



Financial Aspects of Conducting Business in Qatar

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Agenda

- Snapshot of Qatari Economy
- Current projects and future opportunities
- Trade relations: Canada - Qatar
- Conducting business in Qatar
- Financing solutions
- Sources and useful links

Snapshot of Qatari Economy

- Fast growth despite expected slowdown

+9% ('09); +16% ('10); +15.7% ('11) ; **+7.5%** ('12)

- **1.7 Million** population

- High GDP per Capita (**\$103K**); growing over next 5 years

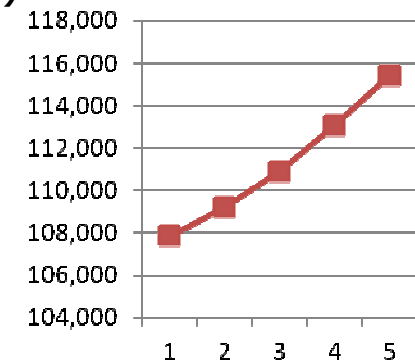
- Top sectors: Oil & Gas

25% of global Liquefied Natural Gas (LNG) production

3rd largest natural gas reserves in the world

- Member of the World Trade Organization

- **1 CAD = 3.57** Qatari Riyal



Current Projects and Future Opportunities

- Spend >**\$125 Billion** in non-natural gas projects during 2011-2016 ...
- ... from private and foreign direct investors
- including **financial services, health, education, sports, tourism**
- But also **infrastructure** to improve roads, sewage, communications and gas distribution networks
- Hallmark projects
 - ❖ New Doha International Airport - \$10 Billion - 2012
 - ❖ Qatar Railway network- \$25 Billion- 1H2015
 - ❖ 2022 World Cup
 - ❖ Qatar National Vision 2030

Trade relations: Canada - Qatar

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Canada Exports	\$41,5 Million	\$177 Million	\$44,9M
Top 3 Sectors	Machinery MotorBoats Industrial	Metals MotorBoats Machinery	Metals Healthcare Machinery

- Growth from Gas-based, construction, healthcare, education, and high tech
- Norsk Hydro, Forrec, SNC-Lavalin and Sick Kids Hospital established in Qatar
- Canada imports less (\$15M '08; \$61M '09; \$17M '10) - household appliances

Conducting business in Qatar – Key Facts (1)

- Ranked **50th** (out of **183**) in ease of doing business
- Politically and socially **stable**
- **100%** foreign ownership **IF** setting up in...

Qatar Financial Centre or **Qatar Science and Technology Park**

- **Zero** personal income tax
- Corporate tax at **10%**
- **Zero** Sales/VAT tax
- Few restrictions on recruitment from overseas



Conducting business in Qatar – Key Facts (2)

- FDI inflows increase by 112% from 2008 to **US\$8.7Billion** - 2nd largest recipient country
- Presence of large international companies: **Exxon, Total, Shell, IBM**
- Stable banking sector overseen by Qatar central bank
- No foreign exchange control
- Maintain ongoing relationship - **reputation is key**



Conducting business in Qatar – Setting Up

- # 1** Research most appropriate form of business
Foreign investors then appoints a local agent/sponsor



Limited liability company (**LLC**) most common - Capital **QAR 200,000**



Normally require to set aside 10% of their profits each year in a statutory reserve, until it equals 50% of the venture's authorized capital



100% foreign ownership in sectors like agriculture, industry, health care education, tourism, development and exploitation of natural resources/energy or mining is subject to approval by the government



Law prohibits foreign investment in banking, insurance, commercial agencies, procurement of real estate

Conducting business in Qatar – Setting Up

#2 Ownership **can not exceed 49%**, the rest owned by Qatari partner

100% foreign ownership if setting up in

a/ **Qatar Financial Centre**

b/ **Qatar Science and Technology Park**

#3 If exporting to Qatar, agents act as distributors or sales rep



The most common instrument used for controlling imports/exports is a **documentary credit**



Custom duties of **5%** applied on almost all products – **alcohol and pork** are prohibited

Conducting business in Qatar – Setting Up

#4 If dealing with government related projects/ public sector contracts

Bid and performance bonds are required and issued by local banks



Tender Bond – 5% of contract value

Performance Bond- 10% of contract value

Advance Payment Bond – 20% of contract value

Retention Bond – 10% of contract value



Foreign architectural, contracting and engineering firms are not initially required to have a local agent to bid

#5 Once contract is won, a bank account is required to deposit the paid in capital and submit a capital letter to the commercial registry

Conducting business in Qatar – Risks

- Requirement of 51% ownership of Qatari nationals
- Relatively new Intellectual Property Regime (IP)
- Operational cost could be high (i.e. rental markets...)
- Regulations are not widely published – lack of transparency
- Registration of taxes – Corporate and withholding Tax
- Cultural barriers – time to adapt

Financing solutions

- HSBC Qatar marked its **57th** anniversary
- International Account Opening – Requirements
 - 1) Memorandum and Article of Association
 - 2) Commercial Registration
 - 3) Board Director Resolution
- Cross border financing available
- Trade finance via the **EDC – PSG** Program
- Qatar Development Bank – offers financing to SME
- International Payments and Cash Management- HSBCnet
- HSBC Premier Services

Sources and useful links

<http://persiangulffund.com/imf-qatar>

http://www.hsbc.com.qa/1/PA_1_1_S5/content/qatar/pdf/account%20opening%20requirements.pdf

[http://en.wikipedia.org/wiki/List_of_countries_by_future_GDP_\(PPP\)_per_capita_estimates](http://en.wikipedia.org/wiki/List_of_countries_by_future_GDP_(PPP)_per_capita_estimates)

<http://www.ic.gc.ca/>



Votre banque, partout dans le monde

THANK YOU

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