitions of intellectual property assets include any transfer of rights relating to intellectual property, regardless of whether or not payments have been made.

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#### **[Section Six: Calculation of Expenses and Losses](#)**

#### **Article 20**

1- Intellectual property expenses are calculated by applying the provisions of the applicable tax laws and regulations in the country.

2- Intellectual property-related losses are not deducted from taxable income.

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#### **[Title Four: Ensuring Compliance with The Requirements of the Substantial Activity](#)**

#### **[Chapter One: Tracking Revenues and Expenses](#)**

#### **Article 21**

For the purposes of applying the benefits of a preferential tax regime relating to intellectual property to the entity's income that actually arose from eligible expenses and to ensure that the eligible entity does not manipulate the size of the overall expense to inflate the amount of income that may benefit from that regime, the eligible entity must track expenses, assets and incomes related to intellectual property activities ,

regardless of how many assets it owns or whether it outsources or acquires assets.

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#### **Article 22**

Upon calculating the net income of intellectual property activities, the eligible entity must reduce the amount of the gross income of such activities by the amount of any other tax deductions or deductions arising from the same intellectual property assets.

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### **Chapter Two: Other Obligations**

#### **Article 23**

Any eligible entity must reserve the following:

- 1- Information about the income tax rate imposed on its taxable income, and about any reduction in this rate.
  - 2- Information about the dividends distributed and the interest paid on loans.
  - 3- Documents related to the selection or application of transfer pricing methods.
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#### **Article 24**

- Any eligible entity to benefit from a preferential tax regime for an intellectual property activity must provide the following information:

- The entity's intellectual property assets.
- The annual revenue of the entity.
- Operating expenses incurred by the entity.
- Details of outsourcing, if any.
- Annual profits of the entity.

- The type and total amount of income from the intellectual property activity.

2- Any eligible entity to benefit from a preferential tax regime for a covered service activity must provide the following information:

- The identity, headquarters and management of the entity.
- The type of activity of the entity, with a description of the main revenue generating activities and their location, and an indication of the outsourcing details if any.
- The annual investment volume in the fixed assets.
- The number of eligible full-time employees associated with substantial activities, and the amount of their monthly basic salaries.
- The entity's revenues and operating expenses related to its substantial activities and profits.
- Information related to other requirements determined by the licensed bodies, in cooperation with the competent authority, in accordance with the provisions of article (6) of this resolution.
- The details of this information and the ways to provide it shall be determined in coordination between the competent authority and the authorized bodies.

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### [Chapter Three: Enforcement of Fulfilling Substantial Activities](#)

#### [Section One: Means of Enforcement](#)

##### **Article 25**

The authorized bodies shall monitor the compliance of their eligible entities with the requirements of the substantive activity set forth in this resolution, in coordination, as appropriate, with the competent authority. It may withdraw the benefits that these entities have benefited from, if they violate these requirements.

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##### **Article 26**



The licensed entities are entitled in coordination, if necessary, with the competent authority, to access information in the records of eligible entities, for the purpose of verifying information provided to them by those entities.

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## Section Two: Financial Sanctions

### **Article 27**

The authorized bodies shall determine, in coordination, if necessary, with the competent authority, the amounts of financial penalties imposed on eligible entities that commit one of the following violations:

- Violation of the requirements related to the core activities set forth in this resolution.
  - Manipulating the amounts of expenditures and incomes, to inflate incomes or reduce losses related to the activity benefiting from the preferential tax regime.
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## Title Five: Transitional Provisions (28-30)

### **Article 28**

1- Eligible entities to benefit from a preferential tax regime before (1) November 2020 can continue to benefit from that system in regarding the assets they owned and the activities they practiced before that date, and until 31 December 2023, provided that the requirements stipulated in this resolution are applied starting from (31) December 2023.

2- Eligible entities to benefit from a preferential tax regime with effect from 1 November 2020, as well as entities eligible to benefit from a preferential tax regime before (1) November 2020 in respect of new assets they acquired or activities that they are carrying out from 1 November 2020, shall apply the requirements stipulated in this resolution as of the date of its entry into force

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**Article 29**

The head of the competent authority, in coordination with the licensed bodies, shall issue a procedures manual for implementing the provisions of this resolution.

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**Article 30**

All competent authorities, each within its jurisdiction, shall implement this resolution. It shall come into force from the day following the date of its publication in the official gazette .

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**Please do not consider the above article as official**

**MS Partner, Qatar**

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