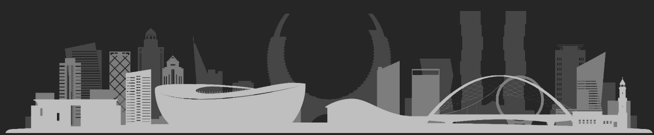
Doing Business in Qatar 2024

A Tax and Legal Guide



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Welcome to this guide

Your journey begins

Location	Presence
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Qatar continues to offer investors a friendly and attractive integrated business and commercial ecosystem. A sustained level of investment in the country over the last decade has transformed Qatar to a flourishing business environment, and the country offers a world class infrastructure to nurture and drive further transformation with great growth opportunities.

As we move into the next phase of the national development strategy, focus will be placed on economic diversification and with this we will see further improvements to the business regulatory environment. Aligned with these changes and greater support for the private sector this will undoubtedly attract greater foreign investment and play a role in making it easier to do business in Qatar.

In addition to some of these anticipated changes, Qatar remains one of the most competitive tax frameworks in the world, continuing to attract interest from international investors. The tax landscape in the country is continually transforming, advancing and aligning with international best in class tax administration standards such as those set out by the Organisation for Economic Cooperation and Development (OECD) and other relevant international bodies.

From a legal perspective there have already been many favourable developments in the legislative environment with the introduction of new laws and regulations addressing the needs of growing private and public sectors. Opening and operating a new business in Qatar is now easier with greater choice of how and where to set up your new venture.

As a long established professional services advisor in Qatar we have created this guide to provide a concise overview of the main taxation and legal aspects of doing business in Qatar, particularly covering items that an inbound investor may typically have in mind.

We hope you find our latest guide useful

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Introduction

Qatar, located on the east coast of the Arabian Peninsula, is bordered by Saudi Arabia to the south and by the Arabian Gulf to the north, east and west. It is divided into seven municipalities, with Doha as the capital.

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.

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. Oil and natural gas revenues have placed Qatar as one of the highest per-capita income countries, as well as one of the fastest growing economies.

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 National Vision 2030

In 2008, the Qatar National Vision 2030 (QNV 2030) was published with the aim of transforming Qatar into an advanced country by 2030, capable of sustaining its own development and providing for a high standard of living for its population and generations to come.

The following four pillars were developed as a framework for this:

- **Human Development** - Develop all of Qatar's people to enable them to sustain a prosperous society.
- **Social Development** - Development of a just and caring society based on high moral standards, and capable of playing a significant role in the global partnership for development.
- **Economic Development** - Development of a competitive and diversified economy capable of meeting the needs of, and securing a high standard of living for all its people, for the present and for the future.
- **Environmental Development** - Management of the environment so that there is harmony between economic growth, social development and environmental protection.

In line with this and the foreign direct investment agenda for Qatar, the National Development Strategies (NDS) have been designed. The third cycle of the NDS (2024-2030) focuses on the acceleration of Qatar's development through economic diversification driven by key sector clusters, fostering a competitive business environment and attracting foreign direct investment. Specific targets were laid out to achieve this position, including hiring Qatari nationals in the private sector, attracting and retaining skilled expatriate workers, promoting entrepreneurship (especially Small and Medium Enterprises (SMEs), and improving business regulations and policies.

Qatar has taken strides towards these goals, and Education City is now home to seven leading Western universities. Government agencies, including the Ministry of Communications and Information Technology (MCIT), continue to drive the digital agenda.

There has also been a focus on developing specific sectors such as the FinTech sector.

The introduction of the Qatar Metro system, enhancements of labour and residency laws, improvement of the immigration process, and the easing of administrative processes such as the ability of expatriate employees to change jobs has also helped to meet the aim of making Qatar an attractive place for skilled expatriates.

Economic profile and outlook

Qatar is a rapidly-developing, high income country located in the Arabian peninsula. As one of the largest exporters of LNG in the world, the country has been successfully pursuing an economic diversity strategy to ensure sustainable development as envisioned by QNV 2030.

Expansion of LNG operations in the North Field, healthy tourism sector growth combined with eased regional relations, and global mega-events have all acted as powerful positive drivers for Qatar's economy in the near and medium term.

Following the recent inauguration of the North Field operations by HH The Amir. By 2025, the North Field Expansion project is set to raise Qatar's LNG production capacity from 77 to 110 mtpa, with an additional increase to 126 mtpa by 2026. Such expansion projects coupled with shifts in the global energy markets stand to solidify Qatar's position as a leader in the LNG market.

Some of the key non-hydrocarbon themes driving economic transformation in Qatar post the FIFA World Cup 2022 include optimisation of government operational efficiency, development of the private sector, proactive fiscal management, digitalisation, and investment in local content.

With the fast-paced developments in neighbouring countries, Qatar must focus on cultivating a competitive advantage in non-oil sectors to develop a differentiated position both regionally and globally.

Fitch estimates that Qatar's real GDP growth will rebound from 1.0% in 2023, in part due to slower non-oil economic activity, to a projected 2.0% growth rate in 2024 as non-oil economic activity and international sporting events are expected to lead the recovery.* Inflationary pressures are also subsiding, with tighter financial conditions curbing inflation to a projected 1.8% by 2024 due to lagged effects of raised interest rates since May 2022.*

*https://www.fitchsolutions.com/bmi/country-risk/improving-non-oil-activity-growing-hydrocarbon-output-will-drive-rebound-qatars-2024-growth-29-11-2023?fSWebArticleValidation=true&mkt_tok=NzMyLUNLSC03NjcAAAGQjZS27AxDNov2s5U2cEoHzFiLQyBzLwE3v4qQAFoOqq89Gg1YflXGLMFi18TvcXIvTo9FsRQ8CCBbCeWDwyiz871ygqg9390cq0xfwOQq87Lo6F2b4Q

Ease of Doing Business

From an ease of doing business perspective, Qatar has been rated as having one of the least demanding tax frameworks in the world. In the 2020 Paying Taxes report, a publication by PwC, Qatar was ranked third globally in this regard.

Historically, entry into the Qatar market posed certain challenges for investors predominantly as a result of restrictions on foreign ownership. However, options available to investors have increased, and are increasing, including the expansion of permitted activities within the Qatar Financial Centre (QFC) and the establishment of Qatar Science and Technology Park (QSTP) and the Qatar Free Zones Authority (QFZA) over the last number of years.

In 2023 Media City Qatar (MCQ) announced that it would begin accepting applications from investors, adding another option to the list of jurisdictions in Qatar.

In the case of businesses wishing to establish under the "State" legislative framework under the Ministry of Commerce & Industry (MOCI), further flexibility was provided in the form of the new Foreign Direct Investment Law which came into effect in 2019. This Law provides for 100% foreign ownership in Qatar in most sectors. Under the State framework, the MOCI operates one of the first global "one-stop-shop" Single Windows for business registration and licensing, consolidating hundreds of government services into end-to-end integrated electronic services. The General Tax Authority (GTA) governs tax for businesses registered under the State system. Recent legislative reform and the complete digitalisation of taxpayer's services through the launch of the "Dhareeba" (tax) system also factors into the ease of doing business in Qatar.

The level of sophisticated regulation has increased in Qatar over the last number of years in line with international trends. There are three key regulators currently, namely the Qatar Central Bank (QCB), Qatar Financial Markets Authority (QFMA) and Qatar Financial Centre Regulatory Authority (QFCRA). The QCB mainly regulates companies conducting financial activities, including banking and insurance, whilst the QFMA's core responsibility extends to financial markets and investment products such as securities and commodities. The QFCRA is an independent regulator, regulating companies and individuals providing financial services in or from the QFC.

FinTech, Blockchain & Emerging Technologies

The NDS identified Qatar's high uptake in internet usage as a base to leverage technology and foster financial innovation in the country. It has also led to a number of exciting developments within Qatar, including for example regulatory sandboxes such as Qatar FinTech Hub (QFTH) developed by Qatar Development Bank. Since its inception, QFTH has partnered with several regulatory, international, legal and academic firms to facilitate innovation. The QFTH provides a structured timeline for aspiring FinTech's to apply, pitch, develop and demonstrate their innovative ideas. It also has three key programmes, namely the Incubator, Accelerator and Hackathon. Each programme is established to facilitate different areas.

The QCB recently unveiled its own regulatory sandbox that aims to invite companies in digital payments space to trial their new offerings under the supervision of the QCB and an expert panel. The sandbox is a great way for local and foreign companies to trial their products and potentially offer their services to an unsaturated market. It is expected that it shall facilitate a surge in innovation and leverage a number of FinTech trends in the country, including electronic money & virtual currency; e-commerce & e-billing solutions; mobile wallets; mobile payments and point of sale FinTech; and digital budgeting and portfolio management tools. However, the QCB has yet to publish final details on any explicit regulations.

The QFC has recently introduced a FinTech licensing category for firms seeking to enter the QFC platform and provide Business-to-Business (B2B) FinTech services. These services include cybersecurity solutions, cloud computing services, enhanced application programming interfaces (APIs), real-time transaction platforms for internet-connected devices, online and digital budgeting and portfolio management tools, and any other related activities.

Legal and Regulatory Framework overview

Qatar's Permanent Constitution, which came into effect in 2005, provides the administrative framework for the governance of the State. Executive authority is exercised by the Emir, assisted by the Cabinet, or the Council of Ministers, which he appoints.

Legislative authority is exercised through the Shura Council. The Shura Council considers draft laws prepared by the concerned entity of the Cabinet. A member of the Shura Council may also propose new legislation, in which case the proposal is submitted to a committee within the Council for consideration before it is subsequently passed back to the full Shura Council. If the Shura Council accepts the proposal, it is then passed to the Cabinet for its review and recommendations. The Constitution provides that every draft law must be referred to the Emir for final approval.
One of the main sources of legislation in Qatar is the Islamic Shari'a. In accordance with Article 1 of Law No. (22) of 2004 issuing the Civil Code, if there are no specific rules governing a situation under the law, a judge would rule in accordance with the requirements of Shari'a Law.

There are three (3) layers of courts in Qatar:

1) the Court of First Instance;
2) the Court of Appeal;
3) the Court of Cassation.

Judgements handed down by the Court of First Instance may be appealed to the Court of Appeal, and judgments handed down by the latter may be reviewable by the Court of Cassation.

In 2021, the Investment and Commerce Court ("ICT") was created, giving investors a specialized venue to resolve commercial disputes.

Where there is special and general law applicable to a matter, the principle is that the special law will prevail. In commercial and civil transactions, if there is no special law, the Civil Code will apply. The general rule under the Civil Code is that the contract between the parties shall prevail.

There are number of special economic zones that operate onshore and offshore in Qatar, including the Qatar Financial Centre (QFC) and the Qatar Free Zones. The QFC is an onshore regime that operates its own legal, tax and regulatory framework, which is independent of, but runs parallel to, the existing framework in the State of Qatar. Additionally, there are two free zones under the QFZA as well as the QSTP (Qatar Science and Technology Park) and the newly-established MCQ (Media City Qatar).

Establishing a business in Qatar

A key starting point for those seeking to do business in Qatar is to understand the different regulatory regimes available, namely the State system under the MOCI, the QFC, the Qatar Free Zones Authority (QFZA) and the Qatar Science & Technology Park (QSTP).

The general rule that was applied in Qatar allowed a foreign investor to establish a company provided the presence of a Qatari partner (whether natural or entity) holding not less than 51% ownership in such a company. Additionally, such rule was generally subject to certain exceptions whereby the foreign investor was not allowed to invest–in any capacity–in the following activities:

- Banking and insurance, unless otherwise permitted by a decision of the Council of Ministers;
- Commercial agencies;
- Any other activity specified by the Council of Ministers

Apart from the State system, foreign investors have been and continue to be eligible to establish a legal presence in the Qatar Financial Centre or in other economic zones which are subject to fewer restrictions than the mainland/State system.

The choice of jurisdiction is based largely on the proposed activities to be undertaken by the investor. Furthermore, an analysis should also be undertaken in terms of the most suitable type of legal entity where options are available (for example a Branch or a Limited Liability Company).

Outlined below are the main legal jurisdictions in Qatar for company incorporations:

- State system (Ministry of Commerce and Industry)
- Qatar Financial Centre (QFC)
- Qatar Free Zones Authority (QFZA)
- Qatar Science and Technology Park (QSTP)

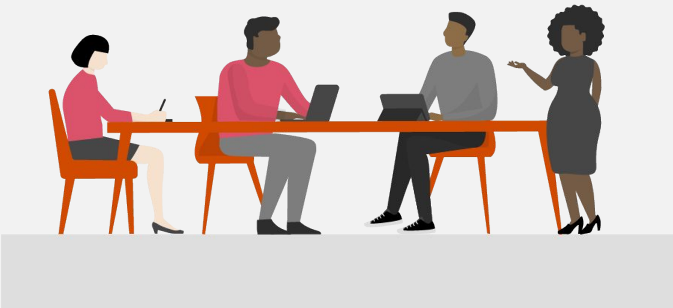
Ministry of Commerce and Industry (State System)

The regulations that govern the establishment of an entity within MOCI are mainly the Commercial Companies Law no. 11 of 2015 as amended by Law no. 8 of 2021 (the "**Companies Law**") and the Foreign Investment Law no. 1 of 2019 (the "**Foreign Investment Law**").

Under the Foreign Investment Law, foreign investors may obtain an exemption from the general 49% shareholding restriction. Many companies, including a number of publicly-traded companies listed on the Qatar Stock Exchange, have obtained this exemption and now allow for up to 100% foreign ownership.

According to the Companies Law, there are seven (7) types of companies:

- **Limited Partnership**: comprising two (2) categories of partners: (i) general/joint partners, who shall manage the company and be liable, jointly and severally, for all the liabilities of the company in their personal assets; and (ii) limited/silent partners, who contribute to the capital of the company without being responsible for the obligations of the company, except to the extent of the capital they provide to the company or what they undertook to pay to the company.
- **Joint Liability Company**: consisting of two or more natural persons, who shall be jointly liable for the company's obligations.
- **Unincorporated Joint Venture Company:** a concealed company which does not apply to third parties. It does not enjoy a legal personality and is not subject to any declaration procedures.
- **Joint Stock / Shareholding companies:** which can be either a public or private shareholding company.
  - **Public Shareholding Company** with its capital divided into equal shares capable of being traded. A shareholder shall only be liable to the extent of its contribution to the company's capital. The capital of a public shareholding company shall not be less than ten million (10,000,000) Qatari Riyals.
  - **Private Shareholding Company** whose number of founders are not less than five (5) and may establish a private shareholding company that does not offer its shares for public subscription, and they subscribe to all its shares. The company's share capital shall not be less than two million (2,000,000) Qatari Riyals.
- **Partnership Limited by Shares:** consisting of two groups: (i) one group involving one or more active partners jointly liable for all the debts of the company in their own money, and (ii) one group of one or more non-active partners who shall only be liable for the debts of the company to the extent of their share in the capital.
- **Limited Liability Company:** consisting of one or more persons and the number of partners shall not exceed fifty (50) persons. A partner will only be liable up to their share in the capital. The shares of the partners shall not be negotiable securities. Liability of the shareholders is limited to the amount of their respective commitments in the LLC's capital.
- **Holding Company:** which can be in the form of either a shareholding company or a limited liability company. A holding company financially and administratively controls a company or other companies affiliated to it by owning at least (51%) of the shares or stocks of such companies. The share capital of a holding company shall not be less than ten million (10,000,000) Riyals and its objectives are strictly listed in the Companies Law.



As for the differences between the types of companies mentioned above, the below table reflects such differences:

No.	Company's Type	Liability of the Shareholders	Legal Personality	Number of Shareholders	Capital Requirement
1	Joint Liability Company	limited to the amount in the capital	Yes	Two or more natural persons	No minimum capital requirement
2	Limited Partnership	• General/Joint partners are jointly liable for all the liabilities of the company in their personal assets. • Limited/Silent partners are responsible to the extent of the capital they contributed to the company.	Yes	No minimum required	No minimum capital requirement
3	Joint Venture Company		It does not have a legal personality until it is declared in accordance with the provisions of the company's law	No minimum required	No minimum capital requirement
4	Public Shareholding Company	limited to the amount contributed to the capital	Yes	No less than five founders	not be less than ten million (10,000,000) Riyals.
5	Private Shareholding Company	limited to the amount contributed to the capital	Yes	No less than five founders	not be less than two million (2,000,000) Riyals.
6	Partnership Limited by Shares	• Joint partners: jointly liable for all the debts of the company in their own money. • Non-active partners who shall only be liable for the debts of the company to the extent of their share in the capital.	Yes	• -One or more joint partners. • - One or more non-active partners	No minimum capital requirement
7	Limited Liability Company	limited to the amount contributed to the capital	Yes	Minimum of one shareholder but no more than 50	No minimum capital requirement

Branch

Foreign Branch

In accordance with the Foreign Investment Law, a foreign investor may register a 100% foreign-owned branch in Qatar if it has a contract with a ministry, government authority, public body or institution, or a company or institution in which the State owns an interest. Registering a temporary branch is subject to certain requirements which are as follows:

- The company's branch in the State of Qatar shall carry out the implementation.
- The contract shall be entered with one of the ministries, government bodies, public authorities or institutions, or companies or institutions in which the State participates.
- Registration in the Commercial Register and obtaining a commercial licensing for the company's branch through which the contract will be implemented, after awarding the business and before signing the contract.
- Fulfilling all requirements of the competent authorities in the State in accordance with the legislations executed by such authorities throughout the term of the contract.
- Renewal of the commercial register and commercial license issued for the company's branch throughout the term of the contract. Based on a proposal from the Minister, the Prime Minister may amend these controls by adding, deleting or merging.

One of the main considerations in respect of operating via a foreign branch is in relation to the tax rules pertaining to the same. The tax legislation provides for Contract Tax Retention, which is required to be deducted from payments made to the branch by the contract owner. This retention can only be reclaimed once performance under the contract has been complete, the branch's tax returns are agreed with the GTA, and a No Objection Letter is issued.

GCC Branch

In accordance with Law No. (7) of 2017, "GCC Companies" in the Arab Gulf Cooperation Council countries can open branches in Qatar provided the following is applied:

- The company should be wholly-owned by citizens of the GCC countries;
- The company must be registered in the commercial registry in one of the countries of the GCC for at least three (3) years;
- The company's activity should be among the economic activities that GCC nationals are allowed to practice in the country; and
- The person appointed by the company to manage the branch should be a GCC citizen.

Representative Trade Office (RTO)

By virtue of a Ministerial Decision no. 396 of 2017, foreign entities are permitted to set up wholly foreign owned RTOs in Qatar.

An RTO is a suitable option where a company wishes only to market its 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 a RTO to obtain employment and residence visas to employ foreign nationals. The number of visas granted will be commensurate with the RTO's marketing activities.

A company wishing to establish an RTO must apply for permission to register from the MOCI.

Qatar Financial Centre (QFC)

The QFC provides for 100% foreign ownership to foreign investors operating in specific sectors. As the QFC is an onshore regime, entities established therein can access the local market freely. It is a requirement for entities to be based at any of the QFC's designated premises in Qatar (which are not confined to a specific zone).

Broadly there are two categories of permitted activities in the QFC - regulated activities and non-regulated activities. 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

Regulated activities in the QFC 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 in the QFC were originally limited to professional services in support of financial firms (e.g. services generally provided by professional services or consulting firms). The QFC subsequently expanded the scope of permitted non-regulated activities to include services such as IP management and treasury for all sectors, consultancy services in relation to Information Technology, real estate, recruitment, and sports and event management.

The above-mentioned services are not exhaustive and the QFCA continues to consider novel types of professional B2B services on a case-by-case basis, to the extent that the envisaged business proposition is a strategic fit for the QFC. The QFC is also available to Qatari investors who can enjoy tax concessions similar to those awarded under the State Tax Law (i.e. exemption from corporate income tax), provided that the business is at least 90% Qatari owned.

Non-regulated Activities (Contd…)

The QFC also offers the possibility for investors to set up special purpose companies for the purpose of a transaction or a series of transactions. There is a streamlined and quicker process for setting up such vehicles which are also not subject to the same corporate compliance obligations as the other QFC entities.

Finally, Single-Family Offices may 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 of investable or liquid assets of US$5,000,000 and must be under the management of a single family.

Legal form of entity

A QFC entity can take various legal forms, including the following:

- **Limited Liability Company (LLC)**
  An LLC may be incorporated in the QFC for both regulated as well as non-regulated activities, as mentioned in the preceding paragraphs. In the event an LLC is incorporated for regulated activities, additional authorisation is required from the QFC Regulatory Authority following licensing. LLCs are required to have a minimum of one director and a Senior Executive Function (SEF). The SEF must hold residency in Qatar.

- **Company Limited by Guarantee - LLC(G);**
  LLC(G) is a separate legal entity which is not required to have any share capital. It must have a minimum of one member, which can be a natural person or body corporate of any nationality. This legal structure is best suited for Business Councils, Chambers of Commerce, Professional Associations, Technical Societies and other similar types of organisations

- **Special Companies, in the form of an LLC**
  The QFC allows incorporation of two kinds of special companies which take the form of LLCs - Special Purpose Company (SPC) and Holding Company (HoldCo). The two types of special companies are regulated by a separate set of regulations and their post-incorporation compliance requirements differ slightly from other LLCs. SPCs and HoldCos may only be established for any of the activities as listed in the relevant regulations.

- **Single Family Offices, in the form of an LLC (SFO)**
  An SFO manages business, investments and wealth of a high net worth "Single Family". A "Single Family" is a family made up of a group of individuals all of whom are the bloodline descendants of a common ancestor or their spouses (including widows and widowers, whether or not remarried). An SFO must have a minimum investable or liquid assets (assets which are realisable in a 180-day period) of US$5 million.

- **Investment Clubs, in the form of an LLC (LLC(IC))**
  A LLC(IC) is a simple legal entity not subject to the usual level of financial regulation which allows groups of friends to jointly invest and must have a minimum of two and a maximum of fifteen members (natural persons or a body corporates of any nationality).

- **Limited Liability Company (Public) (LLC(Public))**
  Where an LLC has been approved for listing on the Qatar Stock Exchange (QSE) or any other exchange; subject to its satisfying all applicable requirements of the Qatar Financial Markets Authority (QFMA) and the QSE or such other exchange or regulator, it shall be designated as an LLC (Public) upon such listing taking place.

- **Limited Liability Partnership (LLP)**
  An LLP may be incorporated in the QFC for both, regulated as well as non-regulated activities. It is a separate legal entity that is governed by an LLP Agreement and must have a minimum of two members from any nationality. There are no share capital requirements for an LLP conducting non-regulated activities.

- **Limited Partnership (LP)**
  An LP is not a separate legal entity and is a partnership consisting of one general partner and at least one limited partner. A general partner has unlimited liability and a limited partner has limited liability provided it does not take part in the management of the partnership business and affairs.

- **General Partnership (GP)**
  A GP is not a separate legal entity and is a partnership between two or more persons carrying on business together. Each of the partners in a general partnership has unlimited liability and is personally liable jointly and severally with other partners for the partnership's debts and liabilities. A general partnership may, at its option, register with the QFC.

- **Branch (of a non-QFC company, of a non-QFC LLP, of a non-QFC LP)**
  A Branch registered in the QFC does not have a separate legal personality, distinct from the non-QFC parent which registered the Branch. A Branch has to appoint and retain at all times, a Principal Representative who holds residency in Qatar. It is the non-QFC parent who will be the applicant for registering such a Branch and will be principally responsible for all compliances on the part of its QFC Branch.

Legal form of entity (Contd…)

- **Foundation**
  A QFC Foundation is a legal entity set up by one or more individuals or body corporate. This legal structure is advisable for the objectives of asset protection and confidentiality or a solution for estate and succession planning whereby the Founder can retain control of the assets. QFC Foundations are required to be registered and licensed. The Application to register a Foundation must be made by the person who will become the Registered Representative of the Foundation on its establishment.

- **Trust**
  A Trust is not a legal entity and does not have its own legal personality. It refers to a fiduciary arrangement between the settlor, trustee and beneficiary(ies). QFC is the only place in Qatar where a Trust legal regime is available and 100% foreign ownership of Trust assets is permitted.

Qatar Free Zones Authority (QFZA)

The QFZA is an independent authority created in 2018 to oversee and regulate the Free Zones in Qatar, offering opportunities and benefits for businesses seeking to expand globally. The Authority was established by Law No. (34) of 2005, as amended by Legislative Decree No. (21) of 2017.

The Free Zones offer:
- Office facilities, land options, access to transport systems;
- Potential access to a QFZA-backed fund especially dedicated to promote growth;
- Availability of workforce and a supportive visa regime;
- Tax exemptions;
- 100% foreign ownership with full capital repatriation; and
- Partnership opportunities.

The initial focus of the QFZA is on the three sectors of logistics, chemicals and emerging technology. There are **currently two Free Zones** that have been established - **Ras Bufontas** (Airport free zone) and **Umm Al Houl** (Port free zone) which are components of the previously designated Special Economic Zones.

The QFZA is creating specialised cluster areas within the zones for these sectors, allowing companies in those sectors to benefit from a growing community of like-minded organizations, dedicated research and innovation facilities and partnership opportunities.

The most common forms of entities to be registered under the QFZA by foreign investors are Branches of foreign companies or LLCs.

It should also be highlighted that further development of the Free Zones concept in Qatar is anticipated in the coming years. “Manateq” will oversee this development and aside from the Special Economic Zones, it is also anticipated that there will be an expansion on investment opportunities and options in Logistics Parks, Industrial Zones and Warehousing Zones.

Qatar Science and Technology Park (QSTP)

Aimed at incubating and growing Qatar’s post-carbon economy and developing Qatar’s 2030 National Vision, the QSTP was established to encourage international corporations and research institutes from around the world to develop and commercialise technology in Qatar and launch entrepreneurial technology businesses.

QSTP entities must be physically located within the QSTP zone and are only permitted to engage in the activities specified in their license. QSTP entities are exempt from corporate income tax and can import goods and services free of customs duties. However, such tax exempt entities are required to file exempt tax returns with the GTA.

The most common form of entities to be registered under the QSTP are branches of foreign companies or LLCs. It is also possible for QSTP-registered companies to be public companies and list on the Qatar Stock Exchange.

Other business arrangements

Commercial Agency

The Commercial Agencies Law (Law No. 8 of 2002) as amended by Law No. 2 of 2016, governs commercial agency relationships in Qatar. The amended Law gave rights to traders registered in the Commercial Register to import goods directly, even if those goods have an authorised local agent. Registered commercial agents are entitled to receive a specific commission on the sales made within Qatar. The amended Law further updated certain penal provisions contained in Law No. 8 of 2002, and also provided that the MOCI could impose conditions and controls relating to the principle of reciprocity if traders import goods for which there are authorised local distributors.

By appointing a commercial agent in Qatar, a foreign business can sell goods and products in Qatar via the agent without incorporating a legal presence here. The commercial agent must be a Qatari individual or a legal entity that is wholly owned by Qatari nationals. Complications can arise with the commercial agency arrangement, however, if the foreign business is not only required to import goods and products but is also required to provide installation, maintenance, training and other services which cannot be provided by the commercial agent.

Operating Without a Commercial Registration

Historically, some foreign businesses registered a permanent establishment (PE) with the GTA or obtained short term business visas for employees sponsored by an existing business entity in Qatar or had their employees enter Qatar on tourist visas (so called "fly in" and "fly out" model). It is important to note however that undertaking commercial activities in Qatar without a legally registered entity in contravention of the Foreign Capital Investment Law is an offense which could be punishable by imprisonment and/or a fine. Businesses could also be precluded from operating in Qatar in the future.

Unincorporated Joint Ventures (UJV)

UJVs have traditionally been utilised by unrelated third parties in order to pool resources and expertise to jointly bid for and manage a specific project. This is particularly common for large scale construction projects in Qatar given their scale and therefore degree of risk.

Whilst there are undoubtedly commercial benefits from operating as a UJV, the accounting, legal and tax consequences of forming a UJV can be complicated and requires careful planning prior to entering into such arrangements.

Mergers and Acquisitions

A final market entry strategy for foreign companies is to acquire or invest in an existing Qatar company. Both share and asset purchases are possible in Qatar. Particular attention should be given to undertaking a thorough due diligence exercise. Investors should also be aware of the requirement to obtain tax clearance from the GTA in order to register any share transfer with the Ministry of Justice.

Key considerations

Investors may choose to establish a legal presence in Qatar through a range of jurisdictions and legal entity types. In addition to the traditional State jurisdiction, investors may register their legal entities in the Qatar Financial Centre (QFC), the Qatar Science and Technology Park (QSTP), or through the Qatar Free Zones Authority (QFZA). The newest jurisdiction, Media City Qatar (MCQ) announced in 2023 that it would begin accepting applications.

Incorporation times may vary depending on which of the aforementioned jurisdictions is selected. Some jurisdictions accept online applications with minimal requirements for hard copies or in-person visits, while other jurisdictions may require documentation, including legal translations (into Arabic) and notarisation/legalisation of foreign-issued documents.

Furthermore, incorporation times may vary depending on a number of other factors, including: legal type (LLC vs Joint Stock Company vs Branch); type of commercial activities (e.g. Regulated Financial Services vs non-regulated activities); pre-approvals from other government authorities (if applicable); and whether the investors natural persons or legal persons.

Investors would be well advised to ensure that all documents and information are properly prepared in advance of their applications in order to minimise back-and-forth and the delays associated with multiple submissions.

Taxation

Qatar operates a territorial taxation system. Unless specifically exempt from tax, an entity is taxable in Qatar if it has generated Qatar-sourced income, regardless of the place of its incorporation. Although the amendments introduced in 2023 have preserved the overarching principle of taxing income arising from sources in Qatar, these amendments have specified various types of income generated outside Qatar that could be subject to income tax in Qatar such as dividends, royalties, interest, income from movable assets etc subject to certain conditions.

Consistent with the different legal frameworks in place, Qatar currently has broadly two tax regimes in which foreign investors can potentially operate with different tax rules applicable in each. Those tax regimes currently are the State tax regime and the QFC tax regime. With respect of QFZ, the relevant tax regulations are not published yet. Key features of these tax regimes are provided below.

I. State tax system

The State of Qatar tax regime provides the general taxation framework for the majority of businesses operating in Qatar.

Income Tax

The current tax rules in the State of Qatar are governed by Law No. 24 of 2018 (the Income Tax Law) and the Executive Regulations issued on 12 December 2019, which contain the detailed rules related to the administration of the tax regime. Income Tax Law and the Executive Regulations were amended in 2023, introducing several changes including Qatar's commitment to the implementation of Global Minimum Tax at a minimum 15% tax rate in line with the OECD's BEPS Pillar Two. Further guidance is expected from the GTA on the implementation of Global Minimum Tax, which might significantly impact the tax landscape in Qatar.

Currently, the headline income tax rate is 10%. However, the share of profit attributable to Qatari nationals, as well as GCC nationals resident in Qatar, could be subject to exemption from Income Tax. Also Income Tax exemptions apply to entities listed at the Qatar Stock Exchange.

A minimum tax rate of 35% is applicable to entities undertaking petroleum operations and/ or operating in the petrochemical sector.

Permanent Establishment (PE)

The definition of a PE in Qatar's Income Tax Law is generally in line with the OECD Model Convention.

Fixed place PE is defined as "a fixed place of business through which the business of the taxpayer is wholly or partially carried on, including for instance a branch, office, factory, sales outlet, workshop, mine, oil or gas well, quarry, building site, warehouse for providing storage facilities to others, assembly project or place of exploration, extraction or exploitation of natural resources".

Dependent agent PE can be created in Qatar due to the activity in Qatar of a "dependent agent", i.e. a person "acting on behalf of" the non-resident, other than an independent agent. The definition of a dependent agent for PE purposes includes (i) habitual conclusion of contracts; and (ii) keeping of goods and merchandise on a routine basis and dealing with it for the benefit of a non-resident.

Service PE can be created in respect of services provided in Qatar by a non-resident as follows:

- Where a building site, construction project/site, assembly, or supervisory activity lasts more than six months; and/or
- Where services, including consultancy services (by employees or other personnel), continue within Qatar for a period totaling more than 183 days in any 12-month period.

A "complete business cycle" or "operation" can result in a PE in Qatar as well.

The recent amendments defined the preparatory and auxiliary activities that do not constitute a PE, as well as introduced the anti-fragmentation and anti-avoidance provisions.

Please also note that broad "force of attraction" rules apply, which might result in the taxation of income derived by group entities from activities in Qatar where an entity in the group has a PE in Qatar provided that certain conditions are met.

It is important to note that in certain circumstances, entities engaged in preparatory and auxiliary activities (even in the absence of a PE) are required to comply with registration and notification requirements.

In the above context, non-resident entities need to carefully evaluate the potential PE risks of conducting business activities in Qatar.

The GTA closely examines the taxpayer's activities to establish whether or not a PE exists. This is a particular area of focus where a taxpayer submits a claim for a refund of withholding tax (WHT) on the basis of application of the provisions of a Double Tax Treaty (DTT), which will be further explained later in this section.

Losses

Losses can be carried forward for five years after the year in which they were incurred. Losses cannot be carried back.

Electronic tax administration system (Dhareeba)

Taxpayers in Qatar are required to (a) ensure fulfilment of their tax compliance obligations and (b) undertake any correspondence with the GTA through an electronic tax administration system called Dhareeba.

Tax Registration and Tax Card

An entity carrying on a business activity in Qatar should register with the GTA (via Dhareeba) within 60 days from the earlier date of:

- Obtaining commercial registration; or
- The first day of realisation of income from the activity.

Penalties apply for delayed registration.

Filing and Payment Requirements

Taxpayers are required to submit an income tax return which includes their audited Financial Statements and pay any tax due to the GTA within four months from the end of the applicable accounting period (e.g. by 30 April 2024 for an accounting period that ends on 31 December 2023).

The accounting period of a taxpayer who carries on an activity shall be the taxable year and shall be twelve (12) months in duration subject to the following:

- If the taxpayer begins his activity after the start of the taxable year, the first accounting period shall begin from the date of commencement of activity and shall end at the end of the taxable year in which the taxpayer commenced his activity, provided however, that the taxable year shall not be less than six (6) months; otherwise, the accounting period shall end at the end of the subsequent taxable year - i.e. the first accounting period may be up to eighteen (18) months in duration.
- In the event of liquidation of the activity, the accounting period shall run from the end of the previous accounting period to the date of completion of liquidation provided, however, the accounting period shall not exceed twelve (12) months; otherwise, a new accounting period shall commence.

The penalty for late filing of a return is QAR 500 ($138) per day of delay (capped to a maximum of QAR180,000 ($49,400).

A separate penalty of 2% of the amount of tax due per month (or part of month) up to the amount of tax due applies for a delay in making tax payments. The Income Tax Law states that taxpayers who are carrying out a tax-exempt activity are in general also required to submit a tax return which includes their Financial Statements. This includes entities wholly owned by Qatari (or GCC) nationals and entities registered in the QSTP.

Contract Notification Obligation

Taxpayers are required to notify the GTA of contracts which they enter into with residents and non-residents (i.e. for residents, subject to monetary thresholds of a contract value equal to or greater than QAR 200,000 for service contracts and QAR 500,000 for supply of goods and services contracts, whereas all the contracts with non-residents should be notified regardless of the monetary values) within 30 days of signing the contract. A penalty of QAR 10,000 per contract applies in respect of the non-reporting of relevant contracts within the deadline.

Tax Assessments

Tax is assessed on the basis of the taxable income as determined in the tax return, however, the GTA has the right to seek information or clarifications from the taxpayer and to reassess the tax due. Once an assessment is made, the GTA should issue a notice of assessment to the taxpayer.

The taxpayer may object to the re-assessment within 30 days from the date of its issuance, and the GTA should respond to an objection within 60 days. If no response is provided within 60 days, this is regarded as an implicit rejection of the objection. If the objection is unsuccessful, an appeal may be filed by the taxpayer to the Tax Appeals Committee. An appeal should be filed within 30 days from the date of notification of the GTA's decision on the objection or expiry of the 60 days time frame mentioned above where no response is received. A final appeal may be made to the Qatar Courts.

The Statute of Limitations for the assessment of tax and penalties is five years following the year in which the taxpayer submits the return. Where the taxpayer fails to submit a return, the Statute of Limitation is extended to 10 years following the taxable year in respect of which the taxpayer did not file the return.

Accounting and Audit Requirements

The Income Tax Law requires accounts to be prepared in accordance with the prevailing accounting standards, which are the International Financial Reporting Standards. The audit opinion must be signed by an auditor registered in Qatar with the MOCI. The taxpayer is also required to maintain records and documentation pertaining to their activities in Qatar for a period of 10 years following the end of the taxable year to which the records and documentation relate.

There is no provision for group reorganisation relief.

Withholding Taxes (WHT)

Income Tax Law contains a requirement for all entities registered in Qatar, or with a PE in Qatar, to withhold a percentage of certain payments made to non-residents for activities not connected to a PE in Qatar.

A rate of 5% WHT applies to all services that are used, utilised or benefited in Qatar, even if they are carried out by the non-resident in whole or part outside of the State. WHT also applies to certain interest payments, royalties, commissions and brokerage fees.

Furthermore, any unpaid amounts which are subject to WHT are 'deemed' as having been paid if they remain unpaid for a certain specified period. Based on the above, it is anticipated that a much larger numbers of contracts, agreements, arrangements, and transactions (including deemed arrangements), whether with third parties or related parties, could come within the scope of WHT provisions, and taxpayers should carefully assess their payment arrangements with suppliers accordingly.

An entity that makes a payment which is subject to WHT is required to withhold the applicable amount and remit it to the GTA, along with a WHT statement, by the 15th day of the month following the month in which the relevant payment is made.

In the event that WHT is not applied or the amounts withheld are not remitted to the GTA within the stipulated deadline, a penalty equal to the amount of unpaid tax would be applied. Late payment of WHT would be subject to a penalty of 2% of the amount of WHT due per month of delay (or part thereof).

Qatar has a growing Double Tax Treaty network and has concluded more than 80 DTAs. A pay and reclaim mechanism is in force and presently there is no pre-approval system in place to allow for an automatic entitlement to Treaty benefits. Specific documents need to be submitted along with a WHT refund application in order to reclaim any relief on WHT due under the relevant Treaty.

Capital Gains

Capital gains are subject to tax at the regular applicable corporate income tax rate (i.e. 10%). Gains realised on sale of shares by nonresidents in Qatar tax resident companies are taxable at a rate of 10%. However, the gains realised on sale of shares in listed companies is exempt from tax. Capital gains generated by non-residents are an area of increased focus for the GTA.

Under the Regulations, capital gains tax returns should be submitted within 30 days from the sale of the asset or concluding the contract, whichever is earlier.

Dividends

Dividends paid by a Qatar tax resident company are not subject to dividend withholding tax. Income distributed from profits that have already been subject to Qatar taxation are not subject to further taxation in the hands of the recipient.

Contract Tax Retention

The Contract Tax Retention system applicable to temporary branches operating in Qatar means that certain contract amounts are required to be retained from payments made by Qatar based contractors to temporary branches. Companies resident in Qatar and permanent branches are effectively not subject to the retention rules and they can secure the release of full contract payments once they present a valid tax card.

The Contract Tax Retention is equivalent to the higher of 3% of the contract value (less the value of supply and work carried out abroad) or the final contractual payment. The amount is required to be retained by the contract owner until the temporary branch produces a No Objection Letter from the GTA.

In order to obtain a No Objection Letter, the temporary branch is generally required to have completed the contract. As historically this has tended to be a lengthy process, this system generally gave rise to cash flow implications for foreign investors operating via a temporary branch.

Transfer Pricing and Thin Capitalisation

The Tax Law has certain specific transfer pricing requirements summarised below:

- The Comparable Uncontrolled Price (CUP) methodology is referred to as the primary methodology to be used when demonstrating the arms' length nature of a related party transaction.
- There is a requirement for performing a "Functional Analysis" describing a taxpayer's position and economic role with related entities, identifying the functions performed, risks assumed, and the tangible and intangible assets owned and used.
- There is also a requirement to update the analysis supporting the arm's length character of the intercompany transactions every three years.
- A Qatari taxpayer is also required to submit a transfer pricing declaration as part of its annual income tax return.
- A Qatari taxpayer (that meets certain thresholds) is also required to prepare a Local File, Master File and country-by-country reporting ("CbCR") on a Contemporaneous basis.
- Tax deductibility of interest on loans, paid to related parties, would be dependent on such loans being economically beneficial to taxpayers. On this basis, a "Commercial Purpose" test has been introduced.
- There is also a Thin Capitalisation restriction in respect interest expenses paid by a Qatari taxpayer. Arm's length pricing should be applied and the interest expense should not exceed three times the equity of the entity.

Anti-avoidance and Transfer Pricing

The Tax Law contains a wide anti-avoidance provision which gives power to the GTA to counteract any tax advantage obtained by entering into arrangements, operations or transactions, one of the main purposes of which is to avoid paying tax.

Topics of focus for the GTA

The following areas appear to be the focus of the GTA from a tax compliance perspective:

- The GTA is closely examining the taxpayer's activities to establish whether or not a PE exists. This is a particular area of focus where a taxpayer submits a claim for a refund of WHT on the basis of application of the provisions of a DTT.
- Related-party transactions and large and unusual items of expenditure
- Capital gains generated from sale of shares in a Qatari company by a non-resident .
- Compliance with the requirements of contract notification and WHT.
- In terms of relief claimed under DTTs, the GTA is very keen in understanding the beneficial ownership of payments before granting a relief.

Qatar Science & Technology Park (QSTP)

Entities registered and operating under the scope of their QSTP license fall under the scope of the State tax system. In general, such QSTP entities are granted an exemption from corporate income tax and can import goods and services free of Customs Duties.

However, tax-exempt entities including QSTP entities are required to file tax returns, apply WHT on payments to non-residents and comply with all other relevant compliance obligations as detailed above.

II. Qatar Financial Centre (QFC)

The QFC has its own tax regime contained in the QFC Tax Regulations and Rules. The key highlights are summarised below.

- Locally sourced profits of the QFC entities are subject to 10% corporate income tax. Profits arising from service activities carried out in Qatar but used outside Qatar may be excluded from the tax base as non-local source profits subject to certain conditions.
- Accounting standards - entities must generally draw up accounts using IFRS or other acceptable GAAP, however, they can choose their own tax year, with an initial period of up to 18 months.
- Dividends are exempt from tax while capital gains realised on qualifying shareholding could also be tax exempt if certain conditions are met.
- A concessionary rate of 0% applies on an election basis to reinsurers, captive insurers and investment managers. The election is subject to the applicant meeting certain requirements and is valid for a four (4) year period, thereafter renewable on application.
- The QFC also does not require the application of WHT on payments made by QFC entities.
- Group loss relief is available for taxpayers in the QFC with over 75% common ownership.
- QFC entities also have access to all double tax treaties signed and concluded by the State of Qatar.
- Tax losses can be carried forward indefinitely, unless there is a change in ownership or activities.

Administration in QFC

- Tax returns and payments must be made by QFC Entities within six months from the end of the relevant accounting period.
- QFC has advance ruling services which are binding on the QFC Tax Department for the period of their validity, assuming the relevant conditions are met, and continue to be met, by the taxpayer.
- The limitation of the enquiry window for the QFC Tax Department to review tax returns to within twelve months of filing, provides QFC entities and investors with a high degree of certainty.
- The QFC has an online filing - all tax returns must be submitted online using the QFC Tax Portal.

Transfer Pricing and Thin Capitalisation in QFC

QFC Entities are required to conform with the OECD's guidelines on transfer pricing, including the application of the arm's length principle and the reporting obligations of related party transactions.

Associated party loans also have to meet arm's length conditions and thin capitalisation requirements which are often scrutinised.

III. Qatar Free Zones (QFZ)

Benefits of setting up in one of the Free Zones include 100% foreign ownership and, based on the publicly available information, a 20-year tax holiday (i.e. zero corporate tax, zero customs duties, and no personal income tax). However it should be noted that the relevant tax regulations have not been published yet.

Economic Substance

On 17 October 2021, the Ministry of Finance in the State of Qatar issued Decision No. 20 of 2021 (Concerning economic substance regulations in Qatar, "the Regulations/ESR"), requiring "qualifying entities" that carry on specified activities to demonstrate economic substance in Qatar from 4 November 2021 if they want to benefit from a preferential tax regime. The Regulations apply to entities that perform certain specified activities which are broadly defined as Covered Service Activity or an Intellectual Property Activity ("Relevant Activities") and benefiting from a "Preferential Tax Regime" in Qatar. Preferential Tax Regime is defined as any regime that offers a tax preference compared to the general principles of Taxation in the state of Qatar, regardless of the form or amount of the preference.

The recent amendments to the Income Tax Law introduced a requirement to submit a report to the GTA regarding the minimum indicators of their core activities in Qatar for such entities which meet the criteria for economic substance. However, the said criteria is yet to be published.

More details regarding the ESR is yet to be released by the relevant administrators.

Other Taxes

Excise Tax

As of 1 January 2019, Qatar introduced excise tax on the following goods at their respective rates:

- Tobacco and its products: 100%
- Energy drinks: 100%
- Carbonated drinks: 50%
- Special purpose goods (consumed under specific conditions and authorisations): 100%

Businesses subject to excise tax are obligated to register, collect excise tax, submit periodical returns and pay excise tax.

VAT / Sales Tax

Currently, Qatar imposes no VAT or sales tax on operations in Qatar. However, the introduction of VAT in Qatar under the common GCC VAT Framework is expected in the near future. The standard VAT rate is anticipated to be 5%, with provision for certain exempt activities and certain activities being subject to VAT at 0%.

Based on our experience we understand that a VAT implementation project takes at least 6-9 months to complete subject to complexity of the business. Businesses operating in Qatar need to activate their VAT implementation plans (including review of existing processes, invoicing, operating models, prices, commercial contract, etc.) prior to introduction of VAT and make sure they have the right tools and processes to properly comply. Therefore, the business may start the following activities in advance to ensure the VAT implementation is completed in a timely manner:

- Formulate a VAT implementation strategy and plan which will define the key stakeholders including internal teams (finance, legal, IT, sales, procurement, etc.) and third-party vendors if necessary.
- Setting up a strong project management team which is vital to a successful VAT implementation.
- Provide training and awareness programmes for employees across different functions to help them understand how VAT will affect their day-to-day operations.

A well-structured plan, clear communication, and adequate training for your employees will be essential for a successful transition to the new tax regime in Qatar.

Custom Duties

Customs duties are generally applied to goods with an origin outside the GCC countries, normally at a rate of 5%, but sometimes at higher rates for specific types of goods, such as tobacco products. Temporary import relief and re-exportation relief are available for certain specific scenarios.

Exports from Qatar do not give rise to any export duties.

Personal Income Tax

There are no taxes imposed on employed individuals' salaries, wages and allowances in Qatar. Employers have to pay social insurance in respect of Qatari and GCC national employees, but have no obligations for employees of other nationalities.

A self-employed individual may be subject to income tax if he derives Qatar source income, as per the Foreign Capital Investment Law.

Sport and Social Levy

Qatari listed entities are subjected to a sport and social levy of 2.5% of the annual net profits. The levy is allocated to a fund that supports sporting, cultural, social and charitable activities.

Recently, the responsibility to collect and administer the sport and social levy has been assigned to the GTA.

Key Considerations

Qatar has been pursuing great efforts towards aligning with the international tax developments to ensure its competitiveness in attracting businesses at both regional and international levels. This has been reflected through the dynamic reforms implemented by Qatar in the past few years. In addition, Qatar has introduced vibrant tax incentives to stimulate the strategic sectors within the economy and engage in new industries.

Additional legal considerations

Corporate/Commercial

The following areas are based on the prevailing Qatar Commercial Companies Law (Law No.11 of 2015 as amended by Law No. 8 of 2021), a number of key provisions of which have been summarised below:

Number of Shareholders

An LLC can now be incorporated with a single shareholder (though special approval for a wholly foreign owned LLC must be obtained from the MOCI) and can have a maximum of fifty shareholders.

Limitation of Liability

Shareholders in an LLC may only be held liable in respect of the operations of the LLC up to the amount of the share capital. The name of the company shall clearly establish that it has been incorporated with limited liability. If the managers of the company fail to do so, they may be held personally responsible for the liabilities of the company.

Minimum Capital Requirements

There is no prescribed minimum share capital, and the partners have the discretion to determine the minimum share capital of the LLC which should be appropriate in the context of the activities to be undertaken. The proposed share capital is subject to the approval of the MOCI.

Share Transfers

Where a shareholder wishes to dispose of any of its shares in the LLC to a third party (i.e. to a party that is not a shareholder at the time of the transfer), they must inform the other shareholders in advance of the disposal. The other shareholders will have a first refusal right to purchase the shares.

Legal Reserve

Under the Commercial Companies Law, there is a requirement to transfer 10% of the net profits of the company to a legal reserve until the amount of the legal reserve equals or exceeds half of the value of the capital of the company.

Management

The appointment of managers must be registered in the commercial registry. A decision to remove a manager or confine their powers is only enforceable against third parties when that decision is published in the commercial registry. LLC managers are not required to be Qatari nationals or resident in Qatar. In most cases, provisions can be stipulated in the incorporation documents regarding the appointment of the manager, and voting majorities required for various appointments to achieve a desired level of operational control by the foreign shareholder. Managers are responsible for compensating the company, its shareholders and others for the damage resulted from deceit or improper use of authority or the violation of the provisions of the Law or the statute of the company.

Dissolution and Liquidation

Dissolution may arise for a number of statutory reasons, for instance, expiry of the company's life span as specified in the Articles of Association, expiry of the object for which the company was established, or a transfer of shares resulting in fewer shareholders than required as a minimum by the Law.

The Commercial Companies Law specifies that dissolution may also arise where the shareholders give their unanimous consent. However, the Articles of Association may provide for a different threshold.

Liquidation proceedings involve the appointment by the managers of a liquidator at the Annual General Meeting which, depending on circumstances, may take a significant amount of time.

Data Protection & Privacy Laws

Qatar was the first Gulf Cooperation Council (GCC) Member State to issue a generally applicable data protection law when, via the MOTC, it implemented Law No. 13 of 2016 Concerning Personal Data Protection **(the Data Protection Law).** The Data Protection Law took effect in 2017, and the MOTC has set up a regulator (the Compliance and Data Protection Department or 'CDP') to enforce the Data Protection Law. As of December 2022, the Executive Regulations implementing the Law have not yet been issued, but these are expected to be implemented sometime in 2023.

Key aspects of the Law include heavy financial penalties of up to QAR 5,000,000 for breaches; a clear focus on operational adequacy and accountability; more stringent regulation with greater enforcement powers for Regulators; mandatory breach disclosure within a 72 hour timeframe; a requirement for Permitted Reason processing criteria required to process personal data; and new liabilities in the supply chain with responsibility for third party processors.

In addition, the QFC has its own Data Protection Regulations No. 6 of 2005 and Data Protection Rules 2005 in place. In August 2021, in a move to align itself better with the EU General Data Protection Regulations, the QFC issued the **QFC Data Protection Regulations 2021.** Following a public consultation, the QFC Data Protection Regulations 2021 were issued in December 2021 and took effect from June 2022.

Immigration

Summarised below is an overview of the main key categories of visas 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 or registered entities.

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 one month and can be extended for another two months. The length of time to obtain a Business Visa can vary and can take up to four weeks.

Pillar Two

Background

On 1 July 2021 and 8 October 2021, the Organisation for Economic Cooperation and Development (OECD) Inclusive Framework (IF) issued a 'Statement' focused on addressing the remaining key challenges of base erosion and profit shifting (BEPS) arising from the digitalization of the global economy.

The Statement proposed a 'Two Pillar' Solution, comprised of (i) Pillar One which aims to ensure a fairer distribution of taxing rights is established with respect to the profits of large multinational enterprises (MNEs); and (ii) Pillar Two which implements a new global minimum Effective Tax Rate (ETR) of 15% for MNEs.

Pillar Two

Pillar Two aims to ensure an appropriate level of tax is paid by MNEs through a series of measures aimed at modernising the international tax system for modern businesses. The Subject to Tax Rule (STTR) and the Global Anti-Base Erosion (GloBE) are the two components of Pillar Two.

STTR

The STTR is a treaty based rule that applicable to intra-group payments from source countries that are subject to low nominal tax rates in the country of the payee. The STTR focuses on where a source country has given up taxing rights on certain outbound intra-group payments, and it should be able to recover some of those rights where the income in question is taxed in the state of the payee at a nominal rate below 9%. The STTR applies to interest, royalties and a defined set of other payments made between 'connected persons', including services.

The OECD IF members have committed to adopt the STTR when requested by other IF members that are developing countries, as well as developed countries. In October 2023, the OECD IF issued a multilateral instrument ("MLI") that brings into effect the STTR by allowing for multiple bilateral tax treaties to be amended at the same time. Signature of the MLI is underway and applicability of the STTR expected to be commence in the near future.

GloBE

The GloBE Rules are designed to ensure that in-scope MNE Groups are subject to a minimum level of tax on the income arising in each jurisdiction where they operate.

Over 140 countries have committed to implementing the GloBE measures, and for the rules to have effect, individual jurisdictions must implement them into domestic law.

The GloBE Rules require implementation into domestic law by individual countries before they become effective. The rules came into effect on 1 January 2024, and over 30 countries have introduced tax rules that put into force a 15% effective tax rate on in scope entities, as well as over 100 being expected to also introduce rules that will come into effect in 2024 or 2025.

In brief, the GloBE Rules have been designed with an objective of accommodating a diverse range of tax systems, including different tax consolidation rules, income allocation and entity classification rules, as well as rules for specific business structures such as joint ventures and minority interests.

The GloBE Rules contemplate three different mechanisms for assessing tax on a MNE's income, and MNEs will have to comply with the filing requirements for each applicable rule. The first opportunity to collect the top up tax is the so called Qualified Domestic Minimum Top-up Tax (QDMTT) which gives the choice for the low tax jurisdiction itself to collect the tax (relating to this country). Second in line is the so called Income Inclusion Rule (IIR), which generally imposes tax on the parent entities within the MNE group to the extent that the foreign subsidiaries of the Group are taxed at a rate less than 15% (after the application of the QDMTT in their respective countries, if any).

These two mechanisms are accompanied by a 'backstop' rule, known as the Undertaxed Profits Rule (UTPR) which permits the collection of any remaining Top-up Tax (after QDMTT and IIR are applied) globally by any country where the MNE is active, meaning where there are people and/or tangible assets on the ground. Under certain conditions, the QDMTT could be elevated to a safe harbour that switches off the IIR and UTPR in other jurisdictions.

Status of Pillar Two in Qatar

As a member of the OECD Inclusive Framework, Qatar has committed to implement Pillar Two, and Law No.11 of 2022 was issued in 2023 which amended the provisions of the Income Tax Law No.24 of 2018, expressing its commitment to introduce a global minimum tax of not less than 15% for covered entities located in Qatar. Further updates expected in 2024.

What to expect?

Even if the rules will not be implemented in Qatar in 2024, Qatar headquartered MNEs with consolidated subsidiaries in at least one implementing jurisdiction, may still be required to undertake the GloBE calculations for all the jurisdictions and may have specific compliance requirements. Further guidance is expected from the OECD with respect to filing obligations / location of submission of the GloBE Information Return (GIR), in cases where the ultimate parent entity jurisdiction such as Qatar does not implement the rules in 2024.

As per the existing Pillar Two administrative guidance, where a MNE is headquartered in a location that has not implemented the rules, GIR filing would be made in a different location, i.e. the location of a 'designated filing entity', where the MNE has operations and the respective location has implemented the rules earlier than the MNE's headquarter location.

Work Permits

Any expatriate intending to work in Qatar for the medium to long term must have a valid Work Permit/ Residence Permit. The Work Permit/ Residence Permit is applied for by the entity who wishes to employ the person - commonly referred to as the sponsor or the sponsoring company.

The sponsoring company is legally responsible for the actions of employees under their sponsorship.

The Work Permit/ Residence Permit must be sponsored by Qatar incorporated or registered entities that have the necessary labour quota approval for the specific nationality, and number of employees that they wish to employ.

An amendment to Law No. 21 of 2015 (which regulates entry, exit and residence of expatriates) in 2020 has made provision for the competent authority to issue entry permits and grant residence permits to investors without sponsors, who are subject to the provisions of the Law regulating the investment of non-Qatari capital in economic activity. This amendment further covers owners and beneficiaries of real estate, who may be issued with a residence permit for a period of five years with an option to renew such permit.

Employment (the Labour Law and the QFC Regulation on Employment)

Employment in Qatar (outside of the QFC) is governed by Law No. (14) of 2004 (as amended) (the Labour Law), which sets out the framework around working hours; annual leave and public holidays; health and safety; workers' committees; collective agreements, and termination of employment.

The Labour Law, including Law No. 1 of 2015 which introduced the Wage Protection System (or WPS), applies to all employees in Qatar in the State, with few exceptions (including, for example, domestic workers and those employed by certain public sector entities).

Employment in the QFC, where the Labour Law does not apply, is regulated exclusively by Regulation No. 10 of 2006 (QFC Regulation), and consequently employees of companies registered with, or incorporated under, the QFC Laws are subject to this specific Employment Regulation, rather than the provisions of the Labour Law.

It is mandatory to have a local employment contract in order to apply for a work/residence permit in Qatar. Pursuant to both the Labour Law and the QFC Regulation, the duration of an employment contract can either be limited (i.e. with a contract with a fixed term) or unlimited. Different considerations apply to each, specifically in relation to the ability to terminate without financial liability.

Irrespective of duration, the Labour Law and the QFC Regulation set out specific details which must be included in an employment contract as a minimum. There are minor differences between the Labour Law and the QFC Regulation in respect of the mandatory information.

However, broadly, 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, commencement date and duration of the contract (if fixed term).

Wage Protection System (WPS)

Employers in Qatar (excluding those in the QFC) must pay employees in Qatari Riyals and into a bank account in Qatar in accordance with the WPS. Failure to do so can result in penalties being applied.

Statutory Minimum Wage

Employees (outside of the QFC) are entitled to receive a minimum basic salary of QAR 1,000 per month. Employers are also required to pay an additional QAR 500 per month for accommodation and QAR 300 for food; unless the employer makes separate arrangements for the provision of housing and food.

Corporate Governance in Qatar

There are a number of rules and regulations that set out corporate governance requirements in Qatar. The Commercial Companies Law, the QFCRA and the QFMA set out the minimum requirements such as board size, conflicts of interest and the number of board meetings, etc.

It is important to note that each entity type will have different requirements. However, whilst the QFMA Rules are only mandatory for public joint stock companies listed on the Qatar Stock Exchange (QSE), the provisions should be viewed as best practice for all other entities in Qatar.

In terms of the contents of the Corporate Governance Report required to be issued, the primary requirement focuses on a statement to be made by the entity on itself and a disclosure of compensation granted to members of the Board and sub-committees, including bonuses. The Report must be made available to all shareholders before the General Assembly.

Further detailed rules govern aspects such as Directors' Duties; the independence rules for Directors; rules on Permanent Committees; Board meetings and General Assembly Meetings.

As companies registered in the QFC which carry out regulated services are regulated by the QFC Regulatory Authority, they are subject to the requirements outlined in the QFC Regulatory Authority Rules. Additional governance policies to be considered involve Anti-money laundering, Foreign Exchange contracts, and Repatriation of dividends/branch profits.

Key considerations: Dispute Resolution

There are multiple dispute resolution systems in Qatar. The standard forum for resolving disputes is in the Courts of Qatar applying the Laws of Qatar. However, in recent years alternative dispute resolution methods have gained popularity with foreign investors.

The Qatar Financial Centre hosts its own court, the Qatar International Court and Dispute Resolution Centre (the "QICDRC" or "QFC Court") which hears commercial and regulatory disputes, as well as arbitration proceedings. Parties may apply the laws of the QFC or other applicable laws governing their contracts or dealings.

Disputes resolved by litigation or arbitration in the QFC Courts are typically held in the English language, providing an additional convenience for some foreign investors in comparison to the Courts of Qatar system.

Key tax indicators in Qatar

Tax indicators	The State	The Qatar Financial Centre
Typical fiscal year end	Calendar year	Calendar year
Companies		
Income tax	10% (or a minimum of 35%)	10%
Tax on capital gains	10% (or the relevant alternative rate)	10%
General sales tax	Not Applicable	Not Applicable
Value added tax	Not Applicable	Not Applicable
Basis of taxation	Territorial	Territorial
Individuals		
Individual marginal tax rate (max)	Not Applicable. Social security contributions apply - GCC and Qatari nationals only	Not Applicable
Wage Protection System	Required	Not Applicable
Withholding tax		
Dividends	Not Applicable	Not Applicable
Interest	5% (non-financial institutions)	Not Applicable
Royalties	5%	Not Applicable
Management service fees	5% (exclusion for head office overheads paid by Branches to a foreign head office within the relevant thresholds)	Not Applicable
Branch Remittance Tax	Not Applicable	Not Applicable
Customs	Standard rate is 5%. Other rates (0%, 50%, and 100%) apply depending on the nature of the goods imported	QFC entities are not permitted to undertake importation activities. Third party Customs clearance agents may be used by QFC entities to import any necessary goods.
Exchange controls	Not Applicable	Not Applicable
Thin capitalisation	Arm's length and and for entities in the State the interest expense should not exceed three times the equity of the entity.	Safe harbour rules may apply.
Transfer pricing	Country-by-country-reporting required, Local file and Master file subject to certain thresholds, transfer pricing methodology application. Transfer pricing declaration to be submitted.	Arm's length pricing required. OECD methodology required for profit attribution.
Exchange of Information	Financial Account Tax Compliance Act and Common Reporting Standard requirements.	
Double tax treaties in force (Information correct as at date of publication in January 2024)	Albania, Algeria, Argentina, Armenia, Austria, Azerbaijan, Barbados, Belarus, Bosnia & Herzegovina, Bermuda, Brunei, Bulgaria, Chad, China, Croatia, Cuba, Cyprus, Czech Republic, Ecuador, Egypt*, France, Georgia, Greece, Guernsey, Hong Kong, Hungary, India, Indonesia, Iran, Ireland, Isle of Man, Italy, Japan, Jersey, Jordan, Kazakhstan, Kenya, Kyrgyzstan, Latvia, Lebanon, Luxembourg, Macedonia, Malaysia, Malta, Mauritius, Mexico, Monaco, Morocco, Nepal, Netherlands, Norway, Oman, Pakistan, Panama, Philippines, Poland, Portugal, Romania, Russia, Senegal, Serbia, Seychelles, Singapore, Slovenia, South Africa, South Korea, Spain, Sri Lanka, Sudan, Switzerland, Syria, Tunisia, Turkey, Ukraine, United Kingdom, Venezuela, Vietnam, Yemen.	
Treaties awaiting conclusion or ratification (Information correct as at date of publication in January 2024)	Belgium, Congo, Eritrea, Ethiopia, Fiji, Gambia, Mauritania, Nigeria, Paraguay, Rwanda, San Marino, Saudi Arabia, Somalia	

* Treaty with Egypt is expected to be in force from January 2025.

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