

# DOING BUSINESS IN QATAR

Hélène Mathieu

Hélène Mathieu Legal Consultants



# CONTENTS

- INTRODUCTION
- EVOLVING LEGAL ENVIRONMENT
- REGULATORY AUTHORITY
- LEGAL BUSINESS TYPES – THE CASE FOR THE LLC (FOREIGN OWNERSHIP)
- FOREIGN OWNERSHIP
- AGENCY AGREEMENTS
- TAXATION
- PROTECTING YOUR INTERESTS
- RANKINGS IN THE LEGAL INDEX (EASE OF DOING BUSINESS)
- SETTLEMENT
- KEY BENEFITS OF QATAR



- 
- 
- 

# INTRODUCTION

- Punctuality
- Business hours
- IBM principle



- 
- 
- 

# EVOLVING LEGAL ENVIRONMENT



- 
- 
- 
- 
- 
- 
- 
-

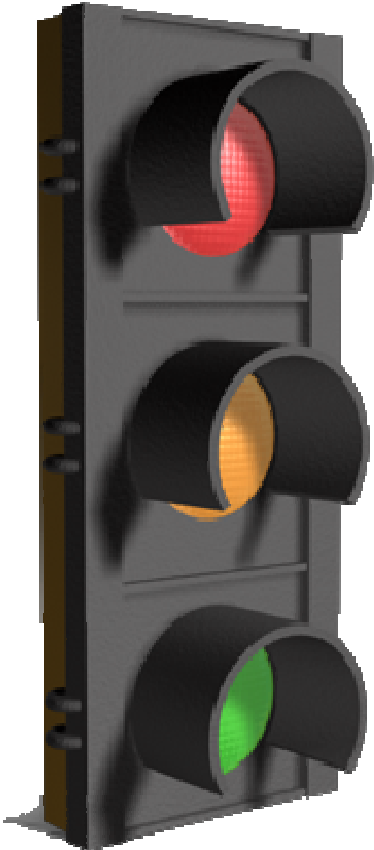
# EVOLVING LEGAL ENVIRONMENT

- The Commercial Companies Law of Qatar was revised in 2002
- New law is aimed at more foreign involvement and attract new investment
- There have been many recent changes in other codes related to business in an attempt to attract more FDI and business settlement
- The most notable change is the tax law with a flat tax of 10%



- 
- 
- 

# REGULATORY AUTHORITY



- 
- 
- 
- 
- 
- 
- 
-

# REGULATORY AUTHORITY

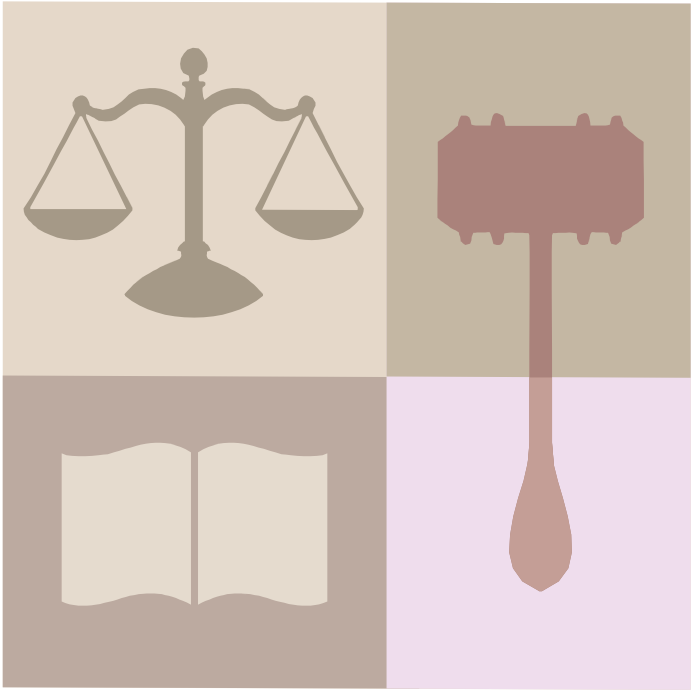
Regulatory bodies govern the approval process prior to issuance of license

- Industrial Companies - Ministry of Energy and Industry
- Education Institutions - Ministry of Education
- Healthcare entities - Ministry of Health
- Tourism Companies - Qatar Tourism Authority
- Engineering Consultancy Office/Architects - Ministry of Municipal Affairs and Agriculture



- 
- 
- 

# LEGAL BUSINESS TYPES



100% FOREIGN OWNERSHIP



- 
- 
- 
- 
- 
- 
- 
-

# 100% FOREIGN OWNERSHIP

Law 1 of 2010 allows foreign investors to have up to 100 percent ownership. Businesses in related fields that can take advantage of this are:

- Consultancy services
- Information technology (IT)
- Related to sports, culture and entertainment
- Distribution services (logistics, media, marketing for example)
- Agriculture (you cannot own the land)
- Manufacturing
- Health and Medical
- Tourism
- Exploitation of natural resources
- Energy and mining (35% tax remains)



# LIMITED LIABILITY COMPANY

- Characteristics:
  - Minimum capital:  
200,000 Riyals  
approx. (USD 54,913 )
  - Local partner: 51%\*  
\*unless 100% ownership approved by  
concerned Ministry
  - Foreign interest: 49%
- Solutions:
  - Different profit sharing  
(minimum 20%-80%)
  - Silent partner
  - Side agreement



# LIMITED LIABILITY COMPANY

- Foreign partners must pay the full amount of their contribution of share capital in cash.
- The Company is required to set aside 10 percent of its net profits until the reserve stands at 50 percent of the share capital.



# LIMITED LIABILITY COMPANY

## Prohibited activities for an LLC:

- insurance
- banking
- investment brokerage

You can set these up in the Qatar Financial Center

Governed via the by laws of the Financial Centre



# FREE ZONES

QATAR SCIENCE &  
TECHNOLOGY PARK



- Offices and laboratories specifically designed for technology-based companies and built to international standards for research and tech based firm
- 100% foreign ownership is allowed
- Tax regime is applicable at 10% for locally realized profits



# FREE ZONES



- 149 companies listed on the public register
- Strong showing of regional companies are established
- Majors have representatives but DIFC still holds the larger collection of majors for regional representation.
- Only local source profits are subject to taxation (10%)



- 
- 
- 

# AGENCY / DISTRIBUTORSHIP AGREEMENTS



12/8/2011



# Commercial Agents' Law

## Article 2 of Commercial Agents' Law:

- Exclusive distribution rights for a given products/services in a given area
- Representation of a principal
- Consideration in the form of profit or commission



# Commercial Agents' Law

There are two types of agencies recognized by the Law:

- Limited duration where a fixed term is applied in the agreement
- Unlimited duration which cannot be terminated without agreement of both parties or without a good cause.
- The agreement can also have an early termination term contained in the contract and such a term will be recognized at law.



# Commercial Agents' Law

## Effects of termination:

### • Unlimited duration:

- Even if the termination was for a cause, agent may be entitled for a compensation in accordance with Article 9 of the Law if the agent can prove that the agents' activities were instrumental in promoting the principal's products in the Territory.

### • Limited duration :

- Article 8 of the Law allows the agent to obtain compensation even in the event of the expiry of the contract upon the same proof as above



# Commercial Agents' Law

## Other effects of termination:

- Agent is entitled to a lien over goods and other items sent to him to secure payment of all monies owed to him. Lien will attach to the price if the goods have been sold (art. 16)
- If principal terminates or refuses to renew the agency without a good cause, Commercial Affairs Dept may decide to ban the import of products covered by the agency (art.17)
- Agent who takes over the agency is required to buy, from the original agent, the agency goods at fair market value or cost price, whichever less, plus 5% of their value.



# Distributorship

Article 304 of Commercial Code defines a distribution contract as follows:

• “[...] a trader undertakes to market and distribute products of an industrial or commercial establishment in a particular territory shall be considered to be a commercial agency provided that he is the sole distributor of such products.”



# Distributorship

So the Commercial Law makes a number of provisions applicable to Distributorship as if they were commercial agents.

- The duration of the distribution contract shall be of a minimum of 5 yrs where the contract requires agent to spend a lot of money (art. 294)
- No termination by the Principal without compensation for the agent. (art. 300)
- If contract is not renewed at its expiry, agent is entitled to compensation where he has not been in default and the agent's activities contributed to the success of the distribution of the products in the territory (art. 301)



# Agency/Distributorship

How can the Principal be protected?

- The contract must be carefully written
  - Limit exclusive territory
  - Limit the products to be distributed
  - Outline each party's obligations in the contract
- A thorough check of the company with whom you want to sign a contract is an absolute must in order to ensure that it is able to distribute your products in the target area



- 
- 
- 

# TAXATION



# TAX BASICS

- Qatar's new tax law came into effect in January 2010. A 10% flat tax on corporate entities. The sliding scale has been abolished. (up to 35%)
- Tax payers include:
  - companies registered in Qatar;
  - foreign entities with a permanent establishment in Qatar; and
  - foreign individuals resident in Qatar (excluding employees)
- There is no tax rate for Qatari-owned businesses.
- Tax liabilities are computed on the basis of profits disclosed by audited financial statements, adjustments for tax depreciation and any items not disallowed by the Income Tax Department. (get a good auditor!)



# TAXABLE INCOME

## Taxable income includes:

- total income from activity carried out in Qatar;
- interest on loans acquired in Qatar;
- interest earned outside Qatar from amounts generated by activity carried out in Qatar;
- total income from the partial or total implementation of contracts within Qatar;
- profits from selling shares of listed or unlisted companies whose assets are based in Qatar; and
- some dividend income and capital gains earned on real estate.

**\*\* Oil and Gas are still subject to special tax agreements from the state up to 35%**



# TAX RISKS

- New anti-avoidance measures, reporting regimes and new penalties for failure to comply.
- Penalties include:
  - Late filing: fines of QR100 per day up to a maximum of QR36,000.
  - Non-payment within 30 days of filing: 1.5% of the tax due per month.
  - Failing to deduct withholding tax: penalty equal to the amount of withholding tax plus payment of the original amount.
  - Seizures of property in extreme cases



- 
- 
- 

# PROTECTING YOUR INTERESTS



# PROTECTING YOUR INTERESTS

- The parties to an international contract are free to choose the law and jurisdiction which will govern that contract.
- If no law is stipulated then contract will be governed by the Qatari Civil Code.
- Qatari Civil courts now enjoy an improved reputation, but are very slow and burdened with long process times.
- Arabic language takes precedence where conflicts are found between the meaning in dual language contracts.



- 
- 
- 

# RANKINGS IN THE LEGAL INDEX

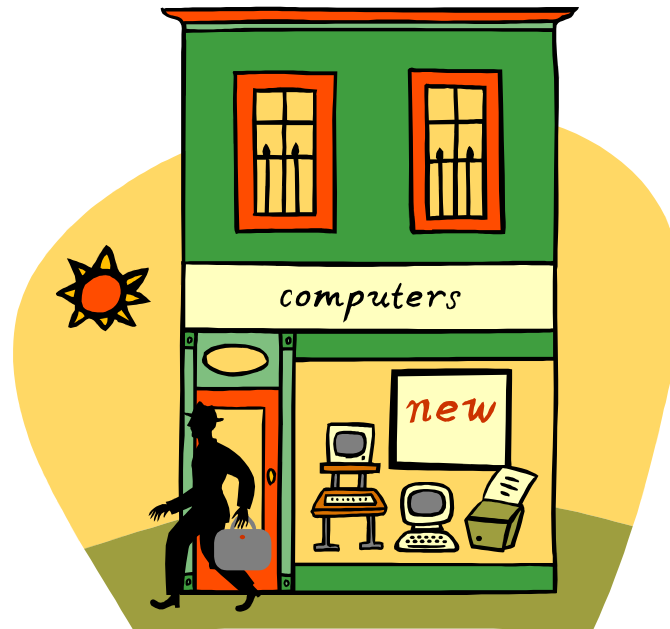


Global Ranks	Ease of Doing Business Rank	Starting Business	Constructi on Permits	Getting Electric	Registering Property	Getting Credit	Protecting Investors	Taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
Singapore	1	4	3	5	14	8	2	4	1	12	2
Hong Kong SAR, China	2	5	1	4	57	4	3	3	2	5	16
New Zealand	3	1	2	31	3	4	1	36	27	10	18
United States	4	13	17	17	16	4	5	72	20	7	15
Denmark	5	31	10	13	11	24	29	14	7	32	9
Canada	13	3	25	156	41	24	5	8	42	59	3
France	29	25	30	62	149	48	79	58	24	6	46
UAE	33	42	12	10	6	78	122	7	5	134	151
South Africa	35	44	31	124	76	1	10	44	144	81	77
Qatar	36	116	24	18	37	98	97	2	57	95	37
Slovenia	37	28	81	27	79	98	24	87	50	58	39
Bahrain	38	82	7	49	30	126	79	18	49	114	25

## HOW QATAR MEASURES UP GLOBALLY IN EASE OF BUSINESS RANKINGS

- 
- 
- 

# SETTLEMENT



# SETTLEMENT

- The steps in settlement are similar to other Arabic countries
- Legalization is required via the Qatari embassy in the home country
- All legalized documents must be translated to Arabic
- The legal requirements to set up a business in Qatar are ranked by the process of setting up an LLC.
- Qatar ranks 116<sup>th</sup> in the world for ease in starting a business



- 
- 
- 

# KEY BENEFITS / CONCLUSION



12/8/2011

- 
- 
- 
- 
- 
- 
- 
-

# KEY BENEFITS

- No income tax or social security deductions payable on wages and salaries.
- No taxation is payable on exports and customs duties start at just 5%.
- Foreign investors are permitted full repatriation of capital and profits overseas in foreign currency.
- Corporate tax on foreign companies is a flat rate of 10% (as of 1 Jan 2010).
- Rated number 2 in the GCC for ease of business (Word Bank & DB)



# KEY BENEFITS (General)

- Developed / developing transportation infrastructure.
- State-of-the-art telecommunications infrastructure.
- Top international exhibitions and conference venues.
- High quality offices and residential accommodations.
- Inexpensive workforce and easy recruitment procedures.
- Luxury hotels, hospitals, schools and .... shopping malls!



# CONCLUSION

- Take your time
- Better to be safe than sorry – prevention
- Choose your local partner and/or agent/distributor very carefully
- Do not forget your common sense!



- 
- 
- 

## Contact details

Helene Mathieu Legal Consultants

Suite 402, Bank St. Building,

Khalid Bin Waleed Street

P.O. Box 28845

Dubai, U.A.E.

Tel: +9714 352-5303

Fax: +9714 351-9877

Cell Montreal: 514-575-9461

[www.hmlc.ae](http://www.hmlc.ae)

helene@hmlc.ae

**HELENE MATHIEU**  
LEGAL CONSULTANTS





THANK YOU!

END OF PRESENTATION

