

Recent changes to Qatar Financial Centre Tax Regulations and Rules

21 November 2017

In brief

The Qatar Financial Centre has recently amended its Tax Regulations and Tax Rules. The key change is the addition of a new provision under Article 10 that deals with “Local Source”. According to the new provision added to Article 10, profits arising in or derived from Qatar by a QFC entity that is not an “Authorised Firm” from the provision of services for the use outside Qatar would not form part of Local Source Taxable Profits. QFC entities should meet certain conditions in order to benefit from the new provision.

In detail

Qatar Financial Centre (“QFC”)

QFC is a financial and business centre established by the Government of Qatar in 2005 with a view to grow and develop the market for financial services in the region. QFC also allows entities that are engaged in the provision of business to business services to set up under the QFC. QFC entities are subject to tax pursuant to the QFC Tax Regulations and fall outside the scope of the general tax regime in Qatar.

Key changes to QFC Tax Regulations and Tax Rules

The key change to the QFC Tax Regulations and Tax Rules is the introduction of a new provision (i.e. 1 A) under Article 10 (Local Source) of the

Tax regulations and the related amendments in the Tax Rules.

Per the new provision, profits arising in or derived from Qatar by a QFC entity (which is not an “Authorised Firm”) from the provision of services *for the use outside Qatar* are excluded from the Local Source Taxable Profits and hence would not be subject to tax.

Entities that are established under QFC Financial Regulations are considered as Authorised Firms (e.g. banks, insurance companies, investment funds, etc.) and are not eligible for the application of the above provision.

Specific conditions

In order to benefit from the new provision, QFC entities should meet all of the following conditions:

- The entity’s accounts are audited and reported on by an external auditor;
- At least 30% of the entity’s profits can be attributed to activities undertaken by the entity in Qatar;
- The entity employs at least three full time employees (i.e. having Qatari resident permit and sponsored by the QFC entity); and
- The QFC Tax Department does not consider that the services are rendered under an arrangement the sole or main purpose of which is the avoidance of tax under the QFC Tax Regulations.

Application of the new position

Entities would be expected to 'self-assess' (no prior approval is required from the QFC) if Article 10 (1A) applies to part of their income and if they meet the relevant conditions stated above.

The QFC is expected to publish detailed guidelines on the interpretation of Article 10 (1A).

Effective date

The amended QFC Tax Regulations and Tax Rules were enacted on 12 June 2017 and Article 10 (1A) is effective for

accounting periods commencing on or after 12 June 2017.

The takeaway

The QFC entities that are not Authorised Firms should consider whether they can benefit from the new Local Source provisions. Should you need any assistance in relation to the application of new Local Source provisions, please feel free to contact us.

Let's talk

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

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