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SWITZERLAND GLOBAL ENTERPRISE

# Qatar
# Legal Provisions

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## GENERAL REMARKS

Qatar is the wealthiest country in the world in per capita terms with substantial oil and gas reserves.
In keeping with the goals enunciated in its National Vision 2030, Qatar has worked to shift its economic and developmental focus away from a reliance on oil and gas by promoting a policy of economic diversification as evidenced by the now internationally recognized brands of Qatar Airways and Al Jazeera, and its successful bid to host the 2022 FIFA World Cup.

Qatar continues to implement new legislation aimed at liberalizing the business environment for such investors, and introducing incentives and exemptions that supplement the country's investment appeal. As a member of the World Trade Organization (WTO) and other international financial bodies, Qatar offers investors a mature and sophisticated banking environment. Qatar's economy has been growing by around 10% per year in recent years. The Foreign Investment Law No.13 of 2000 has also played an important role in stimulating economic growth. The law permitted, conditional upon a special ministerial decree, up to 100% foreign ownership for the first time in the sectors of agriculture, manufacturing, health, education, and tourism. It also offered investors a number of substantial incentives, including the freedom to repatriate all profits to the investor’s country of origin.

## CUSTOMS

In general, any company wishing to import goods into Qatar for sale must hold an importer’s number.
The standard rate of custom duty according to the Customs Law is 5% of the value of the imported goods. No duty is paid on goods imported from the mainland of any of the GCC countries.
It is customary to grant duty exemptions to major national projects. Contractors working on such projects can also benefit from such exemptions.

As per Qatar Customs new rules (Effective: April 1st 2011), all shipment bound to Qatar must be accompanied with Original Invoice and Original Certificate of Origin, otherwise the shipment could be returned back to origin or at best be penalized and kept on hold at customs warehouse until the original documents are surrendered.

The customs Authorities, as a first time offense, may release the shipment after imposing a penalty for non- original documents. The penalty applied for non-original invoice will be against (CIF value) with a min USD 150 or 1% whichever is higher and penalty for non-original certificate of origin will be min USD150 max up to Max USD 300.00.

Storage Fees: The cargo will be incurring heavy storage after the free time (3 days free from Date of arrival) the storage charges will be charges USD 0.88 per kg/per Day.

## IMPORT AND EXPORT REGULATIONS

Foreign companies are generally not allowed to market their products and services directly. A local agent or distributor is needed to do so. However, in cases where the foreign company is working on a major public project, direct marketing to the contractor is possible. Direct marketing is also possible through the representational office. Direct marketing is possible in the food processing sector, particularly in vegetable oils, including corn oil, soybean and sunflower-seed oils, beverage bases, dried pulses and a variety of food ingredients, particularly for the snack food and bakery industries.

In accordance with Islamic tradition, the importation of pork and any pork products is prohibited. Alcohol and alcohol products are discouraged by the imposition of heavy customs duties. All imported meats, including beef and poultry products, require a health certificate issued by the country of export and a “Halal” slaughter certificate issued by an approved Islamic center in that country.

Other products such as Telecommunication Equipment, printed books, steel and medicines will require special approvals from the government such as ICT, Ministry of Education, Ministry of Health, and Qatar Steel. Suppliers will be notified of the need for special approval and the required documents/certificates at the time of placing the order.

Temporary import: importing cargo in Qatar on temporary basis for the purpose of exhibition, specific job and demonstration may be allow based on certain conditions.

The International Chamber of Commerce (ICC) has announced that Qatar will be the 78th country to implement the ATA Carnet system.
According to the Qatar Chamber, the measure will enter into force August 1st, 2018.
The key features of ATA Carnet is to enable events and exhibitions. It also serves as an important tool for Qatari companies, enabling them to develop their export capabilities.

## CURRENCY REGULATIONS

The Qatari Riyal is pegged to the dollar at a rate of 3.6412 QAR to one Dollar.
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 Qatar Financial Center and Qatar Exchange have their own anti-money laundering regulations.

## REGISTRATION PROCEDURE FOR PRODUCTS

Imports into Qatar require an import license, which may be issued only to Qatari citizens. Agents and agency agreements are subject to the Law Concerning the Regulation of Activities of Local Commercial Agencies and Their Foreign Principals 4/1986.

## STANDARDS, TECHNICAL RULES, LABELLING REGULATIONS

Marking, labelling, and packaging
Labels on all consumer products must be in Arabic, or Arabic plus any other language, although a small number of products with labels only in English may be approved for import, on a case-by-case basis and for marketing test purposes. Labels must provide information on; inter alia, place of manufacture, identification of the manufacturer, product information, and standard quality disclosures. All food products must be clearly labelled with: product and brand names; production and expiry dates; country of origin; name of the manufacturer; net weight in metric units; and a list of ingredients and additives in descending order of importance. In addition, all fats and oils used as ingredients must be clearly identified on the label.

## TAXES

The Tax Law (Law No.(21) of 2009) introduced a new tax regime with effect from 01 January 2010. Profits attributable to non-Qatari recipients are now taxed at a flat rate of 10%. The new tax law also introduced withholding tax for the first time. Qatari individuals and registered entities must now withhold either 5% or 7% of any payment made to a non-Qatari service provider (depending on the services provided) where that provider cannot demonstrate that he, she or it has a permanent place of establishment in Qatar. The Qatari client must withhold the withholding tax from any payment made to its non-Qatari service provider and pay it to the tax authorities.

Tax exemptions The Tax Law establishes the concept of tax exemption for specific projects where certain conditions apply. Application for tax exemption of projects is evaluated by a Committee reporting to the Ministry of Economy and Finance.
The exemption periods are 3 years on the sole approval of the Minister of Economy and Finance and 6 years on the approval of the Council of Ministers.

Under the Old Tax Law foreign businesses earning income in Qatar but not having a permanent presence in Qatar were free from the imposition of tax. Now for businesses without a permanent establishment in Qatar, Article 11 of the New Tax Law imposes a withholding tax on 5% of the gross amount of royalties and technical fees or 7% of the gross amount of interest, commissions, brokerage fees, director's fees, attendance fees and any other payments for services carried out wholly or partly in the State.
Nevertheless, the withholding tax procedure is quite clear. Basically any person who pays fees for services to an entity without a permanent presence in Qatar will be required to withhold the requisite amount of funds from the supplier. This will be administered through a tax card system that all taxpayers in Qatar will be required to obtain (Article 12).

*However, Qatar along with other members of the Gulf Cooperation Council agreed to introduce income and value added tax (VAT) in January 2018 and a draft law has been approved by Qatar Cabinet. But, the exact date for the implementation of the taxes has not yet been set. Also, there hasn’t been any clarity on the type of businesses and services that will be impacted by the VAT and which ones will be exempt from it*

## COMMERCIAL LAW

The Commercial Companies Law governs the establishment and structure of private businesses in Qatar. Established in 2002, it allows for the following types of companies to operate in the country:

The two forms of vehicle most likely to be of interest to non-Qatari investors are Limited Liability Companies (LLCs) and so-called Article 68 Companies. Other possible legal entities under Qatari law are Limited.

Partnerships, Particular Partnerships, Holding Companies, Single Owner Companies and Qatari Shareholding Companies (QSC), but non-Qatari participation is restricted. If the non-Qatari investor is permitted to own 100% of the company (by the Ministry of Economy and Commerce as a result of investing in certain specified sectors) the single shareholder company can be used as the vehicle for such investment.

The Qatari Laws stipulate a total local equity of not less than 51% in any commercial company and defines seven categories of business organization, which can be established in Qatar with the exception of those categories mentioned in Law 13 of 2000 and Law 1 of 2010. It sets out the requirements in terms of shareholders, directors, minimum capital levels and incorporation procedures. The seven categories of business organization defined by the Law are:

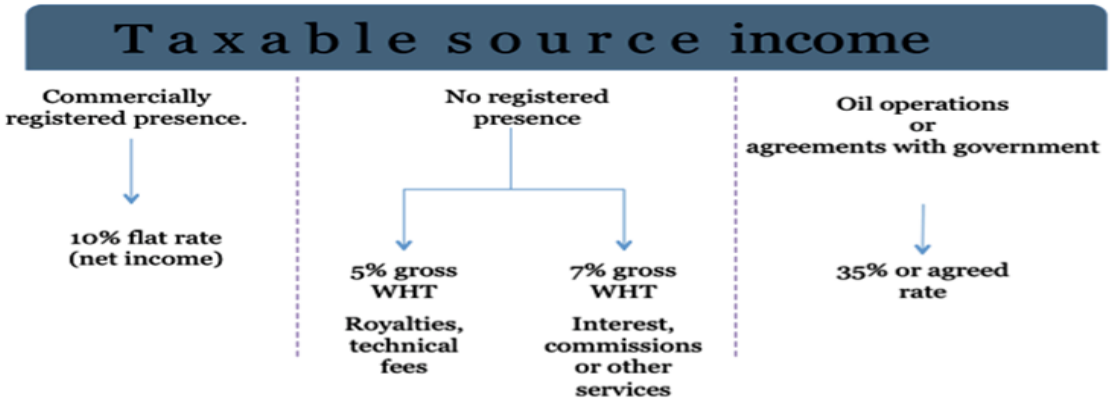
Simple Partnership Company:
It is the most basic form of commercial arrangement for two or more individuals to associate for the purpose of having a commercial activity in Qatar. The partners have unlimited liability and the trade name of the partnership company will reflect the names of the partners. **This company is reserved to Qatari partners only.**

Joint Partnership Company:
Is similar to a simple partnership company however, a joint partnership company will have two classes of partners. 1- Joint Partners. 2- Trustee Partners. **This company is reserved to Qatari partners only.**

Joint Venture Company:
It is an entity of two or more persons that associate to carry out a project. The joint venture company provided for in the law is an unincorporated entity without legal personality.

Public Shareholding Company:
The public shareholding company is also known as a joint stock company or Qatari shareholding company. The law recognizes different variants of the public shareholding company including: 1- Public shareholding company-open. 2- Private or closed public shareholding company. Foreigners may own a maximum of 25% of such companies.

Limited Liability Company**:**
It is the most commonly used business entity in Qatar.
Characteristics include:
(a) Minimum capital of QAR 200,000 (soon to be waived by the new Commercial Companies law).
(b) Must have at least 51% Qatari ownership unless an MBT exemption has been obtained.
(c) The parties' profit shares do not necessarily have to reflect their shareholdings, for example, MBT will currently approve articles of association where the non-Qatari partner receives up to 97% of distributable profits.
(d) 10% of each financial year's net profits must be kept within an LLC until the cumulative reserve stands at 50% of the share capital.
(e) May not raise capital by public subscription and may not issue freely transferable shares or Bonds.
(f) Shares may only be transferred after they have first been offered to the other shareholders by way of pre-emption unless such rights are waived.




(g) May not carry out banking or insurance business or provide investment services to third parties

<u>Holding companies:</u>

It is a joint stock, limited liability or one person company financially and administratively controlling one or more other companies by holding at least 51% of the shares of such company (ies) whether they are shareholding, limited liability or one person companies
- The capital of a Holding Company shall not be less than QR 10,000,000.00 (Ten Million Qatari Riyals)
- The words "Holding Company" should be added to the name of the company

<u>Shareholding Companies:</u>

There are two types of shareholding companies: Public shareholding companies & Private shareholding companies.
- Public 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 QAR10 million for an unlisted company and QAR40 million for a company listed on the Qatar Stock Exchange. However, a private shareholding company must have a minimum capital of QAR 2 million.
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 shareholding companies: Article 207 now sets out the provisions for setting up private shareholding companies where the government owns at least 51% of the share capital or such lesser amount as may be approved by the Council of Ministers.
(Art. 207) The provisions here are similar to the old Article 68, and allow such companies to have terms contained in their articles of association which effectively override provisions in the new law. However, it is important to note that Article 207 deals with the setting up of private shareholding companies and does not allow public shareholding companies to be set up under this Article.
This is a significant change from the existing law where public shareholding companies could be established under the "Article 68" regime from incorporation.
The Council of Ministers may permit private institutions for public benefit to set up private shareholding companies in accordance with the provisions of Art 207.

## QATAR FREE ZONE AUTHORITY

Actually, full foreign ownership is permitted in certain priority sectors, including information technology, sports and leisure services, agriculture, manufacturing, healthcare, education, and tourism.

The government offers a variety of incentives to foreign investors, which may include tax exemptions, property grants, energy subsidies, and low-cost financing. The following is a list of potential incentives offered to foreign investors, which are similar to the incentives offered to Qatari investors.

Subsidized or nominal rates for gas and electricity.
No customs duties on imports of machinery, equipment and spare parts.
No quantitative quotas on imports.
No export duties or taxes on corporate profits for pre-determined periods.
Exemption from corporate tax for 10 years, and no income taxes
Low cost financing through Qatar Development Bank (QDB)
Liberal immigration and employment rules to aid the import of labor.
The Ministry of Energy and Industry determines the amount of foreign equity and the extent of incentives for industrial projects. Industrial projects can be established only in designated industrial zones.

## SETTING UP COMPANIES

The formalities necessary to create a limited liability company in Qatar are as following:

- Obtaining a name approval.
- Obtaining an activity approval.
- Bank Account opening.
- Registering the company at the Ministry of Economy and Commerce's company register.
- Once the company has been incorporated and the Commercial Registration issued, the share capital can be released to the company's directors or the general manager for the purposes of running the company.
- Registering the company with the Chamber of Commerce.
- Obtaining a Municipality License.
- Obtaining an immigration Card for the Company.

Generally, all licenses are issued by Ministry of Economy and Commerce. However, licenses for some categories of business require prior approval from certain ministries and other authorities e.g.:

- Industrial Companies- must have approval from Ministry of Energy and Industry.
- Law Office Companies- must have approval from the Ministry of Justice.
- Education Institutions- must have approval from the Ministry of Education.
- Healthcare entities- must have approval from the Ministry of Health.
- Tourism Companies- must have approval from Qatar Tourism Authority.
- Engineering Consultancy Office- must have approval from Ministry of Municipal Affairs.

## JOINT VENTURE OPPORTUNITIES

Foreign investor can invest in all economic activities with no more than 49%. This percentage can reach 100% in the following sectors, pending a ministerial approval:

- Infrastructure.
- Industry.
- Health.
- Education.
- Agriculture.
- Development and exploitation of natural resources, energy and mining.
- Consulting, cultural, sport and entertainment services.

## PROMOTION OF INVESTMENT

The Qatar Investment Promotion Department is a division of the Ministry of Economy and Commerce. It provides foreign investors with information on the business climate, potential business partners and government incentives. It is the first point of contact for investors wishing to set up business operations in Qatar.

The department is responsible to

• Prepare commercial studies needed to support investment activities of the state. In addition, it conducts initial feasibility studies to determine targeted investment opportunities in various economic sectors. It also conducts studies related to income diversification to support sustainable economic development in the state through consolidated efforts with other competent departments..
• Propose and develop policies related to promotion and support of joint ventures between Qatari individual and corporate investors and foreign individual and corporate investors.
• Prepare databases and guides related to investment opportunities and joint ventures available in the state.
• Propose and develop policies and programs necessary to develop mechanisms and patterns of promoting investment opportunities. It also aims at using the most successful promotion media and marketing channels to promote investment opportunities in the state, as well as preparing guidebooks to educate and make investors aware of available investment opportunities.
• Promote projects/enterprises and businesses required in fields related to exploiting, manufacturing and marketing products.
• Take actions and measures needed to promote investment and facilitate investment procedures through co-ordination with other competent parties.
• Study domestic and foreign markets and propose necessary measures and actions to activate exports to foreign markets.
• Participate in seminars, exhibitions, forums and conferences that aim at exposing and viewing investment policies applicable in the state, while conducting necessary studies in this regard.

## ENTRY CONDITIONS, WORK PERMITS, RESIDENCE PERMITS, LABOUR LAW

The general working week in Qatar is from Sunday to Thursday.
Legally, the maximum number of hours an employee is allowed to work in one week is 48. However, overtime and company demands can often over-ride such policies in reality.

After more than a year of debate, Qatar has adopted changes to its controversial kafala sponsorship system, which will make it easier for some to switch jobs and leave the country.

The main reforms appear to be that there will be a new system to appeal refused exit permits.

Additionally, expats who finish fixed contracts will no longer need their sponsor's approval to take up another job.

Previously, one had to wait two years to work in Qatar again if an employer refused to grant a no objection certificate to change jobs.

<u>Changing Jobs</u>
Employees can change jobs before his contract ends if he obtains permission from his sponsor, the Ministry of Interior MOI and the Ministry of Labor and Social Affairs MOLSA.

Employees can also move to another sponsor – with the approval of MOI and MOLSA – if the sponsor is dead or the company no longer exists for any reason.

No-objection letter
To switch jobs without the ban, a no-objection letter from the current employer is required. A fee of QR1,000 to transfer sponsorship to a new employer applies, and it is usually covered by the new employer.

Exit Visa
Now, instead of directly petitioning the sponsor, expats who wish to leave the country must inform the Ministry of Interior at least three business days before their exit.

Self-employment
Self-employment is generally not permitted for foreigners, as all foreign workers must be sponsored by an employer. There are some exceptions for spouses who are sponsored by their partner on a family visa. Starting a business as a foreigner is permitted, subject to regulations.

*The Qatari government announced proposed changes in the labor law (sponsorship system-Kafala) last year. The legislation will make easier for expats to switch job and leave the country without having approval from the local sponsor. But, the process to institute reforms to Kafala is facing strong opposition from Qataris businessmen.*

Qatarisation
A policy known as Qatarisation is in place in the energy and industry sectors. This is an official scheme to increase the number of Qatari people employed in the workforce of joint venture companies and government departments to 50 percent. Companies have an obligation to open up a number of positions to Qatari people.

## PROCEDURES FOR COLLECTING PAYMENT

In general, the payment is settled by cheque or bank transfer. However, some of the construction companies might face delayed payment of more than 30 days. In this case, Qataris companies are obliged to approach debt companies or to the court.

## SOURCES OF INFORMATION AND LINKS

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