

Guide to the QFC tax return

QTD 001 – Guide – Version 1 – July 2011

What's in this guide

This guide will help you complete the QFC tax return form, QTD 001 and we advise you to use the box-by-box advice when you are completing the form. The layout of the notes follows the order on form QTD 001 and the numbering refers to the box number.

You can get more information on the tax section of the QFC website at www.qfc.com.ga

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Abbreviations used

AP – Accounting Period

CRO – Companies registration office

GAAP – Generally accepted accounting principles (see Article 15 of the QFC Tax Regulations for further details)

PE - Permanent establishment

QFC – Qatar Financial Centre

QFCA – Qatar Financial Centre Authority

TIN – Tax identification number

General notes

Who needs to make a QFC tax return?

The term 'QFC entity' includes a company, partnership, branch and any other entity which has been granted a licence by the QFCA.

All QFC entities must file a QFC tax return. Even if an entity is not within the charge to tax, (for example because it was specially exempt or dormant throughout the period) you should complete page 1 of form QTD 001 giving all relevant information, read the warning and then sign the declaration on the last page of the form, attach a copy of the entity's accounts (unless the entity has been completely inactive) and provide a note explaining why you consider the entity is not within the charge to tax.

Failure to file a return may lead to the imposition of a penalty.

The only exception to the requirement to file a tax return is where a QFC entity is 100% owned either directly or indirectly by the Government of Qatar (Article 138 of the QFC Tax Regulations). Where a QFC entity is 100% owned by the Government of Qatar it is outside the scope of the QFC Tax Regulations and therefore need not file QFC tax returns. We do expect wholly owned Government entities to register with the tax department and to give us an undertaking that they will notify us if they cease to become wholly government owned.

What constitutes a QFC tax return?

To make a valid filing we expect you to submit not only a completed and signed return form but also:

- Accounts, for the period covered by the return, and
- Computations showing how entries on the return have been calculated from the figures in the accounts.

The accounts we require are:

- For companies and QFC partnerships, audited accounts covering the period of the return.
- For entities carrying on business through a permanent establishment (PE) branch in Qatar, full branch accounts, including a balance sheet

Where an entity has special exempt status or is chargeable at the concessionary (zero) rate, we still require accounts to be submitted with the return. However if an entity has been wholly dormant throughout the period of the return and has not drawn up accounts, we will not insist on accounts being filed with the return.

If you do not include all the relevant items you will not have satisfied the legal requirements to file a QFC tax return.

How do I file a QFC tax return?

The completed tax return and accompanying documents should be delivered to the QFC tax department in hard copy form. We will accept a scanned copy of the signed return and accompanying documents attached to an e-mail as having met the filing requirement provided that the original documents are received within 10 working days.

What is an accounting period?

A return has to be filed for every accounting period (AP). An AP cannot be more than 12 months and in most cases it will be the same as the period for which the entity draws up its accounts.

An **AP starts** when a QFC entity comes within the charge to tax by, for example, commencing activities within the terms of its QFC licence. An AP also starts immediately after the end of a previous AP, provided the company is still within the charge to tax.

An **AP ends** on the earliest of the following:

- 12 months since the start of the AP.
- The entity's accounting date.
- The entity ceases to have any source of income within the terms of its QFC licence.
- The entity starts or stops being resident in Qatar.
- The entity gives up or has its QFC licence revoked.
- The entity appoints a liquidator at the commencement of a winding up under the QFC Insolvency Regulations 2005.

When should a return be filed?

You can file a QFC tax return any time after the end of the relevant AP but you must do so no later than 6 months from the end of the relevant AP. Tax for the Accounting Period is also due and payable 6 months from the end of the relevant AP so we expect tax to be paid, in full, when the return is filed.

You should take all reasonable steps to deliver a return and pay any tax due on time. There is an initial penalty of QAR 1,500 for failure to file a return on time and any tax paid late will be subject to an interest charge of 5%pa.

If you think you will be late filing a return:

- Warn the QFC tax department in advance as we may, exceptionally and depending on the circumstances, be prepared to give you more time to file.
- Deliver as much of the information as you can by the filing date. Where necessary estimate an entry rather than delay filing.

What form should I use?

You can download a copy of form QTD 001 from the QFC website at www.qfc.com.qa

What do we do when a return is filed?

When we receive a return we will acknowledge receipt, usually by signing and stamping a copy of the covering letter used to submit the return. We will process the return, based on your figures, and record the amount you have shown in the return as the tax due for the AP.

If you need to amend a return, you can do so within 12 months of the filing date.

We can amend the return, or an amended return, to correct obvious errors or omissions within four months of the filing or amendment date. We will ask you to agree any such amendments and if you do not agree, we will not amend the return to correct the errors or omissions.

We may enquire into any return and we will always formally notify you of any enquiry. We may open an enquiry:

- For a return filed on or before the filing date, at any time up to 12 months from the filing date,
- For a return filed late, or in the case of an amended return, at any time up to the first anniversary of the day on which a return was delivered, or the amendment was made.

Completing the Tax Return

The following notes are specific to entries on the tax return form and they follow the order of the boxes on form QTD 001.

Page 1

QFC Entity Information

Full name of entity	Enter the full name of the QFC entity, as registered with the QFCA.
Tax identification number	This is the QFC licence number, preceded by the letter 'T.'
QFC licence number	This is the entity's QFC licence number.
Company registration number	
Full address	Please enter the full physical address of the office location, including PO Box.

About this return

Period of return	Enter the period covered by the return. This cannot be more than 12 months. If your accounts cover a period longer than 12 months, you will need to send in two or more returns, one for each AP.
Option boxes	Complete boxes with an 'x' where applicable. Where you wish to provide further details relating to the entries made here, please enter this in the 'other information' box on page 4.
GAAP used	Allowable GAAP for QFC tax purposes are International Financial Reporting Standards (IFRS), UK GAAP, US GAAP or accounts prepared in accordance with standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). A QFC Entity may apply to the tax department to use, for tax purposes, a basis of accounting different from those set out above, however such an application must be made prior to the start of the AP to which it relates.

Accounts

Accounts and computations	Put an 'x' in the appropriate box if you are sending accounts for the same period or a different period. If there are no accounts explain why not in the space provided.
List other attachments	List here any other attachments to the tax return, for example, tax computations, audited accounts and any other information which may be relevant to the tax return.

Turnover - boxes 1 to 3

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| 1 | Total turnover | Enter the total turnover from licenced activities. This should include both local and non-local source income. Enter whole figures only. Financial concerns that do not have a recognised turnover need not complete box 1. |
| 2 | Financial concerns | Financial concerns that do not have a recognised turnover figure should indicate this fact by putting an 'x' in box 2, and should not complete box 1. |
| 3 | Number of employees | Enter the average number of persons employed by the QFC entity for the return AP. |

Profits - boxes 4 to 7

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| 4 | Chargeable profits | The chargeable profits of a QFC Entity for an accounting period are the accounting profits of that Entity from its licensed activity, as adjusted by the provisions of the Tax Regulations. The chargeable profits to be entered in this box are local source chargeable profits. |
| 5 | Loss brought forward
(from box 17) | <p>You should complete box 5 if:</p> <ul style="list-style-type: none">• There are profits in box 4, and• The entity has unrelieved trading losses from earlier periods available to set against profits from the same trade. <p>Where the losses brought forward are more than the profits entered in box 4, only enter enough losses to cover the profit. Losses from periods before 1 January 2010 are not available for carry forward for use against profits of subsequent periods.</p> |
| 6 | Group relief claimed
(from box 20) | You should complete this box, and the group relief section on page 3, if the company is claiming group relief. The figure you enter cannot be more than box 4 minus box 5. You will need to deliver an amended return within the time limit if the company subsequently wishes to make new or amended group relief claims. |
| 7 | Local source taxable profits | The local source taxable profits of a QFC Entity for an accounting period are the chargeable profits of that Entity, as reduced by any tax losses and group relief due under the Tax Regulations. Enter in this box the result of box 4 less boxes 5 and 6. |

Self-Assessment - boxes 8 to 14

8	Local source taxable profits	Enter in this box the amount of local source taxable profits which are subject to tax at the standard rate of QFC tax.
9	Chargeable at the standard rate of tax	Multiply box 8 by 10%.
10	Local source taxable profits chargeable at concessionary rate	Enter in this box any local source taxable profits which are subject to tax at the concessionary, zero, rate of QFC tax. This rate only applies to captive insurers and reinsurance business.
11	Exempt entities	<p>Place an 'x' in this box if the QFC entity qualifies as an exempt entity. Part 14 of the Tax Regulations states that exempt vehicles are:</p> <ul style="list-style-type: none">(a) a registered fund as defined in Article 85;(b) a special investment fund as defined in Article 86;(c) a special funding company as defined in Article 87;(d) an alternative risk vehicle as defined in Article 88;(e) a Charity. <p>Article 84(5) of the Tax Regulations states that an application for exempt status shall be made in writing to the Tax Department within 6 months from the end of the Accounting Period for which special exempt status is to apply. We will accept checking of box 11 as adequate notification, provided the tax return is filed by the normal filing date.</p> <p>An election for special exempt status will not be allowed if we consider the sole or main purpose of the exempt vehicle is the avoidance of tax.</p>
12	Double tax relief	Enter any double taxation relief claimed here and provide further details in the 'other information' box on page 4.
13	Islamic Finance Adjustment	Enter any adjustment claimed under Part 11 of the Tax Regulations and provide further details in the 'other information' box on page 4.
14	Tax payable	This is Box 9 less boxes 12 and 13

Losses – boxes 15 to 19

15	Losses brought forward from previous accounting period	Enter the balance of unrelieved losses from earlier AP's. The carry forward of losses may be restricted in the event of a change in Ownership accompanied by a major change in the nature or conduct of the licenced activities. (Loss buying –see Article 30)
16	Loss incurred in this accounting period	Enter the amount of losses incurred in the return AP. These must be local source losses and any non-local source losses should be excluded.
17	Loss set-off against profits for this accounting period (to box 5)	Where the losses brought forward are more than the profits entered in box 4, only enter enough losses to cover the profit shown in box 4. Losses from periods before 1 January 2010 are not available for carry forward for use against profits of subsequent periods.
18	Loss surrendered as group relief (from box 21)	You should complete this box, and the group relief section, if the company is surrendering losses as group relief. You will need to deliver an amended return within the time limit if the company subsequently wishes to make new or amended group relief claims.
19	Loss carry forward to next accounting period	This is boxes 15 and 16 less boxes 17 and 18. The carry forward of losses may be restricted in the event of a change in ownership (see note on Box 15).

Group relief – information table and boxes 20 to 22

Information table	Where you are claiming group relief you only need to enter the details of the company which is surrendering their losses to you. Where you are surrendering losses you should enter details of the QFC company which is claiming group relief. In either case the name, accounting period, and TIN of the relevant QFC entity should be included here, along with the amount of group relief claimed or surrendered. A claim for group relief may be made for less than the amount available for surrender at the time the claim is made. Further detail regarding the conditions which must be met before group relief can be claimed can be found in Part 5 of the QFC Tax Regulations.	
20	Total claimed for this accounting period (to box 6)	You should complete this box if the company is <u>claiming</u> group relief. The figure you enter cannot be more than box 4 minus box 5. You will need to deliver an amended return within the time limit if you subsequently wish to make a new or amended group relief claim.

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| 21 | Total amount surrendered (to box 18) | You should complete this box if the company is <u>surrendering</u> losses as group relief. You will need to deliver an amended return within the time limit if you subsequently wish to make a new or amended group relief surrender. |
| 22 | Group relief set-off in priority to set-off of losses | Put an 'x' in this box if electing to set-off group relief before the set-off of losses. Article 32(4) of the Tax Regulations states that an election of this kind must be made in writing to the tax department within 18 months from the end of the AP to which the election relates. We will accept checking of box 22 as adequate notification, provided the tax return is filed by the normal filing date. |

Page 4

Transfer pricing – boxes 23 to 25

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| 23 | No adjustment required | This box should be checked if you are satisfied all transactions reflected by the accounts for the period covered by the return are at arm's length and no adjustment is required under Part 8 of the Tax Regulations.. |
| 24 | Adjustment required | If a transfer pricing adjustment is required under Part 8 and the adjustment is reflected in the tax computations attached to the tax return, this box should be checked. It should be noted that a transfer pricing adjustment can only increase chargeable profits or decrease the available loss; it cannot decrease profits or increase the available loss. |
| | Information box | Where a transfer pricing adjustment is required under Part 8 of the QFC Tax Regulations but has <u>not</u> been made in the tax computations, an explanation should be entered in the box provided. |
| 25 | Compensating adjustment | Where a transfer pricing adjustment has been made between two QFC entities and a compensating adjustment is being claimed under Article 51 or 52 of the QFC Tax Regulations, please put an 'x' in this box. |

Other information

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| Other information box | Please provide in this box any other information which you consider is relevant to the return. If extra space is required please continue on a separate sheet. |
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Declaration

Declaration	Read the warning and the declaration before signing and dating the form.
Signature	<p>The return should be signed by the <i>representative</i> of the QFC Entity. In relation to an LLC, the representative is the person appointed as Company Secretary, in relation to an LLP the representative is the person appointed as Principle Representative and in relation to a branch the representative is the person appointed as Principal Representative. In relation to any other QFC Entity the representative is any person appointed under the relevant QFC law to represent the QFC Entity.</p> <p>Where a person other than the representative signs the tax return there must be evidence that there has been a delegation of power from the Representative of the QFC entity to the person signing the tax return.</p>
Name	Clearly enter the name of the person signing the return.
Position	Clearly enter the position of the person signing the tax return. If the person who has signed the return differs from the authorised representative please provide an explanation in the 'other information' box.

What do I do when I have completed the QFC tax return form?

Once you have completed all the appropriate boxes and have signed the declaration covering the whole return, send it to us. Do not forget to include the accounts, computations, calculations and any other relevant information.

Keep a copy of the return and attachments for your records. Please also pay any tax due on or before the normal filing date for the return. Interest may be charged on any tax that is paid late. Please deliver your return before the filing date (see the notes section above). We charge penalties for late returns, even where no tax is due.