

Legal & Commercial Affairs for SMEs

Bangladesh Forum Qatar

11th September 2021

Em Sherif, Sheraton Doha



Bangladesh Forum Qatar

Partner of the event:



عبدالعزیز خان للعقارات ذ.م.م.

A.K. REAL ESTATE W.L.L.

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Agenda

- **Introduction to Bangladesh Forum Qatar**
- **Today's topics:**
 - **Common Legal Issues related to SMEs**
 - **Impact of Digital Marketing on business growth**
 - **Impact of VAT on SMEs and accounting & reporting regulations**
- **Closing remarks**
- **Dinner**



Bangladesh Forum Qatar

- Bangladesh Forum Qatar (BFQ) is an organization of professionals and businessman living in Qatar with Bangladeshi and Qatari origin
- This is non-political, non-profit voluntary organization registered with Qatar Financial Center (QFC)
- Key motive of BFQ is to improve positive image and narrative of Bangladesh within the mainstream Qatari Society
- Currently it has more than 60+ members including few Qatari members
- BFQ has done several events so far including
 - seminar on FDI possibility in Bangladesh 2018 & 2019
 - Bangladesh cultural week – presenting Artist Kalidas, International movie presenting in cultural village 2019
 - Made in Bangladesh to create export possibilities from Bangladesh to Qatar 2020
 - Webinar on several economic and banking issues 2020
 - Startup & FinTech session with QFC, SBK, QDB in 2021



For your Real Estate solutions

- ❑ Flexible payment plans
- ❑ Minimum down payment
- ❑ 2 BHK Luxuries Apartment, Lusail
- ❑ End to end support



Apartment for sale in Marina 002 Lusail

5 years Payment Plan
20% Down Payment, 0% Interest
2 BHK for QR.2,360,120.00



Apartment for sale in Marina 23 Lusail

6 years Payment Plan
5% Down Payment, 0% Interest
1 BHK for QR.1,152,000.00
2 BHK for QR.1,800,000.00



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Speakers of the event



Barrister Shehzadul Haq

- He was brought up and went to school in Doha before moving to UK for Law Studies
- After completing his professional degree plus working experience he came back and join in a law firm in Doha in 2020
- In his advantage, he is accustomed to the business culture in Qatar
- He is one of our respected & young Member of the Bangladesh Forum Qatar



Speakers of the event



Abdullah Al Murad

- Abdullah moved to Doha in 2017
- He is an Engineer in CSE and alumni of BUET
- Abdullah has established an IT Solutions company as Managing Partner - Skilled Software
- He is also one of the respected member of the Bangladesh Forum Qatar



Speakers of the event



Alamgir Khan

- Alamgir Khan is a Deputy Chairman with Grant Thornton's Qatar. Mr. Khan has over 22 year's international experience in the areas of Assurance, Financial and Tax Advisory. He has working exposure in various countries that includes UAE, Pakistan, KSA, Azerbaijan, Kazakhstan, Georgia, Malaysia, Thailand, Qatar etc.
- He is responsible for the overall operation of the Grant Thornton Qatar while focusing on service delivery in Assurance, Advisory and tax Advisory services.
- He has extensively worked with leading organizations in Government, Regulatory, Telecommunication, Financial Services,



Common Legal Issues Affects SME

Barrister Shehzadul Haq

BFQ Member & Legal Associates in Qatar



Topics for discussion:

1. Bounced cheques
2. Guarantee/performance cheques
3. Updates on employment contracts
4. Legal aspects of doing business online/from home



What to do where your cheque has bounced?

Option 1: Criminal Route	Option 2: Civil Route	Option 3: Negotiate
<ul style="list-style-type: none">• Bank will issue a letter saying that cheque has bounced• Take the letter to the police station• Police will transfer the case to the Public Prosecutor• A criminal case will be filed with the criminal court	<ul style="list-style-type: none">• Bank will issue a letter saying that cheque has bounced• Retain a lawyer and file a debt claim with the civil court• Follow the court process until the court issues judgment• Take the judgment and file application with the execution court• This can be pursued alongside Option 1	<ul style="list-style-type: none">• Option 1 will not return your money back• Option 2 may return your money back, but at the cost of legal fees, court fees and a lot of time• <u>TRY TO NEGOTIATE AND COME TO A PAYMENT AGREEMENT!!!</u>• <u>SUCH AGREEMENT MUST BE IN WRITING</u>



Guarantee and Performance Cheques

- Guarantee cheque \neq bearer cheque
- Guarantee cheque is security to assure performance of contractual obligations
- Without proper documentation, court is likely to treat this as a bearer cheque
- Encashment of guarantee cheques is a risk and without easy solutions. However, there are ways to mitigate the risks.



Guarantee and Performance Cheques: things to look out for!

Giving Guarantee Cheque	Receiving Guarantee Cheque
<ul style="list-style-type: none">• Have a separate agreement for the guarantee cheque.• Ensure that the agreement lists out the conditions which would enable the encashment of the guarantee cheque• Ensure that the agreement contains the cheque number• Write “Guarantee Cheque” on the back of the cheque	<ul style="list-style-type: none">• Have a separate agreement for the guarantee cheque• Ensure that the agreement lists out the conditions which would enable the encashment of the guarantee cheque• Ensure that the agreement contains the cheque number• Before encashing, ensure that you have met the conditions



Guarantee and Performance Cheques: What to do in the event of encashment?

- Bring action against the bank and the drawee to recover the money.



Updates on employment contracts

Decree-Law No. 18/2020

- Any probation period cannot exceed 6 months from the employment start date.
- Employer must give 1 months notice of termination to employee who is (i) working under probation; and (ii) in their first two years of service.
- Employer must give 2 months notice of termination to employee who has worked in excess of two years.
- If the notice period is not honoured wholly, or in part, the aggrieved party is entitled to compensation equivalent to the employee's basic wage.
- From March 2021, basic salary must be a minimum of QAR 1,000; minimum accommodation allowance of QAR 500; and minimum food allowance of QAR 300. This is subject to a yearly review.



Updates on employment contracts: New method of recruiting employees

- Decree-Law No. 19/2020

- No Objection Certificate (NOC) is no longer required to change jobs.

Step	Action
1	The worker should give notice to the current employer by observing the applicable notice period.
2	The worker should use the electronic notification system of ADLSA to inform to the current employer. The ADLSA system will require: <ul style="list-style-type: none">i. A completed Change-of-employer formii. A copy of the contract between the worker and current employeriii. A copy of the new job offer in Arabic.
3	The new employer should prepare the electronic employment contract on the ADLSA's system, print it off, sign it with the worker and upload it back on ADLSA's system. This carries a fee of QAR 60.
4	When the contract is authenticated by new employer should request a new QID for the worker from MOI.
5	Once Step 1-4 is complete, the worker will be able to start work for the new employer.



Legal Aspects of doing business online/from home

- **Decision No. 242/2016:**
 - **The following activities/businesses are permitted to be operated from home:**
 - Sewing and embroidery work
 - Event and wedding photography, preparation and packaging of gifts, manual design of cards and gifts, arranging flowers
 - Electronic designs using computers (excluding engineering designs)
 - Printing and binding services
 - Food activities: preparation of coffee, spices and meals
 - License should be obtained from the Ministry of Economy and Commerce.
 - **Requirements for obtaining a licence:**
 - Applicant should be at least 18 years of age;
 - Applicant shall be a resident of the house;
 - The activity/business must not cause nuisance to the neighborhood; and
 - Evidence that the house is suitable to carry out the activity/business.



**ANY AND ALL AGREEMENTS MUST
BE IN WRITING AND SIGNED!!!**



Digital Marketing - Impact on Business Growth in Qatar

Abdulla Al Murad

BFQ Member & Managing Partner– Skilled Software



Social Media Landscape in Qatar

Social Media Audience in Qatar



A Figure Shows The Social Media Advertising Audiences in Qatar, 2019.



Facts & stats

Time spent on social media per day

An average of

2.5 HOURS

per day is spent on **social networks and messaging.**

(DataReportal, 2021)



Customers Are Using Social Media

54%

of Social Browserers use social media to **research products.**

(GlobalWebIndex, 2018)



The Power of Social Media Marketing



73%

of marketers believe social media marketing has been **"somewhat effective" or "very effective" for their business.**

(Buffer, 2019)

The Impact of Positive Customer Experience



71%

of consumers who have had a positive experience with a brand on social media are likely to **recommend the brand to their friends and family.**

(Forbes, 2018)



Benefits



Cost effective



Customer engagement



Improved Brand Loyalty & Brand Identity



Increase Traffic to the website



Enhances SEO rankings



To get Digital Marketing assistance

Feel free to contact on any inquire:
md@skilledqatar.com



Impact of VAT on SMEs and Accounting & Reporting Regulations

Alamgir Khan

Partner, Grant Thornton Qatar



Tax Law in Qatar – Recent and Up coming changes in Tax Laws



Presenter

Alamgir Khan

**CPA (Aus), CIA (USA), CFE (USA) ,
CRMA (USA)**

Deputy Chairman/ Partner International Taxation

Dr. Sultan Al Dosari & Partners

Chartered Accountants

(Grant Thornton Qatar)



Recent and up coming Tax changes

Recent changes	Upcoming Changes
Corporate tax	Value added tax
Withholding tax	
Transfer pricing	
CBCR	

CORPORATE TAX – QATAR 2021



Corporate tax application in the State of Qatar

Corporate taxation:

Residence – A body corporate is resident in the State of Qatar if it is incorporated under Qatari law or if its head office or place of effective management is in Qatar. All taxpayers carrying out activities in Qatar must apply to the GTA for a tax card within 60 days from either (i) the commencement of activities or (ii) the date of registration with the Commercial Register of the Ministry of Commerce and Industry in Qatar. A penalty of QAR 20,000 may be imposed for failure to register with the GTA or to maintain a valid tax card.

Basis – Tax is imposed on a taxpayer's Qatari-source income. Entities wholly owned by Qataris and other Gulf Cooperation Council (GCC) country nationals are exempt from corporate income tax, but are to required to file tax returns .A permanent establishment (PE) is a fixed place of business through which the business of a taxpayer is wholly or partly executed

Corporate tax application in the State of Qatar

Corporate taxation:

Taxable income – Under the State of Qatar tax regime, the main categories of taxable income include gross income derived from: activities carried out in Qatar; contracts wholly or partly performed in Qatar; real estate in Qatar; the exploration, extraction or exploitation of natural resources situated in Qatar; consideration for services paid, head office, branch or related company; and interest on loans obtained in Qatar.

: Corporate tax application in the State of Qatar

Corporate taxation: Digital platform

General Tax Authority (GTA) has introduced a new online tax management system (Dhareeba) with the aim of achieving complete automation of the tax payment and management process. Dhareeba enables online registration, filing of tax returns, payment of taxes due and progress tracking.

Under the QFC tax regime, the deadline to submit the annual income tax return and pay the tax due is the end of the sixth month after the company's financial year-end. There is an online system for tax filing exclusively for QFC entities.

Under the State of Qatar tax regime, all taxpayers are required to submit a tax return and pay the tax due to the tax authority. Fully Qatari or GCC nationals resident owned companies are exempted from tax but should file the tax returns annually, the one with turnover below 5 million and capital below 2 million should file simplified tax returns.

: Corporate tax application in the State of Qatar

Corporate taxation: Tax Rate

Tax Rate – Under the State of Qatar tax regime, the standard corporate tax rate is 10%. Different tax rates agreed with the Qatari government but no less than 35% apply to income derived from petroleum operations or the petrochemicals industry (as defined under Law No. 3 of 2007). This includes income from exploration operations; developing fields; drilling, completing and repairing wells; producing and processing petroleum; filtering of impurities; storing, transporting, loading and shipping; constructing or operating related energy and water facilities or housing or other facilities, establishments or equipment necessary for petroleum and petrochemical industries and operational activities plus associated services, including administrative and complementary activities. Where an agreement with the government, ministries or other governmental bodies was concluded before Law No. 3 became effective and prescribes a specific tax rate, that rate will apply; where no rate is prescribed, tax is imposed at 35%.

Under the QFC tax regime, income is taxed at a flat rate of 10%.

Withholding tax (WHT)



: Corporate tax application in the State of Qatar

Withholding Taxes : (WHT)

Dividends – Qatar does not levy withholding tax on dividends

Interest – Law No. 24 of 2018 introduced a single withholding tax rate of 5% applicable to interest, royalty, commission and other payments under contracts signed on or after 13 December 2018; the previous 7% rate no longer applies.

Corporate tax application in the State of Qatar

Withholding Taxes: (WHT)

Branch remittance tax – No

Other – A retention of 3% of the contract value or the final payment (whichever is higher) applies to payments made by the Qatar government or a quasi- governmental agency to a branch registered in Qatar for a particular project (a temporary branch).

No withholding taxes apply under the QFC tax regime.

Certain exemptions apply, or the rate may be reduced under a tax treaty.

Corporate tax application in the State of Qatar

Other taxes on corporations:

Capital gain – Yes , 10% on the Capital gains

Payroll tax – No

Real property tax – No

Social security – For employees that are Qatari nationals, the employer must contribute 10% of the employee's basic salary each month.

Stamp duty – No

Excise tax – Excise tax applies in Qatar from 1 January 2019 and is imposed both on imports and locally produced goods. Excise tax applies at 100% on tobacco.. products, energy drinks and “special purpose” goods and at 50% on carbonated drinks.

Corporate tax application in the State of Qatar

Obligation to **Notify and Report Contracts:**

The Law requires ministries , other government bodies , public corporations and establishments, and companies to notify the General Tax Authority of the contracts that they have entered into if their amounts exceed limits specified in the executive regulations. (PO /Contract with Amount of QAR (200,000)for goods or services , Contract with Foreign contracts irrespective of the amount and for combined contracts with goods and services of Amount QAR 500,000).

: Corporate tax application in the State of Qatar

Transfer Pricing and CBCR

Transfer pricing –The Executive regulations issued in December 2019 expand the Transfer pricing requirements for taxpayers along with new reporting requirements applicable for 2020.

The Transfer Pricing requirements include four tiers of compliance: (i) Transfer Pricing Form/Questionnaire to be provided with the Tax Return, (ii) Masterfile, (iii) Local file and (iv) Country by Country Reporting requirements (already introduced in 2018/2019).

Further guidance would be issued by the GTA on several key areas including format of the Transfer Pricing Form; revenue or asset threshold for transfer pricing compliances; language of local file and Masterfile; and due date of filing of the transfer pricing documentation.

Taxpayers undertaking cross-border related party transactions are required to determine the transfer price using the Comparable Uncontrolled Price (“CUP”) method.

Corporate tax application in the State of Qatar

Transfer Pricing and CBCR

The use of other OECD recommended transfer pricing method other than CUP, is subject to written approval by the GTA. As per the executive regulations, taxpayers are expected to determine the arm's length price of its related party transactions while undertaking the transaction and no later than submitting the tax declaration for the accounting period in which transaction took place.

Taxpayer are expected to conduct a functional analysis and undertake a comparability analysis for the related party transactions. The executive regulations require an update of the financial data of comparable companies on an annual basis and an update of the database searches every three years. The Local file and the Masterfile under the GTA regime are aligned to the OECD format.

The QFC regime has detailed transfer pricing rules that are broadly consistent with OECD recommendations. Whilst there are no formal Masterfile and local file requirements, the tax authorities expect taxpayers to have such documentation available during a tax audit.

Corporate tax application in the State of Qatar

Transfer Pricing and CBCR reporting

Under both the State of Qatar and QFC tax regimes, country-by-country (CbC) reporting obligations and notification requirements apply **only** to ultimate parent entities that are tax resident in Qatar and are part of a multinational group of enterprises (MNE) with consolidated revenues of at least QAR 3 billion in the preceding financial year. The CbC report must be submitted within 12 months from the end of the reportable financial year.

: Corporate tax application in the State of Qatar

Transfer Pricing and CBCR

Interest deduction limitations – Thin capitalization rules apply – deduction is limited to 3 times of equity. Interest payments made by a Permanent Establishment to its head office or to related parties are not deductible for tax purposes.

Under the QFC tax regime, the arm's length borrowing capacity of a QFC taxpayer is the amount of debt that it could and would have taken on, as a stand-alone entity, from an independent lender. The safe harbour debt-to-equity ratio set out by the QFC tax authorities is 2:1 for non-financial institutions and 4:1 for financial institutions.

VAT BASICS & TERMINOLOGIES



Corporate tax application in the State of Qatar

VALUE ADDED TAX

Qatar has made a series of announcements about the implementation of VAT. However, the effective date is yet to be announced.

We can just have a basic discussion on the VAT impact and the terminologies

- Input tax
- Output tax
- Impact of Vat on your business
- Business Impact and challenges

VAT IMPACT – TAXABLE SUPPLY

Synopsis



Output tax @5%



Input VAT – ‘Creditable’



Net impact – Tax on
‘Value Addition’

Illustration:



Analysis:

Cost of procurement	Amount
Value of procurement	150
Add: Non-creditable VAT	0
Total cost	150

Cash outflow / refund	Amount
Total Output Liability	10
Input VAT (creditable)	7.5
VAT outflow in cash	2.5

Cost to Customer	Amount
Value of service	200
Add: Output VAT @ 5%	10
Total cost to customer	210

VAT IMPACT – EXEMPT SUPPLY

Synopsis



**Output VAT – No
VAT chargeable**



**Input VAT – Non-
creditable**



**Net impact – Blocked
credit**

Illustration:



Analysis:

Cost of procurement	Amount
Value of procurement	150
Add: Non-creditable VAT	7.5
Total cost	157.5

Cash outflow / refund	Amount
Total Output Liability	0
Input VAT (creditable)	0
Cash outflow / Refund	0

Cost to Customer	Amount
Value of service	207.5
Add: Output VAT @ 5%	0
Total cost to customer	207.5

VAT OVERVIEW & IMPACT ON BUSINESS FUNCTIONS

5% VAT

GCC



OVERVIEW

- Tax charged at each step of supply chain and paid by the customer.
- Charged as a (%) on price of goods & services.
- VAT zero rate / exemption include health, education, basic foods, etc.

Anticipated Implementation

- Common VAT framework will form the basis for the introduction of domestic VAT Law by each member State;
- VAT would have a direct impact on nearly all business operations;
- it would also have an significant bearing on the support and administrative functions which are as follows:



IMPACT OF VAT ON YOUR BUSINESSES

While VAT is charged and collected by businesses on behalf of the Government and as such should not be considered as a cost, there will be an additional burden in terms of administration and compliance with the new legislation

- Charging VAT on supplies at the correct rate
- Calculating VAT deductible on purchases
- Calculating the overall net amount of VAT to pay/ refund
- Submitting VAT returns, showing the required information, within the prescribed deadlines
- Paying the net amount of VAT due, within the prescribed deadlines
- Keeping the correct documentation in relation to invoices, records, accounts, VAT returns, etc.

Businesses will need to **amend systems, processes and procedures** and will need to ensure they comply with the new requirements, such as for example:



BUSINESS IMPACT & IT CHALLENGES

Classification

- Classifying the supply into taxable, zero-rated and exempt supply
- Treatment for Government & Non-Government entities
- Treatment for Education & Medical sector
- Not for profit organisation

Transitional Impact

- Understanding impact on cut-over transaction;
- Changes to be considered in the contracts/ IT system from cut-over perspective

Functional Impact

- Government Grants & Subsidy
- Treatment of free supplies and discount
- Supply Chain Re-engineering and mapping the same through system
- Location of server ?
- Aligning chart of accounts



Compliance Requirement

- Serial number invoicing;
- Compliance burden i.e. filing of Returns, making timely Payments, Records maintenance, etc.
- Electronic Records
- Reporting in English or dual language

Information System

- Integrating various systems on which the organization operates;
- Configuring various formats for complying with the prescribed requirements
- Configuring requisite fields to generate reports in desired formats

Key VAT issues

- Valuation on related part transaction;
- Inter Co. transaction & Cross Charge between Group Co.
- Group reg vis-à-vis single reg;
- Availment of correct Input Credit;
- Leakage of tax due to dealing in multi tax structure products;

PENALTIES AND COMPLIANCES



: Tax penalties

According to Article (26) of this Law, the President or his delegate shall impose, in the cases described in the following paragraphs, the financial penalties on the following:

1. Any taxpayer who fails to file the tax return within the periods set forth in this Law and the Regulations shall pay a penalty **of five hundred (500) Riyals** for each day of delay and a maximum of one hundred eighty thousand (180,000) Riyals.
2. Any taxpayer who fails to pay tax within the periods mentioned in this Law and its Regulations, as well as any natural or legal person who fails to remit the withholding tax within the set periods, shall pay a penalty of (2%) two per cent of the amount of tax due per month of delay or part thereof, up to the amount of the tax due.
3. Any taxpayer who contravenes the provisions related to registration and notification set forth in this Law and its Regulations shall be subject to a financial penalty of **twenty thousand (20,000) Riyals**.

: Tax penalties

4. Any taxpayer benefiting from a tax exemption who fails to submit the tax return and documents to be attached thereto by virtue of this Law and its Regulations shall pay a penalty of five hundred **(500) Riyals for each day of delay** and a maximum of one hundred eighty thousand **(180,000) Riyals**.

5. Any taxpayer who contravenes the provisions of this Law and its Regulations on the submission of final audited accounts, bookkeeping and retention of records shall bear a financial penalty of thirty thousand **(30,000) Riyals**.

6. With the exception of government bodies, any entity that fails to notify the Authority of any contracts, agreements and transactions executed pursuant to the provisions of Article (13) of this Law shall be subject to a financial penalty of ten thousand (10,000) Riyals. **(Article 13- contract reporting)**

7. Any person who fails to withhold tax in accordance with the provisions of Article (9) of this Law shall bear a financial penalty equal to the amount of tax that has not been withheld, in addition to the payment of the tax due. **(Article-9 WHT withheld)**

: Tax penalties

8. Any person who contravenes the provisions of the decisions issued in accordance with paragraph (2) of Article (34) of this Law shall be liable to a financial penalty not exceeding five hundred thousand (500,000) Riyals.

THANK YOU!

Email

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