

Doing Business in Qatar



عيسى السليطي للمحاماة
ESSA AL SULAITI LAW FIRM

Contents

01. About Qatar	04 - 04
02. Qatar's Legal System	05 - 05
03. Essa Al Sulaiti Law Firm	06 - 06
04. Establishing A businessin Qatar	07 - 11
05. The Taxation Law (Law No. 21 of 2009)	12 - 13
06. Immigration	13 - 13
07. Qatarization	14 - 14
08. Labour Law No. 1 of the year 2015	14 - 14
09. The New Arbitration Law (Law No. 2 of 2017)	15 - 15

About Qatar

Qatar's investment and trade bouquet holds out a variety of interesting and profitable ventures for foreign investors.

Ruled by the Al-Thani family since the mid-1800s, Qatar transformed itself from a British protectorate noted mainly for pearling into an independent state with significant oil and natural gas revenues. With its ambitious Qatar National Vision 2030 that encompasses human, social, economic and environmental development, Qatar remains one of the fastest growing economies in the world and presents a wide variety of investment opportunities. It also is one of the highest per-capita income countries.

Qatar has the third largest natural gas reserves in the world and these are expected to last well into the 22nd century. Its proven oil reserves should also enable continued output at current levels for many years.

Qatar has been rated as having the least demanding tax framework in the world. The 2017 Paying Taxes report, a joint publication by PwC and the World Bank Group, found that in Qatar, the test case company has an average total tax rate of 11.3%, takes 41 hours per year to comply with its tax affairs and makes 4 payments of tax per annum. The currency is the Qatari Riyal (QAR), which is pegged to the US dollar. Arabic is the first language, with English widely spoken and used in business.

The main economic sectors in Qatar are oil, gas and related industries. Qatar's liquefied natural gas, or (LNG), industry has attracted tens of billions of dollars in foreign investment. Although oil and gas are the main contributors and components of the GDP, Qatar encourages investment in different sectors, such as petrochemical industries, and the financial, real estate, franchising, education, health and industrial sectors. It is also slated to host the Football World Cup in 2022.

Qatar's Legal System

In Qatar's Legal system, Shari'a (Islamic law) is the main source of legislations. The first Article of permanent Constitution of the State of Qatar states that "Qatar is an independent sovereign Arab State and the people of Qatar are part of the Arab nation. Its religion is Islam and Shari'a law (Islamic Religious Law) is main source of its legislations. Its political system is democratic. The Arabic language shall be its official language".

Qatar's Civil court (Adlia court) is an independent body with a well-defined structure.

The late Emir of Qatar His Highness Sheikh Khalifa Bin Hamad Al-Thani had established the Adlia court after the British jurisdiction was dissolved in Qatar.

Over the centuries Qatar's legal system has emerged in three stages: tribal law or desert law, sharia law and modern law.



03 Essa Al Sulaiti Law Firm

Essa Al Sulaiti Law Firm is a full service, reputable institute based in Doha, Qatar. Attorney Mr. Essa Mohammed Al Sulaiti, Chairman of the Law Firm founded the entity to offer multi-disciplinary legal and effective results across diverse sectors in Qatar.

Our professionalism has resulted in us gaining the trust of many reputable companies, both local and international. In addition, we have provided legal services to VIP individuals who work in a diverse variety of sectors within the business world, some including; Construction, Finance and Sports.

The Law Firm offers a multitude of services in the areas of Corporate, Commercial, Investments, Finance, Engineering, Construction, Employment, Criminal and Sports.

Our professional body is composed of an extensive network of motivated and talented Lawyers with more than 30 years of experience at a domestic and international level.

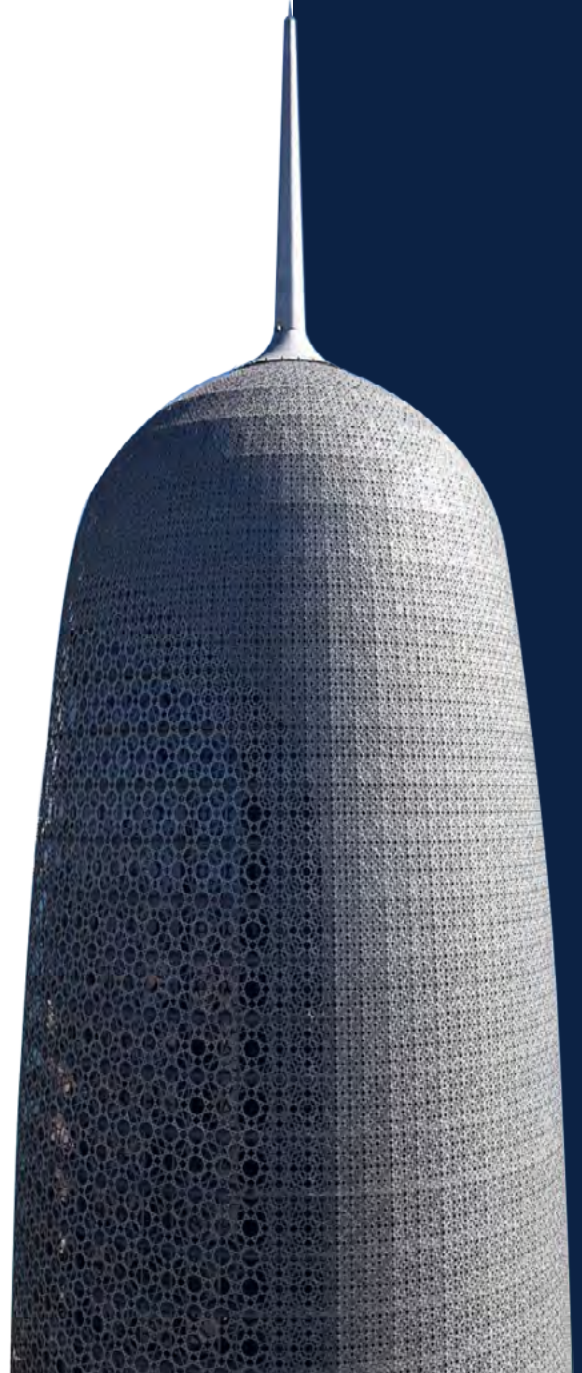
Our Attorneys are highly qualified and specialize in niche majors. They offer legal expertise for different fields and nationalities in multiple languages.

We establish, implement and maintain an efficient and effective quality system that meets our objectives.

Our quality policy conforms to our core values and in recognition to our valuable clients, it ensures that we meet their requirements on time, deliver to their expectations, increase their satisfaction and gain their commitment.

We apply the best possible practice to comply with agreed requirements and continually improve our effectiveness. We recognize the importance of our clients in the project and we are committed to achieving the highest level of cooperation.

Our vision is to offer informed advice and a professional legal representation that allows policy makers and boards to achieve their goals while minimizing risks associated with the law.



04 Establishing A business in Qatar

Introduction

Companies Law No. 11 of 2015 Law Firm

While the government is heavily involved in Qatar's economy, it strongly encourages international investment and promotes innovation, free trade, open competition and access to the resources that will continue to bring long-term economic development to Qatar and much needed energy to the world's growing economies.

Government Initiatives to attract the flow of foreign capital into the State can be attributed to various Investment

Incentives, and the open market policy adopted by the government grants investors the opportunity to make good profits and the benefit of the freedom of unrestricted travel and movement of funds.

Foreign investors can transfer their investments and profits, plus proceeds of sale and capital on liquidation, can be repatriated. Indeed, the welcome carpet is rolled out all the way for foreign investors with various incentives, including tax and customs duty exemptions.

A new Commercial Companies Law which came into effect in August 2015 made a number of changes, including removing the previous requirement that a Qatar Incorporated limited liability company had to have a minimum paid up share capital on incorporation of QAR 200,000 (USD 54,950).

Neither expatriates nor nationals are subject to personal taxation. Firms from outside the Gulf Co-operation Council are required to pay corporation tax, although this fell from a maximum of 35% to a flat rate of 10% in January 2010. (Profits in the hydrocarbons sector are taxed differently, according to the share of the foreign company in the project and the level of capital investment.)

Tax-free zones have been set up to attract foreign direct investment in the industry.

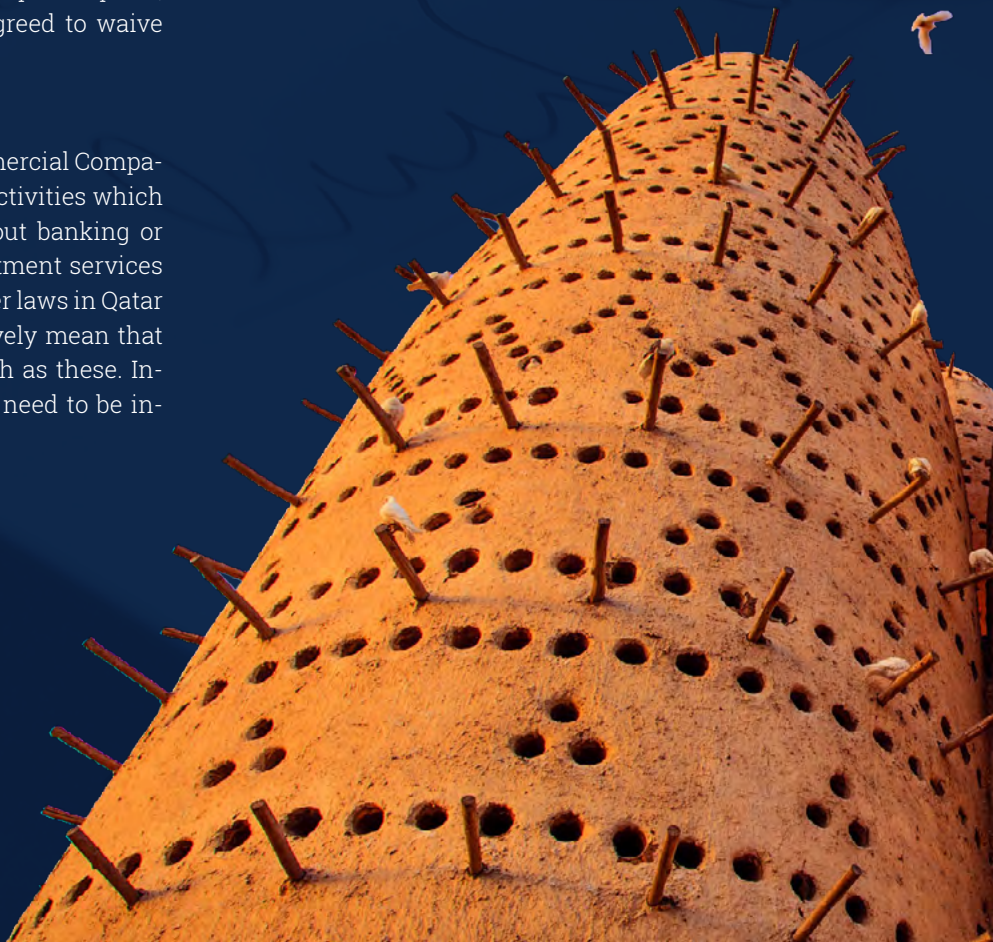
Limited Liability Company

- ◆ Earlier, the minimum capital used to be QAR200,000 (USD 54,950). However, under the current Commercial Companies Law, no minimum capital is specified.
- ◆ Can have one shareholder only who owns 100% of the company's shares. This could be used by a Qatari individual and also by a foreign investor who has obtained an exemption allowing them to invest in the Priority Sectors as provided for under the Foreign Investment Law.
- ◆ In cases where an exemption cannot be obtained, a foreign investor would require a Qatari partner who has 51% ownership. The parties' profit shares do not necessarily have to reflect their equity shareholdings.
- ◆ Significantly, 10% of each year's net profits must be kept within the company until the legal reserve stands at 50% of the share capital.
- ◆ May not raise capital by public subscription and may not issue freely transferable shares or bonds. Shares may only be transferred after they have first been offered to the other shareholders by way of pre-emption, unless the other shareholders have agreed to waive their right.
- ◆ There is no restriction (under the Commercial Companies Law) on a LLC from undertaking activities which include accepting deposits, carrying out banking or insurance business or providing investment services on behalf of third parties. However, other laws in Qatar which regulate these activities effectively mean that a LLC could not conduct activities such as these. Instead, a shareholding company would need to be incorporated.

Shareholding Company

There are two types of shareholding companies: privately and publicly held (publicly held shareholding companies are required to be listed on the Qatar Stock Exchange within one year of incorporation, otherwise they will be converted to a private shareholding company)

- ◆ Minimum paid up capital for a public shareholding company must be QAR 10 million (USD2,746,574) for an unlisted company and QAR 40 million (USD10,986,295) for a company listed on the Qatar Stock Exchange. However, a private shareholding company must have a minimum capital of QAR 2 million (USD 547,945).
- ◆ Number of shareholders must not be less than five (or not less than 30 if listed on the Qatar Stock Exchange.) Memorandum and Articles of Association are in a prescribed form and any deviations from such form are subject to the approval of the Commercial Companies Department at the Ministry of Economy and Commerce.



Private QSC - Article 207

- ◆ Must be a private shareholding company - the Qatari government, a Qatari public corporation or a Qatari government owned entity in which the State has a shareholding of not less than 51%, or a lower percentage with the approval of the Council of Ministers, may incorporate a private shareholding company, either alone or together with a foreign Investor. With the approval of the Minister of Economy and Commerce, the foreign investor's share of the company is a matter for negotiation, and can be greater than 49%.
- ◆ Falls outside the Commercial Companies Law to the extent that certain provisions of that law have been specifically excluded in the company's Articles

Temporary Foreign Branch

A contract for public benefit, which is currently interpreted as having a contract or sub-contract with a government or quasi-government authority, means permission for a foreign company to set up only a temporary branch in Qatar. This requires ministerial approval and is in respect of a specific contract. There is a standard application process and, provided the required documents are submitted, ministerial approval will typically take 4-8 weeks to obtain.

The foreign company can apply to add other governmental or quasi-governmental contracts to an existing branch. But ministerial approval is required each time when a contract addition is made to the branch's commercial registration. Since the branch is temporary in nature, retentions are deducted from payments made to the branch and these retentions can only be reclaimed once performance under the contract has been complete, the branch's tax returns are agreed and a no objection letter is issued by the Qatar Tax Department (QTD). Now, it can be surmised that such a wait can result in significant cash flow implications.

Taking into consideration the restrictions and retentions as detailed above, setting up a temporary branch may not be the suitable business platform for a foreign investor seeking to undertake long-term business activity in Qatar.

A branch can be formed when a foreign company is performing a specific government contract in Qatar and is authorised by the Ministry of Economy and Commerce where the project is "government qualified".

No need for a Qatari partner.

Branch is registered to perform the specific government contract for which it is registered and cannot undertake work for the private sector.



Joint Venture

The Commercial Companies Law, Law no. 5/2002 (replacing Law No. 11/1981) controls the establishment of all private business entities in Qatar.

The updated Commercial Companies law facilitates and allows:

- ◆ Corporate mergers
- ◆ Corporate bonds and
- ◆ Conversion of corporate partnerships into joint stock companies.

As highlighted above, joint ventures involving foreign partners primarily take the form of limited liability companies.

Joint ventures between foreign companies and Qatari companies or individuals are common, owing to the foreign ownership restrictions in Qatar.

Most joint ventures are set up by way of a Limited Liability Company.

In case, a shareholder agreement was used it would be a relatively simple document. However, as the market expands and becomes more sophisticated, detailed shareholder agreements are becoming common.

Representative Trade Office

By virtue of a ministerial decision in 2006, foreign entities are permitted to set up wholly foreign owned RTOs in Qatar.

An RTO is an option where a company wishes only to market products and services in Qatar.

An RTO has a very narrow and restricted scope of permitted activities and is not allowed to undertake profit generating commercial activities in Qatar - e.g. provide goods or services in Qatar. It is possible for an RTO to employ foreign nationals commensurate with its marketing activities.

A company wishing to establish an RTO must seek permission from the Ministry of Economy and Commerce.

Qatar Financial Centre

The QFC is an on-shore regime that operates within its own legal, tax and regulatory framework, which is independent of, but runs parallel to the existing framework in the State of Qatar. The QFC has its own Civil and Commercial Courts, as well as an independent Regulatory Tribunal. The legal framework is modelled closely after the English common law and existing major financial centres.

QFC established entities can access the local market, can be 100% foreign owned, are subject to no currency restrictions and can repatriate 100% of their profit. While entities can currently be based at any of the QFC's designated premises in Qatar (which are not confined to a specific zone), the QFC has recently announced an initiative to move all existing and future QFC entities to a special designated area, Msheireb Downtown Doha, by 2018.

The Qatar Financial Centre Regulatory Authority (the QFCRA) is the independent regulator responsible for authorising businesses that wish to carry out regulated activities in the QFC. Its counterpart, the Qatar Financial Centre Authority

(the QFCA) is the commercial and strategic arm of the QFC that processes license applications for entities seeking to carry out permitted non-regulated activities in and from the QFC.

◆ Regulated activities

These include activities such as financial, banking and investment business; insurance and reinsurance business; funds administration, fund advisory, fiduciary business and other financial related business.

◆ Non regulated activities

Permitted non regulated activities were originally limited to professional services in support of financial firms (e.g. services generally provided by accounting, audit and consultants). The QFC subsequently expanded the scope of permitted non-regulated activities to include services such as IP management and treasury for all sectors, and consultancy services in relation to Information Technology, real estate, recruitment and sports and event management. All the services mentioned above are not exhaustive and the QFC Authority continues to consider novel types of professional "business-to-business services" on a case-by-case basis. So, now a non-regulated business has the opportunity to incorporate a 100% foreign owned entity within the QFC. The QFC is also available to Qatari investors and they can enjoy benefits similar to those awarded under the State Tax Law (i.e. exemption from CIT), provided the business is 90% Qatari owned.

Special purpose companies for the purpose of a transaction or a series of transactions are also offered by the QFC. The process to set up such vehicles, which are also not subject to the same corporate compliance obligations as the other QFC entities, has been streamlined.

In addition, Single-Family Offices can be incorporated in the QFC for the sole purpose of providing services to and carrying on activities in relation to a "Single Family" (i.e. investment and financial activities or services, arranging or providing custodian of fiduciary services). The Single Family must have a minimum investable or liquid assets of US\$5,000,000 and must be under the management of a single family.

Qatar Science and Technology Park (QSTP)

A part of the Qatar Foundation, QSTP is a centre of research and commercial excellence for scientific development. It aims to be the leasing locations for the development and commercialization of technology in the Middle East.

Being a Free Zone, it confers on its tenants certain benefits. Particularly, QSTP entities are not subject to foreign ownership restrictions, do not get taxed, and can import goods and services free of any customs duties.

Any business entity wishing to incorporate within the QSTP need to undertake activities that contribute to the advancement of technology.

It is possible to operate in the QSTP through either a business entity established under the QSTP or a branch office of a foreign company (since a government contract is not requirement). Both scenarios require the business entity to have a licence.

The QSTP provides Three Tiers of Licence:

Standard licence: the entity is entitled to all free-zone benefits.

Restricted licence: the business entity is entitled to limited free-zone benefits, at the discretion of QSTP management.

Service licence: the business entity is entitled to no free-zone benefits. This licence is issued to entities providing services to QSTP tenants.

A QSTP's licence grant is discretionary, and there is an iterative application and interview process.

QSTP companies are expected to dedicate at least 50 percent of their resources in Qatar to research and development activities.

Commercial Agency

Foreign businesses that wish to sell their goods in Qatar but do not wish to establish a presence in the country may appoint a local agent to market their goods and services in Qatar pursuant to the Commercial Agents Law No. 8 of 2002, as amended.

This law, which permits commercial agency contracts to be registered, provides the commercial agent with various protections, including the exclusive right to import the goods that are subject to the contract, the right to receive commission on all sales of the goods within the designated territory even if the sales are not due to the activities of the agent, and compensation for termination of the agency unless for justifiable cause.



05 The Taxation Law No. 21 of 2009

Introduction to Taxation in Qatar

The Taxation Law No. 21 of 2009 categorically defines various types of incomes rather than just focusing on profits.

The Taxation Law No.21 of 2009 effectively replaces Law No. 11 Of 1993 (Old Tax Law)

Some significant changes to Taxation in Qatar laid down by Law No.21 of 2009 include:

- ◆ The New Taxation Law establishes a flat 10 percent Corporate Tax rate.
- ◆ The New Taxation Law introduces a withholding tax regime
- ◆ The New Taxation Law levies a 10 percent flat rate income tax on businesses other than those wholly owned by GCC nationals.
- ◆ Anti-avoidance measures
- ◆ Reporting regimes and new penalties
- ◆ A tax rate of 35 percent is expected to apply in those sectors where a specified tax rate is not mentioned in an agreement or special agreements (pertaining to special agreements between the Qatar government and foreign companies in the oil and gas industry and for the development of natural wealth and resources that have predetermined tax rates)
- ◆ The share or profits earned by the Qatari of GCC partner in a business is exempt from tax.

There are a number of changes occasioned by the introduction of the New Taxation Law and this. Some of these changes are examined below.

- 1) Gross income is defined as total income as well as profits from applicable sources
- 2) Net income is defined as Gross income minus allowable deductions
- 3) Taxable income is defined as Net Income minus losses from the previous fiscal year (upto a 3 year maximum carry over period)

The applicable sources for Gross Income are expanded to include the following:

- (a) Gross income that is derived from the sale of shares in land rich companies
- (b) Gross income obtained from shares of Qatari companies or companies listed on Qatar Exchange
- (c) Interest earned on loans obtained in Qatar;
- (d) Gross income earned from the exploration drilling or utilisation of natural resources, and taxable income in accordance with double taxation treaties.
- (e) Income derived from any activity that is intended to make profit in Qatar

It is important to note that the applicable sources for Gross Income include the Old Tax Law's income sources with reference to Gross Income rather than profits.

Tax in Qatar Financial Centre

QFC licensed firms function under the purview and rules of QFC tax regime which is based on the values and principles of fair trade, transparency and efficiency.

Incorporating features of the world's reputable tax regimes, the QFC tax legislation is clear and concise in its regulations.

Few of the QFC's tax regime provide key advantages such as:

- ◆ Competitive corporation tax rate of 10% on locally sourced profits
- ◆ Extensive tax exemptions for qualifying activities, dividends and capital gains
- ◆ No withholding tax on payments out of Qatar
- ◆ Double Taxation Agreements with 60+ countries
- ◆ No personal income tax, wealth tax or Zakat
- ◆ Advance ruling service providing QFC licensed firms with a high degree of certainty

Tax in Qatar Science & Technology Park

QSTP is a special tax zone for technology and research based companies. QSTP business firms need to be physically based within the QSTP and can undertake activities specific to their license.

QSTP business entities can apply for a full exemption from corporate income taxes, importing goods and services free of Custom Duties. However, QSTP business entities are still required to file a tax declaration and audited financial statement with the QTD.

06

Immigration

Please find below an overview of the key categories of visas which may be applicable to individuals entering the country for the purposes of undertaking commercial activities:

◆ Business Visa

This is usually issued for business visitors to Qatar who intend to come into the country on a short term assignment. The visa can generally be sponsored by Qatar Incorporated entities and is usually issued for business visitors to Qatar who intend to visit the country for short term assignments. Certain restrictions may exist in relation to this particular type of visa, and therefore initial consultation with the host sponsor is essential. Business visas are usually valid for 1 month and can be extended for another 2 months. The length of time to obtain a Business Visa can vary and can take up to a month.

◆ Work Permits

Anyone intending to work in Qatar for the medium to long term must have a valid Work Permit/ Residence Permit. The sponsoring company is legally responsible for the actions of employees under their sponsorship. Work Visa and Residence Permit (RP) must be sponsored by Qatar incorporated entities that have the necessary labour quota approval for the specific nationalities and number of employees that they wish to employ.

07

Qatarization

Qatarization is a strategic government initiative by the Government of Qatar to provide employment to Qatari citizens – both male and female – in permanent established positions in both private and public sector companies in Qatar. As part of Qatar's National Vision 2030, Qatarization aims to increase the proportion of Qatari citizens in vital sectors of the economy to over 50 percent by 2030.

Qatarization adopts a strategic focus with an emphasis on Quality Qatarization. It focuses on creating key and sensitive positions for the Qatari citizens by applying performance based training and development. Qatarization requires all levels of staff to be supportive and committed.

Qatarization engages in Partnership with the Education sector, to signify that Qataris acquire qualifications and academic skills in relation to Qatar's business needs.

Education partnerships with local and international academic and vocational institutions enhance articulation, and helps ensure Qatari candidates acquire the necessary educational qualifications to excel at the vocational and undergraduate levels.

Qatarization promotes Qatari Development at key organizational levels by encouraging Qataris to join the companies at either Senior Staff or Junior Staff levels, depending on their qualifications, either as a direct hire, or to a position where they require further development. The latter is targeted to a position and placed on a tailored development plan.

08

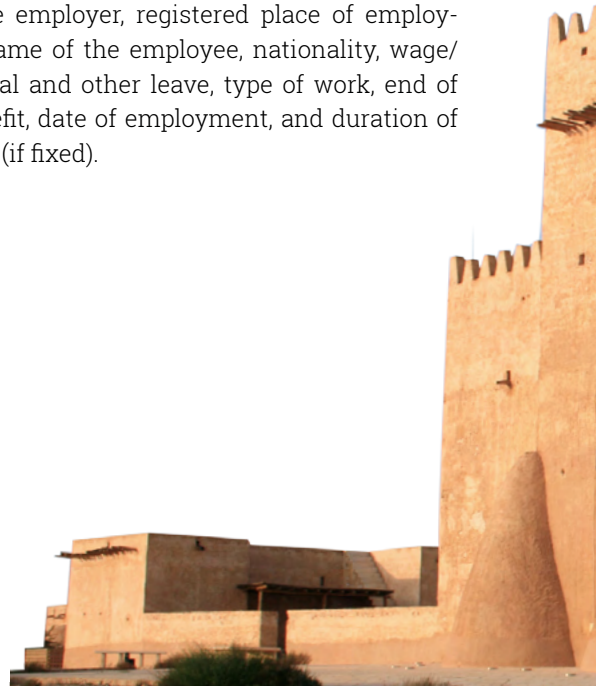
Labour Law No. 1 of the year

Employment in Qatar is generally regulated by the Qatari Labor Law No. 14 of the Year 2004, as amended. This Imposes certain minimum standards on employees' rights, safety standards, workers collective committees and termination of employment. The implementation of the Labor Law is co-related to the Immigration Law. Employees excluded from the application of the Labor Law are those employed by ministries, other public institutions and bodies and those who are subject to special employment regulations, such as the employees of Qatar Petroleum. The QFC has Its own employment regulations and is not subject to the Qatari Labor Law.

On February 18, 2015, Qatar's Emir issued Law No. 1 of 2015, amending Article 66 of the Labor Law which now requires employers to transfer the salaries of their employees to employee bank accounts In Qatar In order to ensure proper and timely payment of the employees' salaries. In accord with this amendment the Qatar Ministry of Labor launched the Wage Protection System, or WPS, to ensure compliance with this law.

It Is mandatory to have a local employment contract in order to apply for a work/ residence permit In Qatar. It is also Important that companies are aware of and compliant with their duties as employers, as non-compliance may lead to serious consequences for both the employer and the employee.

For minimum requirement, the local employment contracts would generally be expected to Include the name of the employer, registered place of employment, the name of the employee, nationality, wage/ salary, annual and other leave, type of work, end of service benefit, date of employment, and duration of the contract (if fixed).



09

The New Arbitration Law No. 2 of 2017

Qatar adopted a new Arbitration Law (Law No. 2 of 2017) 16 February 2017 that promulgated the Law of Arbitration in Civil and Commercial Matters. The new Arbitration Law supersedes the chapter on Arbitration contained in Qatar's Code of Civil and Commercial procedure. It is largely based on the internationally recognised United Nations Commission on International Trade Law (UNCITRAL) Model Law that is widely used by many States as a basis of their own Arbitration Law.

Qatar has become the first nation in the GCC to implement core aspects of UNCITRAL Model Law in its legislation.

Qatar's new Arbitration Law will be applicable with immediate effect to arbitrations in progress from the date of it coming into force, i.e., 30 days from publication in the Official Gazette on 13 March 2017.

The new law applies to domestic and international arbitrations seated in Qatar.

Qatar's New Arbitration Law Brings in an Investment and Arbitration Friendly Era for Investors

Qatar's new Arbitration Law is seen as a positive and progressive step towards welcoming investors to Qatar's flourishing economy.

Being one of the most important investment destinations in the Middle East, Qatar has been on the forefront of adapting its legalisation to international standards in recent years.

Qatar is at the forefront of strengthening the confidence of businesses and investors operating in the State with the new Arbitration Law. The new Arbitration Law approved by the Qatari Government adapts to the international standards of commercial law as marked by the United Nations.

Resolving commercial and civil disputes, especially those involving international parties will be undoubtedly aided by the new Arbitration Law.

Foreign investors can be assured that their disputes can be resolved through Arbitration in Qatar with the passage of the new law.

By meeting the key needs of international investors and modernizing the economy, the new Arbitration Law envisions to achieve the Qatar National Vision 2030.

The new Arbitration Law (Law No. 2 of 2017) effectively replaces Articles 190 and 210 of the Qatar Civil Code, which used to be the legal document governing arbitration proceedings in the State of Qatar.

The new features of this new Qatari law affect four aspects of the arbitration process such as the jurisdiction of the court, procedural rules, arbitrators or mediators and the issue of compensation.

From a supervisory standpoint, the Arbitration law now clarifies and reinstates the role of the courts in relation to an arbitration as follows:

- ◆ Either the Qatar Court of Appeal or the Qatar Financial Centre (QFC) Civil and Commercial Court of First Instance "Competent Court"
- ◆ For enforcement of awards, the parties would turn to the Qatar Court of First Instance or the QFC Civil and Commercial Court of First Instance "Competent Judge"





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