Doing Business in Qatar
Legal Disclaimer

This guide provides a general introduction for those interested in business activities in Qatar; it is not intended to be taken as comprehensive advice.

The information in this guide addresses only some of the principal elements of doing business in Qatar, and we advise anyone who intends to establish a corporate presence in Qatar to obtain advice specific to their business. It is also worth noting that Qatar’s market is dynamic, and the rules and procedures for doing business in the state are constantly evolving. Due to this changing landscape, it is essential to seek professional advice when evaluating the market.

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Introduction

Overview of the Economic Environment in Qatar

With its ambitious 2030 vision encompassing human, social, economic and environmental development, the State of Qatar remains one of the fastest-growing economies in the world and presents a wide variety of investment opportunities.

The main economic sectors in Qatar are oil, gas and related industries. Qatar’s liquefied natural gas (LNG) industry has attracted tens of billions of dollars in foreign investment. Although oil and gas are the main contributors and components of the GDP, Qatar encourages investment in different sectors, such as petrochemical industries, and the financial, real estate, franchising, education, health and industrial sectors.

While the government is heavily involved in Qatar’s economy, it strongly encourages international investment and promotes innovation, free trade, open competition and access to the resources that will continue to bring long-term economic development to Qatar and much needed energy to the world’s growing economies. Government initiatives to attract the flow of foreign capital into the state can be attributed to various investment incentives, and the open market policy adopted by the government grants investors the opportunity to make good profits and the benefit of the freedom of unrestricted travel and movement of funds.

Qatar’s Investment Climate


The Foreign Investment Law allows foreign investment “in all economic sectors,” except banking and insurance (unless authorized by a decision of the Council of Ministers) and commercial agency. The Council of Ministers may exclude other sectors or activities by way of resolutions to that effect.

The general rule is that non-Qatari investors can, subject to certain prohibitions and exceptions, conduct business in Qatar provided that such investors have one or more Qatari partners whose share is not less than 51% of the share capital of a company incorporated in Qatar.

As an exception to the general rule described above and subject to certain requirements, foreign investors may, pursuant to a decision of the Competent Department at the Ministry of Commerce and Industry (CDMCI), hold more than 49% (and up to 100%) of the share capital of a Qatari company.

At this time, a foreign investor may lodge an application to own more than 49% of the share capital of a non-listed company by filing the relevant application form with the CDMCI together with the required supporting documentation and paying the applicable official fees at the time of filing.

Once the application is complete, the CDMCI has 15 days to issue a decision. In the event of an express rejection, we understand that the CDMCI will provide the reasoning for its decision. Silence of the CDMCI is otherwise deemed a rejection. If the application is rejected, the investor may re-apply and/or appeal before the Minister of Commerce and Industry (Minister).

Additional details regarding the implementation of the Foreign Investment Law and the CDMCI’s decision-making process will be set forth in upcoming executive regulations (ER).

Pending the issuance of the ER and an established practice of the CDMCI, we understand that preference will likely be given to projects with a long-term strategy, that may potentially achieve optimum utilization of local raw materials, industries set up for the export of products, introducing new products or employing new technologies, as well as projects aiming to localize worldwide leaders in industry or those that will provide training and qualifications for Qatari nationals.

Finally, the Foreign Investment Law provides for incentives such as potential exemptions from income tax, allocation of land through rent or usufruct, and exemption from custom duties for equipment, machinery and raw materials required for the relevant activity.

Proxy Law

Law No. 25 of 2004 on the Combat of Covering up Illegal Practices Carried out by Non-Qatari (commonly called the “Proxy Law”) prohibits non-Qatari nationals from exercising “any commercial, economic or vocational business except in sectors where they are permitted to do so in accordance with applicable laws” and makes it unlawful for legal or natural Qatari persons to “cover up” the business activities of any non-Qatari person, thus enabling the non-Qatari person to carry on “any commercial, economic or vocational business in violation of applicable laws.” “Covering up” is deemed to include any assistance afforded to the non-Qatari by the Qatari party by allowing the non-Qatari to unlawfully use the “name, license, commercial registration or otherwise” of the Qatari for the benefit of the non-Qatari, the Qatari or both.

Breach of the Proxy Law may result in heavy penalties, including imprisonment and/or a fine, in addition to the confiscation of any monies generated by the “covered up” business. Penalties may also involve suspension or revocation of business licenses, commercial registration annulments and closing of business premises.

1 For the purpose of this law, a Qatari legal person is restricted to an entity owned wholly by one or more Qatari nationals.
Establishing a Legal Presence in Qatar

To lawfully conduct business in Qatar on a regular basis, foreign investors are required to establish a legal presence in the state through one of the available options. Below is some key information that prospective investors should be aware of when considering doing business in Qatar. This includes the vehicles available to foreign investors and general legal considerations.

The available establishment vehicles may be classified as follows:

- Incorporating a local entity under the Commercial Companies Law No. 11 of the Year 2015 (Companies Law)
- Establishing a foreign branch pursuant to Article 5 of the Foreign Investment Law (foreign branch)
- Establishing a presence under Ministerial Resolution No. 396 of 2017 on the Regulations and Procedures for Licensing the Opening of Commercial Representative Offices
- Incorporating in the Financial and Technology Zones (QFC and QSTP)

Incorporating Under the Companies Law

Companies with foreign participation incorporated as local Qatari entities must be established under the Companies Law. Investors participating in local companies should abide by the following restrictions on foreign investment placed by the Foreign Investment Law:

- Percentage of ownership – By default, the Foreign Investment Law restricts foreign ownership to a maximum of 49% of a company’s capital. However, a higher percentage of up to 100% foreign ownership may be granted (as aforementioned).
- Projected activities – A foreign investor may not act as commercial agent under Law No. 8 of the Year 2002, and may not invest in real estate businesses except in some designated areas. Approval from the Council of Ministers is required for foreign investors to invest in banking and insurance sectors.

The Commercial Companies Law provides for the following eight types of legal entities:

- General partnership
- Limited partnership
- Partnership limited by shares
- Unincorporated joint venture (particular partnership)
- Public or private joint stock companies (shareholding companies)
- Limited liability company (LLC)
- Single person company
- Holding company

The customary business structure used by foreign investors is the LLC. Entering into a shareholding company (a Qatari Shareholding Company, or QSC, as described on the next page) is also a viable option for investors, depending on the type of their projected commercial activity. A special type of company is also available under Article 207 of the Commercial Companies Law (Article 207 QSC).

Limited Liability Company

The LLC is the most prevalent business structure. The key features of an LLC are as follows:

- No minimum paid up capital requirement
- Minimum of one shareholder but no more than 50
- 51% Qatari equity ownership versus 49% foreign participation unless otherwise exempted
- Liability of the shareholders is limited to the amount of their respective percentage ownership in the LLC’s capital
- Incorporation in the form of LLC is allowed in almost all sectors of the economy, excluding banking, insurance and funds investment activities

An LLC may not raise capital by public subscription and may not issue freely transferable shares. Existing shareholders enjoy pre-emptive rights to purchase any shares offered for sale unless the right is expressly waived.

The corporate name of an LLC must derive from its objects and must be followed by “Limited Liability Company (LLC).” Notwithstanding the 49% foreign shareholding cap, under regular circumstances, the foreign shareholder may preserve significant control over the management and operations of the LLC.

An LLC is established by virtue of a memorandum of association (MOA) setting forth its terms of governance and related matters. The MOA must be drawn up in Arabic, with or without a parallel English version, approved by the Ministry of Commerce and Industry (MoCI) and legalized before the Ministry of Justice.

To carry on its business in Qatar once the MOA is signed and legalized, the new LLC must register with the Qatar Chamber of Commerce and Industry and obtain a commercial registration from the MoCI, a municipal license (also known as a trade license) from the Municipality and an immigration card (also known as company ID) from the Ministry of Interior. The establishment process is fairly straightforward. However, in certain circumstances, depending on the nature of the proposed activity, pre-approval(s) may be required from the relevant authorities in Qatar.

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2 Law No. 11 of 2015 was enacted in August 2015 effectively replacing the previous Commercial Companies Law No. 5 of 2002.

3 Law No. 11 of 2015 removed the prior minimum capital requirement for a paid up capital of QAR 200,000 (around US$55,000) under the previous Commercial Companies Laws No. 5 of 2002.
Qatari Shareholding Company

The Qatari Shareholding Company (QSC) is the corporate vehicle used for large-scale business enterprises, investment projects, and insurance and banking. A QSC is established by a ministerial resolution issued by the Minister, between at least five shareholders. It is a company whose capital is divided into transferable shares of equal value. Shareholders of a QSC are not liable for the company’s obligations except for the amount of nominal value of the shares for which they subscribe. The company’s name must be followed by “Qatari Public Joint Stock Company” (public QSC) or by “Qatar Private Joint Stock Company” (private QSC) and its business shall be conducted by a board of directors. The Companies Law recognizes the following different variants of the QSC:

- A public QSC, whose shares can be traded on the Qatar Exchange with a minimum capital requirement of QAR 10 million. Foreign investors may own up to 49% of companies listed on the Qatar Stock Exchange, subject to the approval of the MoCI. The Council of Ministers may allow a foreign investor to exceed 49% ownership upon recommendation of the Minister. The government, other public authorities and corporations or companies in which the state holds at least 51% of the shares (or less with the prior approval of the Council of Ministers) can establish public QSCs. This can be either individually or jointly with one or more founders, whether such founders are Qatari nationals or foreigners, or natural, public or private legal persons. Such “government” QSCs are exempted from the minimum requirement of five founders applicable to the establishment of a “classic” public QSC.

- A private QSC incorporated under Article 207 QSC (discussed below).

Article 207 of the Companies Law

Article 207 QSC allows the government or a government entity (or a foreign entity together with the government or a government entity) to establish a private QSC. These companies can, through their articles of association, contract out of the provisions of the Companies Law, allowing for a considerable degree of flexibility. For example, it is possible to create different classes of shares, something that is not otherwise permitted under the Companies Law.

The Foreign Branch

As an exception to Qatar’s Foreign Investment Law, a foreign company can conduct business in Qatar without the requirement of having a Qatari partner, and without being regulated by the Companies Law, through the establishment of a foreign branch.

In order to establish a foreign branch, the company should be awarded a contract with a “ministry, a government authority, a public body or institution or a company or institution in which the state owns an interest.” The foreign branch should technically be registered after the award of the relevant contract, but before the signing of the same. The approval process for the opening of a foreign branch rests with the CDMCI.

The foreign branch’s scope of activity is technically limited to carrying out the specific contract approved by the CDMCI, with further approval required for each additional contract or for registration of the renewed contract. The registration of the foreign branch is valid for the term of the contract for which it was granted approval. The foreign branch is subject to the Qatari Income Tax Law unless it is granted a special tax exemption.

The Representative Trade Office (RTO)

The RTO is another exception to the general foreign investment rules recalled above. The RTO is regulated by Ministerial Resolution No. 396 of 2017 on the Regulations and Procedures for Licensing the Opening of Commercial Representative Offices (the RTO Law). Foreign companies in good standing can apply to the CDMCI to open a RTO in Qatar. The CDMCI reviews RTO applications on a case-by-case basis. Once the application file is complete, the CDMCI has 30 days to issue a decision. Silence of the CDMCI past this time is deemed a rejection.

The RTO is a platform to promote its parent company in Qatar and provide a “shop window” to source business for its parent company. The RTO’s activities are limited to marketing and administrative functions. The RTO is not a commercial entity and does not have an independent legal personality. The parent company remains liable for all undertakings of the RTO in Qatar. The RTO, however, can hire and sponsor employees locally.

The RTO is not allowed to conduct any commercial activity; as a result, it has no derivable profit and should not, in principle, be subject to taxation. However, the RTO must be registered with the tax authorities. The RTO’s registration is renewable on a yearly basis.

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4 Article 5 of the Foreign Investment Law.
5 Which repealed and replaced Ministerial Resolution No. 142 of 2006.
6 While Article 2 of the RTO Law provides that the CDMCI shall set the relevant approved activities for RTOs, at this stage, there is no such official listing.
Incorporation in the Financial Technology and Investment Free Zones

In 2005, Qatar enacted a law for the establishment of financial technology and investment zones to sustain and diversify the economy. Currently, Qatar hosts three zones — the Qatar Financial Center, the Qatar Science and Technology Park and the Qatar Investment Free Zones.

Incorporating or Registering With the Qatar Financial Centre (QFC)

The QFC was established by Law No. 7 of the Year 2005 to be a financial and business hub with the objective of attracting international financial services providers. The QFC aims to operate at international standards and provide a world-class business and regulatory infrastructure for investors seeking to do business in Qatar.

It is organized into two authorities, a commercial authority and a regulator, the Qatar Financial Center Authority (QFCA) and the Qatar Financial Center Regulatory Authority (QFCRA), respectively. Both authorities are separate and independent of each other and of the government of Qatar.

What makes the QFC unique when compared to other financial centers in the Middle East is that it has no physical boundaries.

Entities registered under the QFC may operate internationally and in Qatar.

Entities established under the QFC can be fully owned by foreign investors. Repatriation of capital and profits is permitted with no restrictions. The QFC allows for various types of legal entities, including LLCs, general and limited partnerships and protected cell companies. All QFC entities must be licensed by the QFCA through the QFC’s Companies Registration Office.

Entities wishing to work within or throughout the QFC must be engaged in specific activities and must obtain a license from the QFC authorities. The permitted activities fall into two categories:

- Regulated activities — activities undertaken by financial firms, such as investment and retail banking, insurance companies, funds and wealth management firms, brokerage offices and securities operations. Undertaking these activities under the QFC requires the approval of the QFCRA.

- Non-regulated activities — historically, non-regulated activities encompassed activities supporting financial services, such as accounting, audit and law firms. It is worth noting that the QFC now considers applications for the registration of types of activities that are not related to the field of financial services. Such activities include advertising agencies, architectural consultancies, project management, accreditation, event management, IT consultancy, environmental consulting, estate planning, to name a few.

Undertaking non-regulated activities does not require approval of the QFCRA.

Incorporating or Registering in the Qatar Science and Technology Park (QSTP)

The QSTP is a part of the Qatar Foundation. It is a center of research and commercial excellence for scientific development. The QSTP aims to be the Middle East’s leading location for the development and commercialization of technology. It requires that any entity wishing to incorporate within the QSTP must undertake activities that contribute to the advancement of technology. Operating within the QSTP may occur through an entity established under the QSTP or a branch office of a foreign company. A license is required in both cases. The QSTP provides the following three tiers of licenses:

- Standard license — entities the licensed entity to all free zone benefits.

- Restricted license — limited free zone benefits are provided at the discretion of the QSTP management.

- Service license — issued to entities providing services to QSTP tenants. No free zone benefits are granted.

QSTP companies are not taxed and can import goods and services free of any customs duties. The granting of a QSTP license is discretionary, and there is an iterative application and interview process. QSTP companies must dedicate at least half of their resources in Qatar to research and development activities.

Entities carrying out non-regulated activities have no minimum capital requirement. The minimum capital requirement for regulated activities is determined according to the proposed activity.

With limited exceptions, QFC entities are subject to corporate income tax.
Incorporating or Registering in the Qatar Investment Free Zones (QFZ)

The QFZ was established by Law No. 34 of the Year 2005, and amended by Legislative Decree No. 21 of 2017 to tailor to the logistics, trading, chemicals and emerging technology sector industries. The QFZ aims to provide a seamless and bureaucratic free process for incorporation and registration of 100% foreign-owned limited liability companies or branches of foreign-owned entities.

An independent authority, the Qatar Free Zone Authority (QFZA), was created in 2018 to oversee and regulate the QFZ. As part of its ambitions to maintain global competitiveness, the QFZA exempts free zone companies from direct and indirect taxes (corporate and income tax) and applies a zero customs duty policy.

The economic activities, or activities permitted by the QFZA to be undertaken by QFZ entities, should fall within the parameters of the following categories:

- Industrial Products and Services
- Pharmaceuticals, Life Sciences and Medical Services
- Automotive and Transport Equipment
- Aerospace and Aviation Activities
- Energy and Environmental Technologies
- Construction and Real Estate
- Food and Beverages
- Consumer Goods
- Marine Activities and Services
- Logistics and Warehousing
- Information and Communication Technologies (ICT)
- Media and Design Services
- Financial Services and Insurance
- Professional and Business Services
- Leisure and Hospitality
- Retail Trade

Undertaking any of the economic activities in or from the QFZ requires a license from the QFZA. The application process requires the submission of, among other things, a business plan and payment of an application fee.

In the event QFZ entities enter into business with mainland entities, the former will be treated as a foreign entity within the structure of the transaction, and shall be subject to local laws and regulations as applicable in that regard.

Other Ways to Do Business in Qatar

If a foreign entity does not wish to establish a physical presence in Qatar, it may choose to enter the market through one of the following methods:

Commercial Agency Relationship

This type of business is regulated by Law No. 8 of the Year 2002 (the Commercial Agencies Law). A foreign entity wishing to sell its goods and products in Qatar may enter into a commercial agency relationship with a wholly Qatari-owned entity or a Qatari individual. The products, territory of the distribution and the duration of the agency should be agreed upon and specified in the agreement between the foreign entity (the Principal) and the Qatari person (the Agent).

Exclusivity, right to commission on sale and right to compensation for termination of the agency relationship are the benefits afforded to the Agent under the Commercial Agencies Law when the agency agreement is registered with the relevant department at the MoCI. It should be noted that the Commercial Agencies Law mandates certain outcomes favorable to the Agent with respect to the expiration or termination of an agency contract, and these provisions should be reviewed carefully when entering into an agency agreement.

Agents with expired commercial agencies who fail to renew their agencies may be struck off the commercial agents register by the MoCI in accordance with the Commercial Agencies Law.

Franchise Agreements

Doing business through franchise agreements is another popular alternative. This is a contractual relationship whereby the franchisor grants the franchisee the right to use one or more rights of the franchisor, such as the commercial name, trademark, patent and know-how to produce or distribute the franchisor’s goods or products under the brand name within specified territorial limits for a limited period of time against a material benefit or economical interest. The franchisee exercises the franchising rights under the control and supervision of the franchisor and pursuant to its instructions.

Most of the countries around the world recognize “franchises” but rarely make legal provisions for them. The US, China, Australia, various provinces within Canada, France and Brazil have explicit laws that regulate franchises.

As there is no specific franchising legislation enacted in the State of Qatar, the franchise structuring options and any actual franchise operations are dictated by, and need to comply with, a loose collection of laws and regulations, which regulate general issues of commercial law and trade, commercial relationships, foreign investment, shareholder rights and obligations, and so forth.
General Legal Consideration

In addition to the above, other general considerations are relevant to foreign investors wishing to enter the Qatari market. Some of the main considerations relate to the following topics.

Taxation

Taxation in Qatar is regulated by Income Tax Law No. 24 of 2018 (Income Tax Law). Those individuals employed in Qatar pay no tax on income arising from their employment. However, foreign businesses in Qatar are subject to corporate income tax.

In general, a Qatari LLC or registered branch pays tax on its taxable profits at a flat rate of 10%. Taxable profits are profits derived from sources in Qatar, calculated in accordance with the law, and exclude profits attributable to the profit share of Qatari nationals tax resident in Qatar. There are various exceptions to the 10% rate, notably that petroleum companies engaged in oil and gas operations are taxed at the rate specified in their development agreements, provided the rate is at least 35%.

There is also a withholding tax. As described in this guide, in order to conduct any business in Qatar, a legal presence is usually required, such as the incorporation of a company or the registration of a branch. However, to the extent that it is permissible to do any business in Qatar through a non-resident entity without a legal presence, any payments made to the non-resident entity in respect of activities performed wholly or partially in Qatar are subject to withholding tax. A single 5% withholding tax rate applies to payments made to non-resident entities for royalties (which includes royalties for the use of intellectual property, and for the use of industrial, commercial or scientific equipment or information) and for services performed in Qatar without a legal presence.

Companies incorporated in free zones are subject to different tax regimes. In general, companies within the QFC are subject to a 10% corporation tax on taxable profits that arise in or derive from Qatar. Companies within the QSTP are exempt from tax.

As in any jurisdiction, the rules relating to tax are not straightforward. Please see our separate guide on taxation in Qatar for more information.

Immigration Law

The Qatar workforce is largely comprised of expatriates. Foreigners working, living and visiting Qatar are subject to Law No. 21 of 2015 Regulating the Entry, Exit and Residency of Expatriates, as amended (Sponsorship Law). All expatriate employees must be sponsored by the employers who are responsible for them during the term of their employment relationship.

Under the Sponsorship Law, if an expatriate employee wishes to travel outside Qatar for any reason or to permanently exit the country prior to the expiration or termination of their employment contract, the expatriate employee must first notify the employer in accordance with the terms of their employment contract. If the employer or competent authority in the Ministry of Interior objects to the departure, the expatriate employee may appeal to the Exit Grievance Committee, which will make a decision on the appeal within three business days. Expatriate employees who wish to move to a new employer before the end of their employment contract will need to obtain a "no objection letter" (NOC) from their current employers. However, expatriate employees will be able to transfer to another employer immediately after the expiry of their fixed-term contract or after the expiry of five years in service if their employment contract is of indefinite duration.

The QFC has its own immigration rules and regulations providing other benefits to expatriates employed by entities established under the QFC.

Qatarization Plan

The Qatarization Plan is a part of the state’s vision for 2030.

This initiative was undertaken by the industrial and oil and gas sectors in an effort to increase the number of Qatari nationals in the public workforce. Current policy is to extend this initiative into the private sector. While Qatarization is not mandatory for the private sector, the Qatari Labor Law No. 14 of the Year 2004 incorporates the principle of Qatarization. The government’s aim is to increase the proportion of Qatari in the industrial sector to 50% by 2020.

Labor Law

Employment in Qatar is generally regulated by the Qatari Labor Law No. 14 of the Year 2004, as amended, which imposes certain minimum standards on employees’ rights, safety standards, workers collective committees and termination of employment. The implementation of the Labor Law is heavily connected with the Immigration Law. Employees excluded from the application of the Labor Law are those employed by ministries, other public institutions and bodies and those who are subject to special employment regulations, such as the employees of Qatar Petroleum. The QFC has its own employment regulations and is not subject to the Qatari Labor Law.

On February 18, 2015, Qatar’s Emir issued Law No. 1 of 2015, amending Article 66 of the Labor Law, which now requires employers to transfer the salaries of their employees to employee bank accounts in Qatar in order to ensure proper and timely payment of the employees’ salaries. In accord with this amendment the Qatar Ministry of Labor launched the Wage Protection System (WPS) to ensure compliance with this law.

7 Article 18 of the Qatar Labor Law.
Dispute Resolution and Enforcement of Foreign Judgments and Arbitration Awards

Qatari laws have been significantly revised to cope with international best practices and standards, although it is permissible for parties to a contract to select a governing law other than Qatar law. For example, for financial transactions, the parties may select other laws, such as English law, to govern part of the relationship. However, for matters involving real property in Qatar, security of assets domiciled in Qatar, labor matters or the structuring of Qatari entities, the application of Qatar law is often mandatory, regardless of what law has been agreed to by the parties. Foreign investors often select arbitration as the method of dispute resolution.

Arbitration in Qatar is governed by Law No. 2 of 2017 Promulgating the Civil and Commercial Arbitration Law (New Arbitration Law) issued on February 16, 2017, which repealed Articles 190 to 210 of the Civil and Commercial Proceedings Law No. 13 of 1990. The New Arbitration Law applies to any arbitration between public or private persons taking place in Qatar or any international commercial arbitration taking place outside of Qatar where the parties have agreed to apply the provisions of the New Arbitration Law. Additionally, the New Arbitration Law is based on the UNCITRAL Model Law and covers numerous topics, including arbitration agreements, appointment and termination of arbitrators, arbitration proceedings, granting of awards and recognition and enforcement of arbitral awards.

The New Arbitration Law permits the parties to determine and agree on the arbitration procedure and process, including the selection of the arbitration rules and the arbitration institution or center that may be outside or inside Qatar, such as the Qatar International Center for Conciliation and Arbitration (QICCA). The majority of foreign investors mostly have recourse to a well-established body of arbitral rules, such as the UNCITRAL, ICC or LCIA.

Data Privacy


The Data Privacy Law establishes the right of an individual to privacy over his or her personal data and imposes obligations on any individual or entity collecting and electronically processing personal data. The Data Privacy Law has several provisions, including those relating to communication and notification requirements and the implementation of data privacy protection procedures, that have a widespread effect on how a company collects, processes and stores personal data. As such, the Data Privacy Law impacts employers, healthcare providers and B2C entities, along with any entity or individual supporting them in the collection and/or processing of personal data.

Please see our separate guide on Qatar’s New Protection of Personal Data Privacy Law for more information.
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