



# **Doing Business in Qatar**

## **The Essentials**

March 2011

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## Overview

- Qatar is one of the smallest Arab Gulf States with an area of approximately 11,500 square km and a population of just under 1.7 million.
- Qatar is rich in carbon based natural resources and has the third largest gas reserves in the world estimated at over 910 trillion cubic feet.
- The climate is generally characterized by a hot summer (37 to 45 degrees Celsius in May to October) and a mild and long winter (between 7 to 30 degrees Celsius in November to April) with very little rain.
- The official language and that used by the State and State entities is Arabic, though English is widely spoken and recognized as the preferred language of business.
- The capital city is Doha. However, the majority of the industrial activity takes place in the coastal cities of Ras Laffan, Mesaieed and Dukhan.
- Qatar is a constitutional monarchy ruled by the Al-Thani family since the 19<sup>th</sup> century.
- Qatar is a civil law legal system based largely on the Egyptian and French models.
- Non-Gulf Co-operation Council nationals require a visa in order to work in Qatar. A 14-day business visa, extendable to three months, can be granted by presenting an invitation letter, a valid passport and a return ticket at least 48 hours prior to arrival. For residency, employees of companies which are not regulated by the Qatar Financial Centre (which has its own immigration process and handles all residence permits for employees of a company regulated by it) must comply with the requirements of the Ministry of Interior before being granted non-transferable residency visas for a maximum of three years.
- Qatar's local time is GMT +3 hours.
- Following a cabinet decision (No. 5 of 2006) Gulf Co-operation Council nationals and expatriates can own land in designated areas on either a freehold basis or a 99-year lease.



## A. Investing in Qatar

### A.1 ICSID

In January 2011, the 1965 Convention on the Settlement of Investment Disputes Between States and Nationals of Other States came into force with regard to Qatar. This presents a significant step in the continuing progress of Qatar as an attractive location for foreign investment, increasing investor confidence whilst reducing risk and cost, as well as benefiting Qatar companies with respect to international investments in ICSID contracting states.

### A.2 Foreign Capital Investment Regulation

The Foreign Capital Investment in Economic Activities Law (No. 13 of 2000 as amended) regulates the inflows of foreign capital into Qatar. Generally, a foreign entity may participate in any part of the economy so long as the equity shareholding does not exceed 49% or, in other words, a Qatari partner owns at least 51% of the equity shareholding.

Approval from the Council of Ministers is required for foreign investment banks or insurance activity.

Under Article 2(2) of the Foreign Capital Investment in Economic Activities Law, the Minister of Business and Trade may allow an enterprise to exceed the 49% threshold and wholly own the enterprise if i) it will contribute to Qatar's development plans; and ii) operates in one of the following sectors:

- Agriculture
- Business Consulting
- Cultural
- Development and Exploration of Natural Resources and Energy and Mining
- Distribution Services
- Health
- Information Technology
- Manufacturing
- Sports and Leisure Services
- Technical Services
- Tourism.

Publicly listed companies are limited to 25% foreign ownership in aggregate unless otherwise specified in that company's memorandum and articles of association.

The Commercial Companies Code (Law No. 5 of 2002 as amended) regulates commercial companies. Article 68 thereof allows for companies formed by the state or a state entity under Article 68 to be exempt from the Commercial Companies Code so long as the exemption is stated explicitly in its memorandum and articles of association.

In addition to the above the Qatar Financial Center provides an alternative platform for entities providing financial services. The Qatar Financial Center allows foreign entities

offering financial services, particularly reinsurance, captives and asset managers, the benefit of a more sophisticated regulatory regime as well as allowing full foreign ownership.

## B. Establishing a Legal Presence in Qatar

### B.1 Incorporating under the Commercial Companies Code

A total of eight different types of company are recognized under the Commercial Companies Code (Law 5 of 2002). In addition to complying with the Foreign Capital Investment in Economic Activities Law and the Commercial Companies Code entities wishing to be incorporated in Qatar must obtain:

- i) Approved Memorandum and Articles of Association in Arabic that comply with the standard form of the Ministry of Business and Trade;
- ii) Notarized constitutional documents of the company's foreign parent;
- iii) Letter from a bank in Qatar showing a deposit of paid up capital;
- iv) Certificate of Registration from the Qatar Chamber of Commerce;
- v) Commercial Registration from the Ministry of Business and Trade; and
- vi) Municipal and signage license from the appropriate Qatar Municipality.

A summary of the key features of some company structures is as follows:

- **Single Person Company**
  - Minimum paid up capital requirement of QR 200,000.
  - One shareholder.
  - Unless otherwise specified, treated as a limited liability company.
  - Single Person Companies are used by foreign investors who have been allowed to invest over and above the 49% ownership threshold.
- **Limited Liability Company**
  - Minimum paid up capital requirement of QR 200,000.
  - 51% Qatari equity ownership unless otherwise exempted.
  - Profit shares not necessarily proportionate to equity shareholding.
  - 10% of net profit must be retained until legal reserve capital requirement reached (50% of share capital).
  - May not raise capital by public subscription or freely transferable shares or bonds.
  - Existing shareholders enjoy a pre-emptive right to purchase any shares offered for sale unless the right expressly waived.
  - Not allowed to undertake banking, investment or insurance activities.
- **Stock Company**
  - Minimum paid up capital requirement of QR 10 million (QR 40 million for a listed company).
  - These could either be publicly listed or private stock companies.
  - Number of shareholders must not be less than five (or thirty if publicly listed).

Other corporate forms recognized under the Commercial Companies Code are:

- **General Partnership**

- Simple Limited Partnership
- Limited Partnership with Shares
- Unincorporated Joint Venture
- Holding Company.

## **B.2 Incorporating or Registering in the Qatar Science and Technology Park**

The Qatar Science and Technology Park or 'QSTP' allows for foreign entities to fully own the company and trade in Qatar without a local agent. QSTP companies are not taxed and can import goods and services free of any Qatari added tax or customs duties.

The QSTP requires that any entity wishing to incorporate within it must undertake activities that contribute to the advancement of technology. Projects that collaborate with Qatar's institutes of higher learning are particularly encouraged. Chevron, Rolls Royce and Microsoft are some of the twenty plus companies registered within the QSTP.

The QSTP allows foreign entities to incorporate within it or to set up a branch office. Both registered branches and QSTP companies require a license. The QSTP provides three tiers of license:

- Standard License
  - Issued to businesses that incorporate in the free zone as a QSTP LLC or register a branch office.
  - The QSTP LLC must have at least two shareholders and a minimum capital of QR 200,000.
  - Entitled to all free zone benefits.
- Restricted License
  - Provides limited free zone benefits.
  - Free zone benefits awarded at discretion of QSTP management.
- Service License
  - Issued to entities providing services to QSTP tenants.
  - Does not provide any free zone benefits.

## **B.3 Incorporating under the Qatar Financial Center**

The Qatar Financial Center or 'QFC' is a business and financial hub established by virtue of the Qatar Financial Law (Law No. 7 of 2005). Its purpose is to develop Qatar's financial services sector and to develop relationships with the regional and global financial community. The QFC aims to operate to international standards and provide a world class business and regulatory infrastructure for those wishing to do business in Doha.

The QFC offers full ownership of capital by foreign investors, and full repatriation of profits and capital is permitted for all types of QFC entities.

The QFC consists of an independent financial regulator (the Qatar Financial Regulatory Authority or 'QFCRA') and an independent judiciary which is constituted of a Civil and Commercial Court as well as a regulatory tribunal.

A firm seeking to establish a presence in Qatar through the QFC will need to apply to the QFC to conduct a “permitted activity”. Permitted Activities are, broadly speaking, financial services or services that support the financial services business, such as those provided by law firms and accounting firms. Permitted Activities are split into regulated and non-regulated activities.

**Regulated Activities:** These are activities undertaken by firms operating in the finance sector such as investment banks, asset managers and insurance companies. The QFC Authority currently states that the following are Regulated Activities:

- Deposit taking
- Providing credit facilities
- Providing custody services
- Dealing in, managing and advising on investments
- Deals in Investments
- Arranging credit facilities and the provision of custody services
- Operating a collective investment fund
- Carrying out a contract of and effecting insurance.

In order to conduct one or more regulated activity it must i) register and obtain a commercial register; ii) obtain license from the QFC; and iii) get authorized by the QFCRA.

**Non-regulated Activities:** These are activities undertaken in support of the regulated firms such as accounting, audit and law firms.

The QFC allows for various types of legal entities:

- Limited Liability Company and Protected Cell Companies
  - Limited Liability.
  - At least one founding member.
- General Partnership
  - Liability is joint and several.
  - At least two founding members.
- Limited Partnership
  - General partners are jointly and severally liable.
  - At least one general partner and one limited partner.

The minimum capital requirement for QFC companies is determined according to the proposed activity.

Non-regulated activities require no minimum capital while regulated activities are classified as follows:

Category	Activity	Minimum Requirement USD (\$)	Capital
1	Deposit taking and providing credit facilities	10,000,000	
2	Dealing in investments as principal	2,000,000	
3	Dealing in investments as agent and operating a collective investment fund	500,000 (10,000,000 if entity provides custodial services to collective investment funds)	
4	Operating a collective investment fund if restricted to providing fund administration	250,000	
5	Islamic financial institution	10,000,000	

### B.4 Commercial Agency

If a foreign entity does not wish to establish a physical presence in Qatar it may enter into a commercial agency agreement with a 100% Qatari entity or individual and create a commercial agency relationship. The main features of a commercial agency are:

- The Qatari agent markets goods and services on behalf of the foreign entity.
- Commercial agents must register the agency with the Ministry of Business and Trade and disclose the agency agreement.
- Commercial agency is regulated pursuant to the Commercial Agents Law (No. 8 of 2002).
  - In order to qualify for registration as a commercial agent appointment must be exclusive.
  - The local agent is entitled to commission on all goods sold within the territory, even if the sale is not the result of the agent's activity.
  - Termination will trigger a duty to pay compensation to the local agent, regardless of the provisions of the agency agreement.
  - The agency agreement must comply with certain formalities such as specifying the product, the territory and the commission or fee.

### **C. Taxation**

The new Income Tax Law (No 21 of 2009) came into force on 1st January 2010 and introduced a corporate tax. The previous sliding scale tax rate was replaced with a flat rate of 10%. Qatari and Gulf Cooperation Council Companies are exempt from this tax.

Qatar imposes a tax on the income of companies arising from sources in Qatar. Broadly speaking, only Qatar sourced business will be taxed. There are no personal taxes. The Income Tax Law also introduced a withholding tax of 5% of the gross amount of royalties and technical fees.

Under the new Income Tax Law, a tax exemption can be granted for a period of up to 6 years. Furthermore, agreements concluded between the State of Qatar and foreign investors in the oil and gas sector for the development of the State's natural resources will be taxed at the rate specified in the agreement. If no tax rate is specified a rate of 35% will be applied.

The United Kingdom, France, Russia, China and other countries have entered into double tax treaties with Qatar that have been ratified.

## **D. Commerce and Trade - Legal Basics**

### **D.1 Import Duties**

Qatar is a member of several free trade agreements as well as being a member of the World Trade Organization. The most notable import customs tariffs are those that relate to the Gulf Cooperation Council unified customs tariff and the Greater Arab Free Trade Area or 'GAFTA'.

The Gulf Cooperation Council, of which Qatar is a member, has a unified customs tariff. This tariff places a 5% duty on the invoice value (calculated on a C.I.F basis). The unified customs tariff provides for exemptions for approximately 400 types of goods whilst tobacco and tobacco products are levied a duty of at least 100%.

Pursuant to the GAFTA Agreement certain products from GAFTA counterparties are exempt from import duties.

### **D.2 Foreign Exchange Controls and Anti-Money Laundering**

The Anti-Money Laundering Law (No. 28 of 2008) and the Combating Terrorism Law (No. 3 of 2004) criminalize money laundering and impose sanctions against individuals and institutions committing a crime under such Laws.

The Anti-Money Laundering Law establishes the National Anti-Money Laundering Committee which is in charge of the implementation of the Law and the promotion of the State's anti-money laundering efforts.

Both the QFC and the Qatar Exchange have their own anti-money laundering regulations.

### **D.3 Intellectual Property**

Over the past decade Qatar has taken constructive steps in increasing the legal protection offered to intellectual property. The Ministry of Business and Trade is responsible for the enforcement of IP laws and regulations.

- Patents
  - Protected by Decree Law (No. 30 of 2006) Patents Law.
  - Patents given patent protection for 20 years.
  - Patent and Innovation Office located within the Ministry of Business and Trade.
- Copyrights
  - Protected by Law (No. 7 of 2002) on the Protection of Copyright and Neighboring Rights.
  - Gives 50 years of protection for original literary and artistic works.
  - Protection of Copyright and Neighboring Rights is located within the Ministry of Business and Trade.

- The Protection extends to non-Qataris whose work is first published in Qatar or is published in another country and subsequently published in Qatar within 30 days of its initial publication.
- Trademarks
  - Protected by Law (No.9 of 2002) on Trademarks, Commercial Indications, Trade Names, Geographical Indications and Industrial Designs.
  - Trademarks are valid for 10 years and renewable indefinitely.
  - If unused for 5 years consecutively it could be cancelled.
  - Foreigners and Qataris have the same rights under this Law.

Qatar is a party to several international conventions on intellectual property such as TRIPS and some of the World Intellectual Property Organization Conventions.

#### **D.4 Choice of Law, Dispute Resolution and Enforcement of Foreign Awards**

Contracts between Qatari entities or individuals and foreigners may contain any choice of law and jurisdiction clause agreed to between the parties. English law is often the preferred choice of law as Qatar laws and cases are not readily available in any language other than Arabic. Instead of a court jurisdiction clause, such contracts increasingly contain an arbitration clause as the method for the resolution of any disputes in relation to the relevant contract.

The Qatar Center for International Arbitration or 'QCIA', which is part of the Qatar Chamber of Commerce, and the QFC each offers alternative dispute resolution through arbitration and mediation. The QCIA applies the procedure contained in the Civil and Commercial Procedure Law (No. 13 of 1990) while the QFC applies its own dispute resolution regulations and procedures.

In relation to foreign court judgments the Qatar courts will enforce such judgment pursuant to international law principles. In terms of foreign arbitration awards, Qatar has acceded to the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards which came into force in 2003. Qatar has also acceded to the 1965 Convention on the Settlement of Investment Disputes Between States and Nationals of Other States which came into force in January 2011.

## E. McNair Chambers

McNair Chambers has been fully licensed in accordance with the laws of Qatar since 2008. It was the first barristers' chambers to be established outside the UK. The members of McNair Chambers are leading experts in commercial law, international arbitration, energy law and regulatory matters and collectively offer over 200 years of experience.

For further information and a list of all members of chambers please visit our website at [www.mcnairchambers.com](http://www.mcnairchambers.com).

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## F. Useful Links

1. Ministry of Business and Trade

[www.mbt.gov.qa](http://www.mbt.gov.qa)

2. Qatar Central Bank

[www.qcb.gov.qa](http://www.qcb.gov.qa)

3. Qatar Chamber of Commerce

[www.qatarchamber.com](http://www.qatarchamber.com)

4. Qatar Financial Center

[www.qfc.com.qa](http://www.qfc.com.qa)

5. Qatar Science and Technology Park

[www.qstp.org.qa](http://www.qstp.org.qa)

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