محكمة قطر الدولية
ومركز تسوية المنازعات
QATAR INTERNATIONAL COURT
AND DISPUTE RESOLUTION CENTRE

In the name of His Highness Sheikh Tamim bin Hamad Al Thani,

Emir of the State of Qatar

Neutral Citation: [2025] QIC (RT) 1

IN THE QATAR FINANCIAL CENTRE

REGULATORY TRIBUNAL

Date: 29 July 2025

CASE NO: RTFIC0002/2025

RUTHERFORD, BESS AND ATTWOOD LLP

Appellant

v

QATAR FINANCIAL CENTRE AUTHORITY

Respondent

Judgment

Before:

Justice Sir William Blair, Chairman

Justice Gopal Subramanium SA

Justice Sean Hagan

Order

1. The Regulatory Tribunal upholds the decision of the Respondent, which concluded that the tax payable by the Appellant for the year ended is increased from nil to QAR 151,459 plus late payment charges.

2. No order as to costs.

Judgment

Introduction

1. On 5 January 2025, Rutherford, Bess and Attwood LLP (the '**Appellant**') filed an appeal against the decision of the Qatar Financial Centre Authority (the '**QFCA**' or '**Respondent**') dated 3 November 2024 regarding the amount of tax owed by the Appellant (the '**QFCA Decision**'). The Respondent filed a Response on 2 February 2025, which was followed by the Appellant's Reply on 8 April 2025. The Respondent filed further submissions on 12 May 2025.

2. The parties invited us to deal with this appeal on the papers on 27 March 2025. Based on the submissions and, as confirmed in our order dated 21 April 2025, we agreed that this was an appropriate course. We have carefully considered all the submissions and the materials enclosed therewith. Our decision is as follows.

The QFCA Decision

3. The QFCA Decision amended the Appellant's 2021 tax return with the effect of increasing the tax owed by the Appellant from nil to QAR 151,459. This increase was based on a determination by the Respondent that certain expenses claimed by the Appellant were not allowed as tax deductions pursuant to the QFC Tax Regulations 2020 (the '**Tax Regulations**'). Central to this determination was the conclusion by the Respondent that there was no legal basis for the Appellant's payment of salaries to its members of QAR 1,920,000. This conclusion was based on an analysis of both the terms of the Appellant's LLP Agreement and an application of article 18 of the QFC Limited Liability Partnership Regulations 2005 (the '**LLP Regulations**'). Article 18 of the LLP Regulations provides, in part, as follows:

> ***Article 18 - Rights and obligations of Members in the absence of provisions in the Limited Liability Partnership Agreement***
>
> *In the absence of any provision in that regard in the Limited Liability Partnership Agreement the mutual rights and duties of the Members and the mutual rights and duties of the Limited Liability Partnership and the Members shall be determined by the following rules:*
> …
>
> *(4) no Member shall be entitled to remuneration for acting in the business or Management of the Limited Liability Partnership.*

4. Having examined both the LLP Agreement and a 30 November 2017 Resolution adopted by the members of the Appellant that approved the employment contracts between the Appellant and each of the members (the '**Employment Contracts**'), the Respondent concluded that there was no "*provision*" in the LLP Agreement within the meaning of the introductory clause of article 18 of the LLP Regulations that allowed for salaries to be paid to the members.

5. In the absence of a legal basis to pay salaries to the members, the QFCA Decision determined that these payments could not be treated as deductible expenses by virtue of both (i) article 21(1)(a) of the Tax Regulations (which does not allow for the deduction of expenses that are not actually incurred or supported by documentary evidence), and (ii) article 48 of the Tax Regulations (which disallows deductions for payments between Associated Persons where the transaction is not made on an arms-length basis).

6. Notwithstanding the above conclusion, the Respondent did allow for a portion of the QAR 1,920,000 to be deducted as a distribution rather than as an expense. Specifically, since QAR 869,880 of the above payment was made in cash, the Respondent was prepared to treat this portion of the payment as the distribution of "*ready moneys*", which is expressly permitted under clause 16 of the Appellant's LLP Agreement. On the basis of the application of article 65 of the Tax Regulations which allows for a deduction "*in respect of any Remuneration paid to the Members of an LLP*" of up to 50% of the "*Chargeable Profits*" for the accounting period in question, the Respondent concluded that QAR 464,471 of the cash payment could be deducted, resulting in Chargeable Profits being QAR 1,514,590. Accordingly, and applying the tax rate of 10%, the Respondent concluded that the Appellant's 2021 tax liability was QAR 151,459.

7. Although the Respondent has the authority to impose a penalty when a tax return is incorrect, the QFCA Decision concluded that no penalty was being imposed in this case. It did point out, however, that late payment charges were accruing on the outstanding amount. As of the date of the QFCA Decision, late payments charges stood at QAR 17,760.

The Appellant's submissions

8. The Appellant challenges the QFCA Decision on a number of grounds.

9. First, it argues that contrary to the conclusion of the Respondent, the QAR 1,920,000 payment was made pursuant to Employment Contracts that were provided for under the LLP Agreement and, therefore, were entirely consistent with article 18 of the LLP Regulations. This is an argument that is made in the Appeal Notice and is further developed in the Appellant's Response. In the Appeal Notice, the Appellant argues that, since the payments were made pursuant to an employment contract that had been duly authorised by a resolution adopted by the members of the Appellant, the LLP Agreement should "*be deemed to contain provisions that override article 18(4) of the LLP Regulations*" (Appeal Notice, page 2), which, as noted above, generally prohibits remuneration being paid to partners for acting in the business or management of the LLP.

10. The Appellant further develops the argument that the payment is consistent with the LLP Regulations in its Reply. Taking into account the introductory clause of article 18, which provides that the general prohibition set forth in article 18(4) applies "*in the absence of any provision in that regard in the Limited Liability Agreement*", the Appellant points to a specific provision of the LLP Agreement which, in its view, authorises the payment and, accordingly, "*overrides*" the general prohibition of article 18(4) (Reply, paragraph 3.7). The specific provision in question is clause 7.3(i) of the LLP Agreement, which provides as follows:

> *The Partnership may employ such persons and engage such independent agents, lawyers, accountants, custodians and financial advisors as it considers necessary or desirable in the performance of duties and functions under the agreement.*

11. While recognising that the above provision of the LLP Agreement does not "*expressly provide that it may employ members*" (Reply, paragraph 3.3), the Appellant argues that there is no basis to conclude that the above language should be read to *exclude* members. Taking into account the adoption of the resolution that authorised the entering into of the Employment Contracts with the two members of the LLP, the Appellant had determined that an employment agreement with these two members was "*necessary*" and "*desirable*" within the meaning of clause 7.3(i) of the LLP Agreement.

12. As a variation of this argument, the Appellant argues that it is sufficient for the provision required by article 18 of the LLP Regulations to be implicit, noting that "*[T]he LLP Agreement is not simply the document so called, but may also comprise other implicit components*" (Reply, paragraph 3.8). Consistent with both this line of argument in the Appeal Notice and its previous communications with the Respondent on this matter, the Appellant appears to argue that, by virtue of the resolution adopted by the members that authorised the employment of the members, the LLP Agreement should be treated as having been amended (or should be "*deemed*") to include a provision regarding both the employment of the members and the payment of their salaries.

13. A second – and entirely different – argument of the Appellant is that, even if there is no provision in the LLP Agreement that allows members to be employed, the payments to the partners are still deductible pursuant to the Tax Regulations. Specifically, according to the Appellant, a determination of deductibility involves a two-step process: Step 1, a determination as to whether the amounts are deductible as a matter of accounting; and Step 2, whether it is disallowed under article 21 of the Tax Regulations (Reply, paragraph 4.2). With respect to Step 1, the Appellant cites article 19 of the Tax Regulations which set forth the general rule regarding the deductibility of "*expenses, costs and other disbursements*" for purposes of calculating Chargeable Profits, arguing that this provision is applicable to the payments made to the two members of the LLP. Article 19 provides as follows:

> *Subject to any other provisions of these Regulations in computing the Chargeable Profits of a QFC Entity for an Accounting Period, expenses, costs, and other disbursements may be deducted if they have been taken into account in arriving at the Accounting Profit of the QFC Entity for that accounting and*

are incurred for the purpose of generating Local Source Profits or incurred in the operation of a business carried on for the purpose of generating such profits.

14. With respect to Step 2, the Appellant recognises that article 21 of the Tax Regulations sets forth a list of deductions that are *not* available when computing the Chargeable Profits of a QFC Entity, including an LLP. However, it argues that article 21 does not include a "*specific prohibition on deductions made under contractual arrangements that are deemed void, as Respondent deems the Employment Agreements are*" (Reply, paragraph 4.7).

15. A final issue raised by the Appellant relates to the scope of the Appeal. In the second paragraph of the Appeal Notice, the Appellant specified that it was challenging "*the decision of the Tax Department issued on 3rd November 2023 reference Tax Enquiry year ended 31 December 2021*" and, indeed, the Appellant's submissions focus on what it views as the flaws of the QFCA Decision. Yet in the final paragraph of the Appeal Notice, the Appellant requests the Regulatory Tribunal to not only reverse the QFCA Decision but also to confirm "*that the rulings in previous enquiries (all of which turn on the same set of facts) should be overturned*" (Appeal Notice, page 2). In paragraph 5.2 of its Reply, the Appellant reiterates this request, specifically referring to a deadline of 19 December 2022, which presumably applies to the tax year ended 31 December 2020 and the associated QFCA Decision regarding that previous tax year. Accordingly, the Appeal raises a question regarding the application of time limits under the QFC Regulatory Tribunal's Rules and Procedures.

Our analysis

16. Consistent with the approach taken by both the Appellant and the Respondent, the starting point of our consideration of this case is an analysis of the application of article 18 of the LLP Regulations to the payments that have been made to the members of the Appellant pursuant to the Employment Contracts. As will be discussed further below, the outcome of our analysis on this question has an important impact on the question as to whether these payments can, in fact, be deducted as expenses pursuant to the provisions of the Tax Regulations.

17. In this case, there are two provisions of article 18 of the LLP Regulations that require application. First, there is what may be described as the "*general prohibition*" set forth

in article 18(4), which states that "*no Member shall be entitled to remuneration for acting in the business or Management of the Limited Liability Partnership".* Second, there is the introductory clause of article 18, setting forth what the Appellant itself refers to as a "*qualification*" to the prohibition set forth in article 18(4) (Reply, paragraph 3.7), namely: *"In the absence of any provision in that regard in the Limited Liability Partnership Agreement".*

18. With respect to the application of the general prohibition set forth in article 18(4), and given the terms of the Employment Contracts, it is clear that the salaries paid to each of the members constitutes remuneration that was designed to compensate them for the performance of duties that are covered under article 18(4); namely for "*acting in the business or Management of the Limited Liability Partnership.*" Specifically, the duties of the employee under each of the Employment Contracts, which are identical, include acting as "*a Partner and senior manager*" and using their "*best endeavors to promote, protect, develop and extend the business of the Firm*". The Appellant does not contest the fact that the salaries received by the members as its employees are covered by the language set forth in article 18(4). Rather, it argues that, in the instant case, the application of this general prohibition is "*overridden*" by the qualification set forth in the introductory clause of article 18.

19. This brings us to the application of the introductory clause of article 18, which is indeed contested. In essence, the central question is whether, in order to "*override*" the general prohibition set forth in article 18(4), the *"provision in that regard of the Limited Liability Partnership Agreement"* that can authorise the payment of members' salaries needs to be express i.e., does it need to form part of the written LLP Agreement and does it need to specifically authorise payments of salaries to members of the LLP?

20. Our view is that an express provision in the LLP Agreement is necessary. First, such a reading is consistent with the overall architecture of article 18: the introductory clause of article 18 serves to qualify – and allow for exceptions to – the general rules set forth in article 18(1)-(10). Unless any exceptions are set forth in the LLP Agreement in a clear and unambiguous manner, the ability of the QFCA to apply the general rules is undermined. Second, there is the text of the introductory clause. In our view, the use of the term "*in the absence of any provision in that regard*" (emphasis added) in the introductory clause of article 18 serves to indicate an intention that any exception be in

writing. Moreover, the inclusion of *"in that regard"* indicates that the express provision in the LLP Agreement should be sufficiently specific in terms of whether it is deviating from one of the general rules enumerated in article 18(1)-(10). Finally, in our view, such a reading of article 18 is also consistent with the public policy objective of ensuring both transparency and predictability in the application of the LLP regulatory framework.

21. Applying the above standard, our view is that there is no express provision in the Appellant's LLP Agreement that "*overrides*" the general prohibition set forth in article 18(4). With respect to Appellant's reference to clause 7. 3 of the LLP Agreement, this provision – by the Appellant's own admission – does not expressly authorise the LLP to employ members, but rather contains a general authorisation to employ persons that the LLP considers necessary or desirable. With respect to the argument that the LLP Agreement be "*deemed*" or amended to include such a provision by virtue of the member's resolution, the Appellant recognises that such a provision would be implicit i.e. it is not express. In that regard, we would note that there is also tension between this argument and the text of the LLP Agreement itself: article 23.1 of the LLP Agreement provides that "*Amendments to this agreement must be made in writing and be signed by each Partner*".

22. In light of the above analysis, we agree with the Respondent that payment of salaries by the Appellant to its members pursuant to the Employment Contracts is not permitted under the LLP Regulations since the LLP Agreement did not include a provision that expressly authorised such payments.

23. We now address the issue as to what impact, if any, this conclusion has on whether these payments can be properly deducted for tax purposes as an expense arising from the payment of salaries. As recognised by both the Appellant and the Respondent, article 21 of the Tax Regulations is of direct relevance to this question since it identifies those payments that are not permitted to be deducted for tax purposes. It is quoted, in part, below:

> ***Article 21 – Deductions Not Allowable and Charitable Donations***
>
> *(1) Subject to any other provisions in these regulations, in computing the Chargeable Profits of a QFC Entity for an Accounting Period, no deduction shall be available in respect of:*

(a) *expenses not actually incurred or not supported by documentary evidence;*

……..

(c) *financial sanctions imposed by the Tax Department, and fines or penalties imposed by any other government agency, in Qatar or overseas;*

(d) *any costs associated with unlawful acts;*

……..

(i) any Distribution, except as provided for by article 62(4) and article 65(1);

……..

24. In its own submissions, the Respondent identifies article 21(1)(a) above as being applicable to the current situation. Referring to accounting principles, the Respondent argues that an expense can be recognised "*only if there is a legal or constructive obligation to make such payment*" (Respondent's Further Submissions, paragraph 9.3). Applying that standard, the Respondent's position is that it is not possible to recognise these payments as salaries since there was no legal obligation to make salary payments given the conclusion that this was not permitted under the applicable legal framework. In this important sense, the payments – when they are treated as salaries – must be treated as expenses not actually incurred under article 21(1)(a).

25. We agree with the Respondent's application of article 21(1)(a). Further, we are of the view that there is another provision that also precludes a deduction. Article 21(1)(d) (doubtless reflecting the general law) does not allow for the deduction of costs "*associated with unlawful acts*". In our view, this provision reflects a public policy objective of preventing a deduction being made for an expense that is not consistent with the QFC's legal framework. This objective arises out of a concern that, among other things, such a deduction would result in the QFC effectively subsidising an activity that is not permitted. While the impermissibility in this case might be described as "*procedural*", this does not make it any more lawful, at least to the extent that the payment is characterised as a payment of salaries. We would note that article 21(1)(c), quoted above, reflects the same public policy concern in a different context: it precludes the deduction of "*financial sanctions imposed by the Tax Department, and fines or penalties imposed by any other government agency, in Qatar or overseas*."

26. Of course, the QFCA Decision ultimately decided that the payments would, instead, be characterised as a distribution that would fall under article 65 of the Tax Regulations and deducted (at least in part), consistent with article 21(1)(i), quoted above. While the Appellant has raised issues with respect to this characterisation, the treatment of the payments as a distribution is ultimately for the benefit of the Appellant given that, for the reasons described above, the only other available alternative was to provide for no deduction at all.

27. The final issue relates to the timeliness of appeals with respect to any decisions taken by the Respondent for tax years prior to 2021. Under article 10(2) of our Rules and Procedures, any appeal must be filed within 60 days of the notification of the decision being challenged. In its Reply, the Appellant notes that the deadline "*for responding to earlier enquiries on the same grounds was 19 December 2022*", and that the response was filed on 28 December 2022. We assume this response relates to a decision regarding its tax returns for the year-ended 2020. The Respondent denies that an appeal was filed following this response. The Regulatory Tribunal has no record of an appeal having been filed by the Appellant for any year other than the tax year ending 2021, which is the subject of this appeal. In these circumstances, the time period for filing an appeal for these earlier years expired a considerable time ago. In any event, if – as stated by the Appellant in the Appeal Notice – these appeals would have "*turned on the same facts*" (Appeal Notice, page 2), the outcome of such appeals would have been the same as the instant case.

Conclusion and disposition

28. In light of the above, we agree with the QFCA Decision, which concluded that the tax payable for the year ended is increased from nil to QAR 151,459, plus late payment charges.

29. In accordance with the usual practice of the Tribunal, there will be no order as to costs.

By the Regulatory Tribunal,

[signed]

Justice Sean Hagan

A signed copy of this Judgment has been filed with the Registry.

Representation

The Appellant was self-represented.

The Respondent was self-represented.