

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are arranged in a way that they appear to converge towards the top of the frame. The sky is a vibrant blue with scattered white clouds. The overall composition is dynamic and emphasizes the height and scale of the architecture.

DOING BUSINESS IN QATAR

Information Compilation Report

Version 1

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I. Country Overview

The State of Qatar is at the cross roads of contrasting economies, cultures and natural environments. Its strategic location on the Arabian Gulf has attracted visitors for thousands of years. Qatar's land area is 11,521 sq km and it enjoys 560 km of coastline that bounds the country to the west, north and east. Neighboring its border is Saudi Arabia to its south and west, Bahrain off its northwest coastline, and the UAE close by in the southeast. Of its population of 1.7 million people, 400,000 are Qatari nationals, the remainder made up of expatriates from around the world. The climate is generally characterized by a hot summer (37 to 45 degrees Celsius in May to October, with peak during July and August) and a mild and long winter (between 7 to 30 degrees Celsius in November to April) with very little rain. The capital city is Doha though majority of the industrial activity is located in the coastal cities of Ras Laffan, Mesaieed and Dukhan. Islam is the official state religion and Arabic is the national language, with English very widely spoken. Qatar's time is 3 hours ahead of GMT. Its currency is the Qatari riyal (QR), pegged to the US dollar at QR 3.64/US\$1.

(Source: Qatar Chamber of Commerce and Industry)

II. Economy at glance

Guided by the Qatar National Vision 2030, Qatar has produced one of the world's most stellar economic performances over the last decade. By careful and measured development of its extensive oil and gas resources—coupled with substantial investment in transport infrastructure, education, science, technology, health and tourism – Qatar has created a dynamic base to support continued exceptional economic performance. The country's low tax rate, codified rule of law, and welcoming policies for foreign investment have led to significant partnerships with a number of the world's leading global enterprises.

Qatar has some of the world's largest reserves of natural gas and oil. It is the world's largest producer of LNG (liquefied natural gas) and will soon be the world's largest producer of petroleum products. Qatar is pioneering the development of GTL (gas-to-liquids) bio fuels with Royal Dutch Shell to help reduce the carbon footprint of the world's airlines and has introduced LPG (liquefied petroleum gas) fuelled taxis and buses. Qatar's real GDP grew 9.5% in 2009, a difficult economic year for much of the world. Real GDP growth in 2010 is projected to a sustainable 5.2% in 2014, as the country's near doubling of LNG production is completed. Gross Domestic Product (at market exchange rates) will more than double from \$82.4 billion to a projected \$171.4 billion in the five-year period from 2009 through 2014. GDP per capita will rise from \$50,487 in 2009, the second highest in the world, to \$79,637 in 2014.

The government's financial condition will continue to be exceptionally strong. The budget surplus will rise from 8.6% of GDP in 2009 to 15.6% in 2014. The current account balance will rise from an

artificially low 1.0% of GDP in 2009 (due to the recessionary drop in oil and gas prices) to 18.8% in 2010 and to 30.1% in 2014.

(Source: Qatar Chamber of Commerce and Industry)

III. Investing in Qatar

The Qatar's Investment Law (No. 13 of 2000 as amended) better known as the Foreign Capital Investment in Economic Activities Law regulates the inflows of foreign capital into Qatar. Generally, foreign investors may invest in all the sectors of the national economy provided that they have one or more Qatari partners whose share is not less than 51% of the capital, and provided that company is properly incorporated in accordance with the provisions of the Law. In other word, the foreign entity/entities are only allowed to have a maximum of 49% of holdings in a company.

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 the shareholding of foreign investors in joint ventures to surpass the limit of 49% and reach up to 100% of the capital in selected sectors such as agriculture, industry, health, education, tourism, development of natural resources or energy and mining, on condition that the projects in question are in line with the country's development objectives; give priority to optimizing the utilization of and add value to local raw materials and local products; are export oriented; introduce new products; use new technologies; seek to introduce industries with international fame or develop the national human resources. *(Source: Ministry of Foreign Affairs)*

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 the companies owned by the state or a state entity (minimum of 51% share) to establish one or more shareholding companies by itself or jointly with one or more national or foreign establishments. These companies are to be exempt from the Commercial Companies Code except if 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.

IV. Investment Incentive

Qatar is blessed with a solid base of attractive investment package. It is a politically and socially stable country and production conditions favors the engagement in the vast power consuming industries in light of the fact that the country has the largest single concentration of non associated gas in the world, which has gained it a remarkable edge on economic advancement. The country is located in the hub on the gulf region, and being a peninsula gives it longer shorelines and so more maritime access routes to the world, which makes it more competitive as a center for international investment. In addition, the Qatari economy is market oriented; and the State continually enacts and updates legislation to bolster the trend of economic openness towards all countries of the world.

Customs charges and bureaucratic or procedural restrictions are minimal or non-existent in regard to all transactions including repatriation of foreign capitals; and legislation is in place to provide incentives and facilities that could help raise the profit margins of investments.

The State places the infrastructure including roads, utilities, ports and communications high in its list of priorities to bring about economic diversification, attract foreign investments and help increase the sources of national income.

Qatar facilitates the recruitment of the foreign workforce required for the development projects of the country.

Foreign investors are allowed according to the Qatari investment laws to invest in all national economy sectors provided that they have a Qatari partner who has a share of at least 51% of the capital of the joint venture and that the company is duly established in accordance with the provisions of the law of commercial companies.

Based on an Emiri decree, The Qatari law allows full shareholding of foreign investments in sectors such as industry, agriculture, mining, energy, tourism or contracting provided that the investment is geared to develop the industry in question or provide a public utility or service that serves the best interests of the community. The law also allows non-Qatari investors to import the required materials that are not available locally for their projects.

Qatar is committed not to impose any additional restrictions on foreign investments in Qatar in order to avoid undermining the requirements of fair competition between foreign and Qatari capitals. However, foreign invertors are not allowed to invest in the fields of banking, insurance, commercial representation and real estate purchase.

Investments in oil and gas fields reached in recent years about QR26 billion, of which US \$1 billion are of foreign origin.

It is worth mentioning that Qatar is a member of the World Trade Organization; and in 2001 it hosted in Doha the organization's fourth ministerial conference.

General Privileges For Foreign Investors:

- Freedom to import and repatriate funds.
- Freedom to transfer profits and assets.
- Freedom to exchange money at stable rates.
- The benefits of a free market economy.

Some of the General Incentives for Investments:

- The right to import the materials and equipment required for the establishment, operation or expansion of projects.
- 10-year exemption from income tax effective from the date of commercial commissioning of projects.
- Duty-free imports of equipment and machinery required for projects.
- Duty-free imports of raw and half manufactured materials needed for industrial projects and not available locally.

Some of the Proposed Incentives:

- Preparing investment opportunities and initial studies for industrial projects.
- Preparing feasibility studies on the technical and economic aspects for projects and providing technical advice for the prospective private investor.
- Providing suitable land sites in industrial estates for industrial projects at reasonable lease rates and long lease terms.
- In 1997, Qatar Development Bank (QDB) was established with an authorized capital of QAR 200 million. It is a 100% owned by the State of Qatar. Its main purpose is to provide loan at a lower rate and serving a longer term of payment.
- Providing advice and assistance for investors regarding the available information, data and studies on their chosen investment projects.
- Providing the project with power, fuel, water and natural gas at competitive prices (subsidized price).
- The Government also offers an additional incentives such as: 5-year renewable tax holidays (subject to Government approval); No income tax on salaries of expatriates; No exchange control regulations - the Qatari Riyal is freely convertible at a parity of \$1=Qatari Riyals 3.64, a rate of exchange which has been stable for two decades; Excellent medical and educational facilities; Easy access to world markets with first class air and sea connections; Excellent

telecommunications facilities; and Liberal immigration and employment rules to enable import of skilled and unskilled labor.

(Source: Ministry of Foreign Affairs)

Qatar Science and Technology Park (QSTP) is the only science park in the Middle East co-located with top international universities (Education City). QSTP operates as a free zone, allowing foreign companies to set up 100 percent-owned businesses in Qatar free of tax and duties. It supports economic and human development in Qatar and has achieved recognition as an international hub for applied research, innovation and entrepreneurship.

(Source: Qatar Science and Technology Park)

V. Imports

The Qatar Customs Law No. 5 of 1988 regulates the Foreign Trade in Qatar. A person must registered first with the Importers Register and secure the approval of Qatar Chamber of Commerce and Industry (QCCI) can to import goods with an intention to sell to Qatar, must first registered with the Importers Register and be approved by Qatar Chamber of Commerce and Industry (QCCI). The standard rate of customs duty in Qatar is 5% (ad valorem) in accordance with the GCC customs union put in place since January 2003. Generally, the custom duty is 5% except for Cement, which is currently exempted, Steel (100mm & above) at 20% and tobacco at 100%.

Goods manufactured in GCC countries are exempt from customs duty provided they are accompanied by a certificate of origin issued by the Chamber of Commerce in the GCC state of origin.

Further, an exemption from custom charge may apply for personal property and used household appliances and furniture owned by foreign employees arriving in Qatar for the purpose of residence; Government entities or state companies owned equipment, materials and other supplies belonging; Food products such as grains, livestock, tea, coffee, sugar, rice, milk for infants and other essential consumer items; and Goods imported by embassies, legations and consulates.

The basis for the assessment of the custom duty is the Cost, Insurance and Freight (CIF) value of the goods or otherwise if not available, duty is computed based upon the FOB price plus 15%.

VI. Exports

No duties are levied on exports. It is forbidden to export goods to Israel or to export certain goods such as subsidized foodstuffs or antiques.

VII. Establishing Companies in Qatar

Under the Commercial Companies Code (Law 5 of 2002), only eight types of company are recognized. 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 secure the following (with detailed procedure at the section “Summary of Procedure for Establishing a Company”):

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

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

1. General Partnership Company

A general partnership company is a company formed between two persons or more, in which the partners assume joint responsibility to the extent of all their funds for the partnership’s obligations.

2. Simple Partnership Company

A simple partnership company is a company consists of two categories of partners as follows:

- Jointly and severally liable partners: who run the company and are jointly and severally liable for the company’s obligations in all their fortune
- Sleeping or silent partners: who have invested capital in the company, but shall not be liable for the company’s obligations save to the extent of their shares in the capital.

3. Sole Proprietorship Company

A sole proprietorship company means, in the course of applying the provisions of this Law, every economic activity the capital of which is fully owned by one natural person or corporate entity.

4. Shareholding Company

A shareholding company is a company whose capital is divided into tradable shares that are equal in value. Shareholders shall not be liable for the company's debts and liabilities except to the extent of the value of their shares.

5. Private Shareholding Company

A number of founding shareholders, not less than five persons, may establish a private shareholding company. The private shareholding company shall not be publicly listed. The shareholders shall subscribe to all the shares of this company. Capital of the company shall not be less than Two million Qatari Riyals. Except for provisions governing public subscription, listing and trading, private shareholding companies are governed by provisions applicable to shareholding companies.

6. Limited liability Company

A limited liability company is a company the partners of which are not more than fifty (50) and not less than two partners. Partners are responsible only to the extent of their shareholding in the capital. Tradable shares certificates shall not be issued to partners for their stakes in the company.

7. Holding Company

A holding company is a shareholding, limited liability or sole proprietorship company that financially and managerially controls another one or more companies. The controlled companies, when owned by at least (51%) in share or stakes by the holding company, shall become subsidiaries of the holding company.

8. Foreign Companies – exempted by ministerial order

Is a company that:

- Is involved in contracts at the state and licensed by a ministerial order issued under Law No. (13) regulating non-Qatari capital and under Law No. (13) of 2000 regulating economic activities
- Its non-Qatari stake exceeds 49% of the company capital. This is only for companies involved in contracts at the state.

9. Foreign Companies – exempted by ministerial order

Audit firms/bureaus practice the profession of auditing and reviewing companies' accounts. This is the profession of legal accountant governed by Law No. (30) of 2004 regulating accounts auditing profession.

(Source: Ministry of Business and Trade)

VIII. Taxation

The new Income Tax Law (No 21 of 2009) was issued on 17 November 2009. This will apply on income arising from the State of Qatar on or after 1st January 2010. The previous graduated tax rate (0-35%) was replaced with a flat rate of 10%. Qatari Companies are exempt from this tax. There are no personal taxes or other statutory deductions from salaries and wages paid in Qatar.

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.

Tax declarations should be filed within 4 months of the end of the financial period. The filing period can be extended at the discretion of the Department of Taxation at the Ministry of Business and Trade, but the extension period may not in any case exceed 8 months. Penalties for late filing or late payment of taxes will be levied at the rate of QR 10,000 per month or 2% of tax due whichever is greater. The penalty will be calculated on the number of days delayed but should not exceed 24% of the total tax liability.

Qatar has signed double tax treaties with France, India, Pakistan, Russia, Senegal and Tunisia. Several countries, including Japan, the United States and the United Kingdom, allow some unilateral relief against their own taxes for Qatar income tax paid.

IX. Starting New Business

Detailed Measures

- Submitting the Application of “New Company Registration”
- Selecting and approving the trade name by the Commercial Registry and Trademark Department
- Authenticating the Memorandum of Association of limited liability company and stamping the Articles of Association of sole proprietor company by the Ministry of Justice
- Approving the commercial activity by the competent authority, if this is required
- Subscribing to Qatar Chamber of Commerce & Industry
- Issuing the commercial registration

- Issuing the commercial license

Measures of Establishing New Companies

- Submitting the completed standard memorandum of association or articles of association to the clerks of Companies Department by the founding members to obtain the approval on the commercial name and trade mark
- Sending letter to the bank regarding the deposit of the specified capital of the company
- Stamping the application by the Companies Department at the Ministry of Business & Trade
- Finalizing measures with the Ministry of Justice, then the Commercial Registry Department.
- (Some activities require obtaining the approval of the competent authority)

For shareholding Companies

The application for establishing the company shall be submitted to the Ministry annexed to it the company's draft Memorandum and Articles of Association. If the application is approved, the founding members shall sign the Memorandum and Articles of Association and get it authenticated by the competent authority, then submit it to the Ministry. The Minister shall issue his resolution approving or rejecting the application

(Source: Ministry of Business and Trade)

X. Citations and Source of information

We have compiled information from Various Sources to form the Doing business in Qatar, hence citations is required:

Source of information:

- Qatar Chamber of Commerce and industry
- Qatar Commercial Law
- Qatar Foreign Investment Law
- Qatar Tax Law of 2009
- Ministry of Foreign Affairs
- Ministry of Business and Trade