



KPMG Tax alert

Ratification of DTT between Qatar and Oman



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On 22 November 2021, the State of Qatar and the Sultanate of Oman (“the contracting states”) signed an agreement for the avoidance of double taxation (“Double Tax Treaty” or “DTT”) and the prevention of tax evasion with regard to income and capital tax, which is the first DTT signed between Qatar and any Gulf Cooperation Council (GCC) member.

A Royal Decree (RD 4/2022) was issued in January 2022 by His Majesty the Sultan of Oman, ratifying the DTT which was published in the Official Gazette of the Sultanate of Oman in the same month. The Government of the State of Qatar has now ratified the DTT through Emiri Decree No. 45 of 2022 and has published it in the official gazette on 9 November 2022. The DTT provisions will become effective from 1 January 2023.

The DTT provisions will take effect:

- For amounts paid on or after 1 January 2023, for taxes withheld at source.
- For tax years beginning on or after 1 January 2023, for other taxes on income and taxes on capital.

Key provisions of the DTT

Withholding Tax (“WHT”)

Below are the WHT rates provided in the DTT in comparison with the domestic laws of the contracting states:

Payment	Qatar Domestic Rate	Oman Domestic Rate	Double Tax Treaty
Interest	5%	10%	-
Services (other than technical services)	5%	10%	-
Royalties	5%	10%	8%
Technical services	5%	10%	8%
Dividends	-	10%	0% / 5%

The DTT reduces the WHT rates on payments of **dividends** to 0 percent if the beneficiary is a corporation that owns at least 20 percent of the entity that pays the dividends. The rate is 5 percent in all other cases. This will likely benefit Qatari investors in Oman when profits are being repatriated back to Qatar.

Interest is taxable only in the contracting state in which the recipient is a resident. Hence, interest payments between Qatar and Oman residents shall not be subject to WHT. Note that Qatar generally follows a 'pay and reclaim' mechanism and any withholding tax deducted by Qatari resident persons from interest payments to Oman will be subject to refund.

Withholding tax on **Royalty and technical services** is capped at 8 percent. As Qatar applies a lower 5 percent withholding tax rate on royalty and technical fees, no DTT benefit will be available for withholding taxes paid on account of royalty and technical fees in Qatar. However Qatari recipients of payments from Oman may benefit from the reduced DTT rate of 8 percent vis-a-vis the 10 percent as per Oman domestic law.

Permanent Establishment (PE)

The PE wording is mostly in alignment with the OECD Model. The DTT provides that a PE would also arise if a building site, construction, assembly, or installation project in the other contracting state lasts for a period of more than six months.

Capital gains

Gains from the alienation of any property (other than immovable property, gains from the alienation of ships) shall be taxable only in the resident State of which the alienator is a resident.

Other Provisions

Taxpayers are allowed to seek assistance from their local competent authority in resolving disputes relating to the interpretation of the DTT, within a period of three years (from the date of the "notification" of the dispute to the relevant tax authority).

In response to the BEPS Action 6, which deals with treaty shopping arrangements, Article 29 of the DTT includes the so-called Principal Purpose Test ("PPT") which aims to deny treaty benefits when considering all the relevant facts and circumstances, it is reasonable to conclude that obtaining such benefits was one of the principal purposes for entering into that particular transaction or arrangement.

As such, it is important that Qatar and Oman entities seeking to claim relief under the DTT have appropriate operational substance and can support a principal commercial purpose. This is in addition to meeting the minimum substance and procedural requirements set by Qatar via Economic Substance Regulations (as of date, Oman has no clear guidance or specific regulations related to economic substance).

How can KPMG help you?

Qatari businesses operating in Oman (and vice-versa) should take note of the changes that the DTT introduces and assess the potential impact on their operations and activities. Further, the interpretation of the DTT is always an ongoing process with developments in the international arena and relevant jurisprudence, its applicability and interpretation by the relevant authorities may change and develop over time.

We welcome the opportunity to discuss the DTT and the implications it may have on your business with you.

If you have any questions or would like to discuss this further, please free to reach out to us.

Kind regards,



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