**Qatar Financial Centre (QFC) – Local Source**

Qatar Financial Centre (QFC) has been set up on the terms of Dubai International Financial Centre which aims to attract finance, insurance and other firms to set up their businesses (“QFC Entities”). The centre is an offshore centre where international business is allowed to be carried on in an unrestricted manner. Fiscal reliefs are granted and taxation and WHT are not applicable to the transactions being done in QFC. The QFC entities are also allowed to carry on business in mainland Qatar where such business is termed as ‘local source’. Such local source income is subject to tax in the same manner as local/mainland Qatar Companies are taxed. What, therefore, is ‘Local Source’?

**Local Source**

1. Taxable Profits are Local Source if they arise in or are derived from Qatar.

(2) Local Source Taxable Profits are deemed to include -

(a) Passive Interest Income; and

(b) profits arising from interest income received by or accrued to a Financial Institution to the extent that -

(i) the profits are attributable to the initiation of the underlying loan in Qatar by, or on behalf of, the Financial Institution; and

(ii) the risk of default in respect of either (or both) the interest and principal of the loan is borne by the Financial Institution in Qatar,

provided that where either condition (i) or (ii) is met, but not both, 50% of the relevant profits are deemed to be Local Source Taxable Profits.

(3) Local Source Taxable Profits **exclude** any profit derived from -

(a) Immovable property located outside Qatar;

(b) Permanent Establishments of the QFC Entity outside Qatar; and

(c) Receipt of Passive Interest Income where the borrower is not Resident in Qatar (and the borrowing is not substantially undertaken by or through a Permanent Establishment of the borrower in Qatar) or where the borrower is Resident in Qatar and the borrowing is substantially undertaken by or through a Permanent Establishment of the borrower outside Qatar.

Further the profits arising in or derived from Qatar by a QFC Entity from the provision of services for use outside Qatar are deemed not to be Local Source Taxable Profits if all of the following conditions are met -

(A) the QFC Entity’s accounts are audited and reported on by an external auditor;

(B) at least 30% of the QFC Entity’s income can be attributed to activities undertaken by the QFC Entity in Qatar;

(C) the QFC Entity employs at least three full time employees; and

(D) the 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 these Regulations.