






CHAPTER
2

Entity Classification

2. Entity Classification

ICON KEY

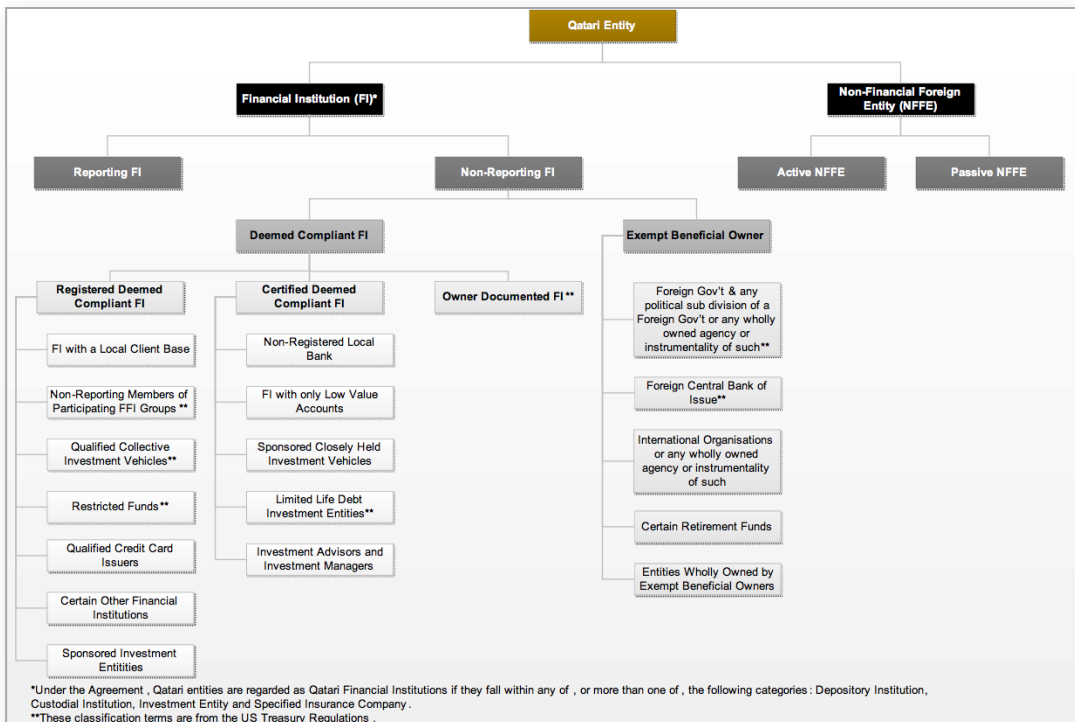
-  Practical Guidance
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In order for an entity to determine the extent of the obligations it must undertake in relation to FATCA under the Qatar-US IGA, an entity must first determine whether for the purposes of the Agreement it is a Qatari FI or a NFFE.

Entities that are Qatari Financial Institutions under the Agreement are initially categorized either as Reporting Qatari Financial Institutions or Non-Reporting Qatari Financial Institutions.

The diagram below provides an overview of the different classifications of a Qatari Entity:



2.1 Qatari Financial Institutions

Under the Agreement, Qatari entities are regarded as Qatari Financial Institutions if they fall within any of, or more than one of, the following categories:

- Depository Institution - Section 15.A.3;
- Custodial Institution - Section 15.A.4;
- Investment Entity - Section 15.A.5;
- Specified Insurance Company - Section 15.A.6.

Each category of Financial Institution is determined by set criteria, which must be met. Where an entity does not meet the definition of a Financial Institution then the entity will be regarded as a NFFE.

Provided Qatari Financial Institutions are in compliance with the Qatari IGA then they will not be subject to any withholding tax on their US source income under §1471 of the US Internal Revenue Code. Details of their compliance requirements can be found in the subsequent chapters.

Qatari Financial Institutions may have additional obligations placed on them in respect of any related entities that are Non-Participating Financial Institutions (“NPFIs”). Where a Qatari Financial Institution has any Related Entities that, as a result of the jurisdictions they operate in, are unable to comply with FATCA, then the Qatari Financial Institution must treat the related entity as an NPFI and fulfil obligations in respect of that NPFI as set out in Article 4 of the Agreement. Further guidance on these obligations is set out in more detail at Section 11.3.

2.2 Non-Reporting Qatari Financial Institutions

A Non-Reporting Qatari Financial Institution is any Qatari Financial Institution specifically identified as one of the following:

- Deemed Compliant Financial Institution:
 - Registered Deemed Compliant Financial Institution
 - Financial Institution with a Local Client Base
 - Non-Reporting Members of Participating FFI Groups
 - Qualified Collective Investment Vehicles
 - Restricted Funds
 - Qualified Credit Card Issuers
 - Sponsored Investment Entities
 - Certified Deemed Compliant Financial Institution
 - Non-Registering Local Bank

- Financial Institution with only Low Value Accounts
- Certain Other Financial Institutions
- Sponsored Closely Held Investment Vehicles
- Limited Life Debt Investment Entities
- Investment Advisers and Investment Managers
- Owner Documented Financial Institution
- Exempt Beneficial Owner:
 - Foreign Government and any political sub divisions of a Foreign Government or any wholly owned agency or instrumentality of such. This category is comprised of the integral parts, controlled entities, and political subdivisions of Qatar.
 - Foreign Central Bank of Issue
 - International Organisations or any wholly owned agency or Instrumentality of such
 - Certain Retirement Funds
 - Entities Wholly Owned by Exempt Beneficial Owners

Please refer to the definition section - Chapter 15 for a complete list of requirements that must be met in order for an entity to be classified as any of the above Non-Reporting Qatari Financial Institution categories. Certified Deemed Compliant Financial Institutions, Exempt Beneficial Owners and Owner Documented Financial Institutions will not need to register with the IRS nor obtain a Global Intermediary Identification Number ("GIIN") or carry out the due diligence and reporting obligations under the Agreement in relation to any Financial Accounts that they maintain. Non-Reporting Qatari Financial Institutions (including Registered Deemed Compliant Financial Institutions) may however need to provide certain documentation to withholding agents and other counterparties to certify their FATCA status and avoid the imposition of a 30% withholding tax. Further, Reporting Qatari Financial Institutions are not required to review or report on accounts held by Non-Reporting Qatari Financial Institutions.

However, a Non-Reporting Qatari Financial Institution that qualifies as a Registered Deemed Compliant Financial Institution will need to register with the IRS to obtain a GIIN or be registered by another entity. A Registered Deemed Compliant Financial Institution should generally not need to report but details of Financial Accounts maintained by the Financial Institution may be reported by another entity. In addition, an entity treated as Deemed Compliant Financial Institution under Annex II that meets the criteria of a Financial Institution with a Local Client Base and has US Reportable Accounts could still have some reporting obligations to the extent it has US Reportable Accounts (for further details, refer to the definition section - Chapter 15, which details when a Financial Institution with a Local Client Base would be required to report).

2.3 Reporting Qatari Financial Institutions

Any Qatari Financial Institution that is not a Non-Reporting Qatari Financial Institution will be a Reporting Qatari Financial Institution.

A Reporting Qatari Financial Institution is required to:

- Register with the IRS to obtain a GIIN
- Undertake due diligence procedures to identify Reportable Accounts (see Chapters 5 to 10)
- Report information in respect of US Reportable Accounts it holds and payments made to NPFIs on an annual basis to the QCB FATCA Unit.

2.4 Non-Financial Foreign Entities

Under the Agreement, NFFEs are classified as either Active NFFEs or Passive NFFEs. Generally both Active and Passive NFFEs do not have to register with the IRS and fulfil any reporting obligations. However they may be required to provide certain documentation to counterparties (upon request) certifying their status as an Active or Passive NFFE. In addition, Passive NFFEs must declare any US Controlling Persons.

A Financial Institution only has to report Financial Accounts that are held by Passive NFFEs with US Controlling Persons that are Specified Persons (See Section 15.C.3).

In Notice 2013-69 the US has indicated changes to their Regulations that will introduce new categories of Passive NFFE - a Direct Reporting NFFE and a Sponsored Direct Reporting NFFE. Passive NFFEs can choose to be 'Direct Reporting NFFEs' and 'Sponsored Direct Reporting NFFEs'. A Direct Reporting NFFE will be required to elect to, and report directly to the IRS certain information about its direct or indirect US Controlling Persons as opposed to providing such information to the Qatari Financial Institution at which an account is held. In order to do this a Direct Reporting NFFE will also be required to register with the IRS to obtain its GIIN.

An Entity will also be allowed to sponsor one or more Direct Reporting NFFEs (Sponsored Direct Reporting NFFEs), which will require the sponsoring entity to report information about a Sponsored Direct Reporting NFFE's direct or indirect US Controlling Persons directly to the IRS.

