

# THE BUSINESS GUIDE TO QATAR

by Ernst & Young

## 1. BACKGROUND

Qatar has had one of the fastest growing economies in the world in recent years. Economic growth has been underpinned by revenues generated from the North Field gas reserves, the development of which continues to attract major foreign inward investment. Government policy in recent years has recognised the need to promote greater private investment in core industrial projects. The Government has actively promoted equity participation by Qatari and foreign investors in the business sector and has limited its investment activity to areas in which private capital is unavailable or government participation is believed to be in the national interest. Additionally, the Government has promoted initiatives such as the Qatar Financial Centre, Qatar Science & Technology Park and Free Trade Zones, with purpose built facilities being offered to foreign investors to set up businesses in these areas allowing for 100% foreign equity investment and a range of economic incentives for potential investors.

Qatar's diversification efforts, coupled along with a buoyant oil and gas sector have led to rapid economic growth and emergence of Qatar as one of the richest countries in the world in terms of GDP per capita. Revenues from oil, condensates and LNG exports continue to inject significant positive cash flows into the economy. In 2011 Qatar reached its 77 million tonnes per annum LNG export target making it the world's largest exporter of LNG.

Qatar has allocated up to US\$ 150 billion to be spent on development projects over the next five to six years, ahead of the FIFA World Cup Finals in Qatar in 2022. The strategy lists about 176 new projects to be implemented during the next five years, with Qatar planning to invest \$ 60 billion through its semi-governmental companies as well as \$65 billion on infrastructure projects. An additional US\$ 20 billion will also be spent to build and expand roads, including the US\$ 687 million Lusail Expressway.

Qatar is ranked as the most competitive economy in the Middle East and North Africa region and is the 14th most competitive economy in the world in the Global Competitiveness Report 2011-2012 produced by the World Economic Forum's Centre for Global Competitiveness and Performance. In the last decade Qatar has completely updated and transformed its commercial and regulatory business environment to facilitate and attract foreign inward investment. It is seen as having a high quality institutional framework, a stable macroeconomic environment and an efficient trading environment. Low levels of corruption and undue influence on government decisions, highly efficient government institutions and high levels of security are cornerstones of the country's very solid institutional framework.

## 1. Foreign investment in Qatar

Foreign investment in projects in Qatar is governed by the Foreign Capital Investment Law No. 13 of 2000 which was enacted on 16 October 2000. More recently in 2010, additions were made to the categories of businesses permitted to have 100 percent foreign ownership as included below as part of Law No. 1 of 2010.

### Investment in land

Foreigners are not entitled to own land in Qatar, other than in specified real estate developments approved by law. However land may be allotted to projects established by foreign investors under long term rental contracts for periods up to 50 years including renewable options thereafter.

- Ownership of real estate is allowed in the following three projects:

- The Pearl-Qatar
- West Bay Lagoon
- Al Khor Resort

Additionally, Foreigners may purchase the right to enjoy the use of apartments in multi-story buildings in residential areas for periods of up to 99 years. Citizens of other GCC countries can own land in Lusail, Al Kharaj and Jebel Thiyab areas. Real estate in Lusail, Al Kharaj and Jebel Thiyab is managed by the state-owned QATARI DIAR Real Estate Co. and nationals of other GCC countries who wish to own properties in these areas are required to apply to this company.

Expatriates can lease property in 18 specified areas for 99 years with renewal options. The designated areas where expatriates can lease properties are as follows:

Musheireb, Frij Abdul Aziz, Doha Jadeed, Ghanem Al Qadeem, Al Rifa Al Hitmi, Al Salata, Bin Mahmoud, Rawdat Al Khail, Mansoura and Bin Dirham, Najma, Umm Ghuwailina, Al Khulaifat North and South, Al Sadd, New Mirqab and Al Nasser, areas around the Doha International Airport, Dafna and Onaiza, Lusail, Al Kharaj and Jebel Thiyab.

Expatriates who lease properties in these areas can use them for commercial or private purposes in accordance with local laws, transfer the lease to other parties, sublet or rent them and waive rights to the property in favor of other parties.

## Investments in commercial, industrial, agricultural and service activities

Foreign participation in business activities in Qatar is allowed in all sectors of the national economy with the exception of banking, insurance, commercial agency and real estate trading sectors. In general the percentage of foreign ownership in business activities in Qatar should not exceed 49 percent of the capital.

However, the percentage of foreign ownership may be increased to 100 percent in the following designated business sectors:

- Agriculture
- Manufacturing
- Health
- Education
- Tourism
- Projects which develop and utilize natural resources
- Power
- Mining
- Consulting services,
- Technical and information technology,
- Cultural,
- Sports, and
- Entertainment services and
- Distribution services

A resolution from the Minister of Business and Trade is required in order to increase the foreign investment share above the general limit of 49 percent. The following factors are considered in determining whether to approve the majority foreign participation in a business:

- The business project should be consistent with the development plans of the State.
- Preference shall be given to projects which:
  - use locally available raw materials;
  - manufacture products for export;
  - produce a new product or use advanced technologies;
  - facilitate the transfer of technology and know-how to Qatar;
  - promote the development of national human resources.

## Contracting

The Minister of Economy and Trade may provide commercial licenses to international contracting companies to register business entities in Qatar in the case where the international contractor is involved in the performance of a service for the public benefit. Such licenses enable the international contractor to conduct its operations in Qatar on an autonomous basis and the services of a local agent are not required.

## Agencies, trading and importing

Foreigners, whether natural or juristic, are not allowed to engage in commercial agency business. Foreign trading organizations are not permitted to operate on their own behalf in Qatar. They must sell their goods to Qatari concerns which will then market them

locally. The foreign suppliers' profit therefore arises only from a supply operation. Personnel seconded by the foreign business must be employees of the Qatari agent in whose name all bids and contracts must be signed. Commercial agency regulations are governed by Law No. 8 of 2002.

## Banking and insurance

There are specific restrictions on foreign investment in banks and insurance companies which are contained in the laws regulating these sectors. Any foreign investment in these business sectors requires the approval of the Council of Ministers.

## 2. Financial services sector

Qatar currently has two financial services sectors, the domestic banking sector which is regulated by the Qatar Central Bank and the Qatar Financial Center (QFC) which is regulated by the Qatar Financial Center Regulatory Authority. The Emir has approved draft legislation whereby the two banking sectors will be brought under a single regulatory authority, although no time-frame for completion has been published to date.

### 3.1 Domestic banking sector

#### Conventional commercial banks

Qatar has a well structured network of local banks and branches of foreign banks which provide a full range of banking services. The financial sector is healthy and prudent reserve policies laid down by the Qatar Central Bank has generated continued confidence in the banking system. The Qatari banking sector has a combination of both local and foreign banks. There are currently 18 banks, ten of which are Qatari owned, including six commercial, four Islamic banks and the specialized Qatar Development Bank. In addition, two Arab and five foreign banks are represented in Qatar. QNB, with an equity base split equally between the government and private sector shareholders, is the largest Qatari bank and the first national bank to be established.

In the pursuit of developing a strong private sector with an enhanced industrial base, the Qatar Development Bank (QDB) was established in 1997, with an authorized capital of \$54.9 million and the current capitalization stands at \$26.14 billion. QDB is 100 percent owned by the State of Qatar and provides loans at competitive rates of interest to small and medium scale enterprises.

#### Islamic banking

The Islamic banking system is well established in Qatar. Many Qatari enterprises finance specific projects or transactions under the Islamic Law, Shariah. Under Shariah, interest is forbidden and the financing of business transactions is conducted on a profit-sharing (or loss-sharing) basis. There are four Islamic banks operating in Qatar and a number of Islamic finance houses. During the latter part of 2010, the Qatar Central Bank decided to cease the Islamic banking offered by conventional commercial banks. Therefore, Islamic Banks alone can pursue Islamic banking activities in the State of Qatar.



### 3.2 Qatar Financial Center (QFC)

The Qatar Financial Center (QFC) was formally opened on 1 May 2005, and has been successful in attracting over 160 regional and international financial services institutions and major multi-national corporations to participate in the growing market for financial services in Qatar and elsewhere in the region. In particular, the QFC aims to establish Qatar as an attractive environment for a wide range of financial services in the Gulf region.

The QFC operates to international standards and provides a first class legal and business infrastructure for those doing business within the center. The QFC's commercial and regulatory environment and systems conform to international best practices and are separate from and independent of the host Qatari systems. The standards required and the legal environment will be familiar to businesses currently operating in major financial centers around the world.

#### Doing business with the QFC

Activities which are permitted to be carried out in or from the QFC fall into two categories - 'regulated activities' (essentially financial services) and 'non-regulated' activities. All firms wishing to conduct permitted activities need to apply to the QFCA for a license. Firms planning to conduct regulated activities also need to apply to the QFC Regulatory Authority for authorization. Firms wishing to conduct non-regulated activities will need to apply to the QFC Authority for a license through a simple process.

'Non-regulated' activities that may be considered for licensing include business activities of company headquarters, management offices, treasury operations, and company administration; investment grading and other grading services; and professional services including (but not limited to) audit, accounting, tax, consulting and legal services.

### 3.3 Qatar Exchange

The Qatar Exchange (formerly Doha Securities Market) was officially opened on 26 May 1997. Forty two companies are currently listed on the exchange which include the banking and financial, insurance, service, and industrial sectors. In order to qualify for listing on the QE, a company must have at least 100 shareholders, and a minimum share capital of QR 10 million (\$2.7 million), at least 50 percent of which must be fully paid. Listed companies must publish audited financial results annually, and report results quarterly. Seven brokers have been licensed to trade on the market.

Qatar's aim to create a world class financial center around a global exchange that took shape in June 2009 with the formation of the Qatar Exchange (QE).

The QE is a strategic partnership between Qatar Holding (investment arm of Qatar Investment Authority), which holds an 88 percent stake and NYSE Euronext which holds a 12 percent stake. The QE will transition itself to NYSE Euronext's next-generation trading technology (Universal Trading Platform), and will work with the regulators and market participants to diversify the products

traded on the exchange. Under the Central Bank, the Financial Markets Authority (QFMA) is the regulatory and supervisory authority of the QE.

## 3. FREE ZONES

### 4.1 Qatar Science & Technology Park

In September 2005, Qatar launched the Qatar Science & Technology Park (QSTP). The park has a special free zone status and is a center of research and commercial excellence for scientific development and regionally produced intellectual property for both Qatari and international partners.

The QSTP promotes the research and commercialization of technology projects with particular emphasis on:

- Incubation of knowledge-based business.
- Innovation, research, design and development of cutting edge technology.
- Process development and training activities.

The Park has specific business type entry criteria focusing on businesses in the following areas:

- Research and development of new products
- Technology development and development of new processes
- Technology training and promotion of academic developments in the technology fields
- Incubating new businesses with advanced learning

The predominant business sectors are:

- Oil and gas technology
- Health
- Alternative energy services
- Flora and fauna related to desert reclamation
- Aircraft engine technology
- Aircraft avionics
- Renewable energies
- Water technologies
- Tourism and leisure.

The park is covered by Free Trade Zone regulations including the following benefits:

#### Customs duties

The products brought, manufactured, produced or developed in the Free Zone shall be exempt from customs duties, and are not subject to any customs duties or any other fees when exported.

Products kept in the Free Zone, used in any process, or integrated in the manufacturing of any product in the Free Zone are exempt from customs duties.

Products exported from the Free Zone to the "Customs Zone" in Qatar are deemed to have been imported from abroad for the first time, and are subject to customs duties.

## Taxation

Free Zone establishments and employees are exempt from all taxes including income tax with regard to their operations within the Free Zone. However it should be noted that the Public Revenue and Taxes Department have recently confirmed that Free Zone establishments, while are afforded an exemption from corporate income tax currently, are still obliged to file an annual corporate income tax return with the department.

## Repatriation of profits

Free Zone establishments are excluded from any restrictions on repatriation and transfer of capital, profits or wages in any currency to any place outside the Free Zone.

Accommodation and services within the park are provided to tenants on a non-profit basis. The tenants may engage in commercial trading provided their dominant activity is research, product or process development or training.

## 4.2 General Free Trade Zones

In September 2005, Qatar enacted a new law for the establishment of Free Trade Zones in the State aimed at sustaining and diversifying the economy, with particular emphasis on industry, agriculture, technology and tourism. The law allows for other business sectors to be added as are free trade zone sectors at a future date.

Companies setting up in the zones will enjoy the following benefits:

- 100 percent foreign ownership
- Trade without a local sponsor or service agent
- No corporate taxes
- Duty free import of goods & services
- Unrestricted repatriation of capital and profits
- Freedom to hire staff with no quota restrictions
- Simplified import and export formalities
- Land and facilities in the zones will be developed by the government and will be leased to tenants at competitive leasing rate.

Because of the significant levels of construction in the oil and gas sector in the period 2005 to 2011, the development of facilities to house the free trade zone were put on hold. These zones are expected to be established or completion of the Hamad International Airport and New Doha Port facilities that are currently under development.

## 4. Importing and exporting

### Customs duties and procedures

The import of goods into Qatar is regulated by the Qatar Customs Law No. 40 of 2002 which implemented the regulations of the GCC Customs Union. In general, a person wishing to import goods into Qatar for sale must be registered in an Importers Register and be approved by the Qatar Chamber of Commerce.

Individual importers must have Qatari nationality. Companies must be wholly owned by Qatari nationals except in the following instances:

If the importer is an industrial company, the capital of the company must be at least 51 percent held by Qatari nationals and must be allowed by decree to import goods.

If the foreign company is engaged in a designated business sector as defined in the Foreign Investment Law No. 13 of 2000 (in conjunction with Law No. 1 of 2010) and has a contract with the government which allows it to import goods which are essential for its operations.

If the foreign company is engaged in the contracting sector and is registered as a branch in Qatar under a Ministerial Resolution issued by the Minister of Business and Trade, the majority of goods can be imported through a registered importer with the payment of a standard rate of customs duty of 5 percent ad valorem.

### The Common Customs Tariff

The Common Customs Tariff applies to all members of the GCC Customs Union and was adopted by Qatar from January 2003. The standard tariff is 5 percent of CIF (Cost, Insurance, Freight) invoice value. Tobacco and manufactured tobacco substitutes are subject to 100 percent customs duty or on a minimum collectable rates basis whichever is higher.

### Duty exemptions

The GCC States have approved certain exempted goods including:

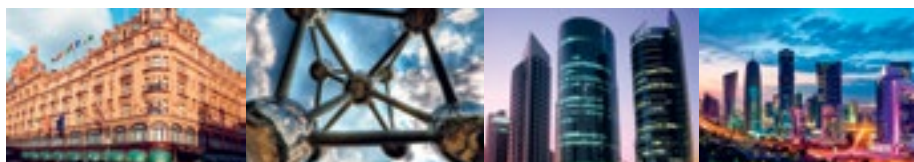
- Basic foodstuffs
- Imports for diplomatic and consular missions
- Imports for military and internal security forces
- Imports for civilian airlines and helicopters
- Personal effects and used household items
- Accompanied passenger luggage and gifts
- Goods required for charitable societies
- Ships and other vessels for the transport of passengers and floating platforms

Customs duty exemptions for imports for industrial projects are also available and cover the following:

- Plant and equipment
- Spare Parts
- Raw Materials
- Semi-finished goods
- Packing materials

The import of plant, equipment, spare parts and primary raw materials may be exempted for the life of the industrial project. Semi-finished goods and packing materials can be exempted for five years and this exemption period can be further renewed. For strategic industries of major economic value, the concerned national department may recommend duty exemption periods for a longer duration.

For an industrial project to qualify for exemption under the above provisions, the application for exemption must be recommended by the concerned national government authority. The application will then be reviewed by the GCC Industrial Cooperation Committee and the GCC Finance & Economic Cooperation Commit-



tee. In the event that the application meets the conditions set by these committees for exemption, approval for the exemption will be granted by the concerned GCC authority.

Each exempt importer will need to specifically identify the goods that are covered by the exemption. These will be recorded in a GCC Unified Customs Register. The GCC regulations include examples of the formats for the registers. These are quite detailed and will require companies to compile detailed lists of import items to be covered by the exemption.

### Documentation requirements

To release imports, the following documents are required:

- Certificate of origin
- Invoice and shipping document
- Full description of goods
- Health and quality certificate, if applicable

Any language may be used in the import documents, however, to facilitate examination of the presented documents, Arabic or English is preferred. Commercial invoices must be legalized by the Commercial Department of the Qatari Embassy in the country of origin or by the customs authorities at the point of import in Qatar. Legalization fees are levied on the basis of invoice value and range from QR 100 (\$27.4) on an invoice value of QR 5,000 (\$1,373) to 0.4 percent of value for invoice amounts in excess of QR 1 million (\$274,672).

### Valuation

The basic value for the assessment of duty is the CIF value of the goods. Where only the FOB (Free On Board) price can be established, customs officials will mark-up the valuation upon the FOB price by 15 percent.

### Temporary imports

The Qatar Customs authorities allow certain goods, including equipment, to be imported on a temporary basis. Temporary imports are subject to the prior approval of the Director of Customs. This approval is normally valid for a period of six months, but may be extended by a further six months. A longer “temporary import” period may be granted in exceptional cases at the option of the customs authorities. A check or bank guarantee equivalent to the duty on a normal import must be deposited with customs to secure this temporary import arrangement.

### Personal effects and restrictions

Once a foreign employee is resident in Qatar there is normally no difficulty in importing personal effects free of customs duty. However, the import and sale of alcohol and pork products are prohibited.

The import of personal computers is normally not allowed unless an employee has a letter from his employer stating that the computer is required for business purposes.

The import of pets is allowed. A valid health certificate issued by

a veterinarian registered with the Public Health Authorities in the country of departure must be produced for pets imported into Qatar. There is no known rabies in Qatar, but animals being imported must be immunized against this disease.

### Exports

No duties are levied on exports.

### Other potential reliefs from customs duties

The State of Qatar is also a signatory to the Greater Arab Free Trade Agreement (GAFTA). Under GAFTA, trade between signatory member states is afforded preferential treatment, including elimination of duty where the Arab rules of origin contained in the agreement are satisfied. In general the rules of origin require that at least 40 percent of the value of the good to be traded has been derived from Arab sources. Direct consignment and invoicing are also generally prerequisites in order to avail of relief under GAFTA. The following countries are members of GAFTA: Egypt, Lebanon, Morocco, Tunisia, Jordan, Saudi Arabia, United Arab Emirates, Oman, Kuwait, Bahrain, Qatar, Syria, Iraq, Palestine, Libya, Sudan and Yemen.

## 5. Intellectual Property

### Patents

Patents are protected by a system of registration for an initial period of 10 years; they may be registered for a further five years only. It is possible for patents to be licensed.

### Trademarks

Trademarks are one of the most valuable and widely used forms of intellectual property in Qatar. A trademark may be registered for 10 years and may be renewed indefinitely for further 10-year periods. If a trademark has not been effectively used for a five-year period, an interested party can apply to the courts to have it canceled. Registration gives an owner the exclusive right to use a trademark on the goods for which the trademark is registered. The owner may prevent other parties from using the trademark on competing products.

### Copyright

An intellectual property law was enacted in Qatar on 22 July 1995. Under the law, original literary and artistic works, including computer software, video and audio tapes are protected. The law includes penalties for violation including fines ranging from QR 30,000 (\$8,240) to QR 100,000 (\$27,467) and a term of imprisonment ranging from six months to one year. The law is enforced by a Copyright Bureau consisting of 12 inspectors.

## 6. Structure of business entities

The structure of business entities that are permitted to trade in Qatar are set out in the Commercial Companies Law, Law No. 5 of 2002. The Law provides for eight categories of commercial



entity into which commercial activity in Qatar can be organized. These are as follows:

- Limited Liability Company
- Public Shareholding Company
- Simple Partnership Company
- Joint Partnership Company
- Limited Share Partnership Company
- Joint Venture Company
- Single Person Company
- Holding Company

Any company that does comply with the categories set out above is void and the persons who contract in its name are personally and jointly liable for the commitments resulting from the execution of such a contract.

The Memoranda and Articles of Association of the above mentioned companies and any amendments thereto (except for a Joint Venture Company) are required to be in Arabic. The law stipulates that partners in Simple Partnership Companies, Joint Partnership Companies and Limited Share Partnership Companies should be natural persons of Qatari nationality. With the exception of the provisions governing the establishment of companies, the Commercial Companies Law applies to foreign companies operating in Qatar.

Limited Liability Company (L.L.C. or WLL). The Limited Liability Company is the most commonly used business entity in Qatar. A company with limited liability must have a minimum of two and a maximum of 50 shareholders and must have a capital of at least QR 200,000 (\$54,934) divided into shares of at least QR 10 (\$2.74) each. Management rests with one or more individuals who must be natural rather than juristic persons and need not be shareholders of the company. A limited liability company may not carry out insurance, banking or investment brokering activities whether as principal or agent.

### Public Shareholding Company (PLC)

A public shareholding company consists of a number of persons who subscribe for its transferable shares and who are not liable for the company's obligations except for the amount of the nominal value of the shares for which they subscribe. The share capital must be at least QR 10,000,000 (\$2.74 million) divided into shares of QR 10 (\$2.74) each. Shares may not be issued for less than the nominal value. Only Qataris are permitted to subscribe for shares in a public company unless an Emir decree is obtained to allow non-Qataris to subscribe.

### Single Person Company

A single person company is a company owned by one natural or legal person. The company must have a share capital of at least QR 200,000 (\$54,934) divided into shares of QR 10 (\$2.74) each. The company is managed by the owner of the capital who in turn may appoint a management team to run the day to day operations of the company. The corporate governance requirements for the individual proprietorship company are similar to Limited Liability Company.

### Holding Company

A holding company is a public share holding company, limited liability company or individual proprietorship company that has effective control over the administrative and financial decision of the investee company and owns 51 percent or more of the shares in the investee company.

The government and other public authorities may incorporate a public shareholding company, either alone or in partnership with one or more founders, whether Qatari or foreign or whether natural or juristic, public or private. Such companies are frequently referred to as Article 68 companies and are not subject to the provisions of Commercial Companies Law No. 5 of 2002 to the extent that Companies' Memoranda and Articles of Association specify alternative requirements.

### Simple Partnership Company

A simple partnership is formed by two or more persons who are jointly and severally liable for the partnership's debts. The contract of incorporation of a simple partnership must be in writing and should be signed by every partner; otherwise it is null and void.

### Joint Partnership Company

A Joint Partnership Company (JPC) is similar to Simple Partnership Company, however the JPC consists of two classes of partners:

Joint partners, these partners are responsible for the running of the business and who are jointly and severally liable for the partnership's debts and,

Trustee partners. These partners are liable for the partnership's debts only to the extent of money they invested or are committed to invest in the partnership. Trustee partners may not interfere in any way with the management of the business.

### Limited Share Partnership Company

A Limited Share Partnership Company is similar to a Joint Partnership Company but it has at least one or more joint partners and at least four trustee partners. The share capital must be at least QR 1,000,000 (\$274,672). Subscription for the shares in a Limited Share Partnership Company is governed by the rules relating to a Public Shareholding Company.

### Joint Venture Company

A Joint Venture Company is formed by two or more natural or legal persons, and its objectives and terms are governed by the joint venture agreement. The Joint Venture Company provided for in the law is an unincorporated entity, without legal personality. The Joint Venture Company is not required to follow the same commercial registration requirements as other categories of business, as the joint venture entity has no legal personality. A third party is required to enforce claims against the joint venture partners rather than against the joint venture entity.



## Branches of foreign companies

Foreign participation in business activities in Qatar is regulated by Law No. 13 of 2000 and Law No. 1 of 2010. A foreign company, may, by a Ministerial Resolution issued by the Minister of Economy and Commerce, establish a permanent business entity in Qatar to invest in certain designated business sectors.

### Temporary branch – project specific

In the event that the activities of the foreign company are contract specific, the Minister is empowered to provide a license to the foreign company for the specific contract. In such a case, the license will be in the format of a branch registration. To qualify for such a registration the project should consist of a contract for the performance of a service for the public benefit. A foreign company is also allowed to import materials required for such projects provided there are no similar products in the local market.

To establish a branch, a foreign company must apply to the Minister of Business and Trade to obtain a ministerial decree approving the registration and licensing of the branch office.

The application will need to be supported by the following documents:

- A copy of the contract governing the project
- Certificate of incorporation of the company
- The Articles and Memorandum of Association of the company
- Power of attorney for the authorized company representative attested by the competent authority
- A letter of support from the contract owner

If any of the above documents are drawn in a foreign language, a certified translation in Arabic is required to be attached. The power of attorney, the certificate of incorporation and the Memorandum and Articles of Association must be legalized by the Qatari Embassy in the country where the company is established.

### A- Engineering offices established under the Engineering Law-International Engineering Office

The registration requirements for an international engineering consultancy office are onerous and the process of initial entry and approval as a registered office can take up to one year to complete. The office must be a branch of the main office that has operated in that profession internationally for at least 10 years and which has a proven track record in that profession during the period. The practice must have at least four international branches in addition to its head office and must prove that it has completed at least 10 projects in five countries other than the location of its home office which are valued at a minimum of QR 100 million (\$27.4 million). The office will require a minimum of four engineers that are permanently based in Qatar and the manager in charge of the office must demonstrate that he or she has specialized in the field of engineering for at least 10 years with five of those years been spent in their head office or any of the international branches of the firm. All engineering professionals

employed by the office must be licensed by the engineering committee and must produce educational certificates and other professional qualifications to prove that they are technically capable to operate in that area of specialization. The branch must have office space of not less than 200 meters square (sqm) and is required to take out professional indemnity insurance issued by an insurer in Qatar with a minimum value of QR 2 million (\$549,345).

### B- Local engineering office

A local engineering office must be at least 51 percent owned by a Qatari natural or legal person. The engineers employed by the local engineering office must be registered in the Register of Engineers and must have appropriate experience in that specialization in which the office is licensed to operate. The chief engineer responsible for the office must have at least 10 years experience in the particular specialization in which the office is licensed to operate in.

The engineering committee classifies local engineering offices into three categories reflecting the office size, staffing levels and annual revenue generated by the office.

The first category local engineering office is expected to have an annual turnover from projects of QR 70 million (\$19.2 million) with office space of not less than 200 sqm. A local engineering office that qualifies as a first category office may undertake a project of unlimited value and construction area. The office is required to take out professional indemnity insurance issued by an insurer in Qatar with a minimum value of QR 2 million (\$549,345). The first category office may be licensed in all 10 sub specializations.

A local engineering office falling into the second category is required to have an annual turnover from projects of QR 30 million (\$8.2 million) with office space of not less than 120 m<sup>2</sup>. This office may undertake projects which do not exceed QR 10 million (\$2.72 million) in value and the construction area should not exceed 5,000 sqm. This office is limited to five sub-specializations and must have a minimum of three engineers if its sub-specialization is civil or architectural engineering and a minimum of two engineers for other sub-specializations. The office is required to take out professional indemnity insurance issued by an insurer in Qatar with a minimum value of QR 1 million (\$274,672).

The local engineering office falling into the third category is not required to meet a specific minimum turnover level from projects. It must have office space of not less than 90 sqm. Similar to a second category local engineering office it may undertake projects which do not exceed QR 10 million (\$2.72 million) in value and the construction area should not exceed 5000 sqm. This office is limited to three sub- specializations and it must have at least one engineer in these sub-specializations. The experience requirements for this office are not as onerous as required for the first category and second category offices with engineers required to demonstrate seven years of experience in the particular specialization that they are licensed to operate in. The office is required to take out professional indemnity insurance issued by an insurer in Qatar with a minimum value of QR 500,000 (\$137,336).

An engineering office registered in Qatar is not allowed to carry out contracting work, trade in building materials or other materials associated with projects regardless of the size or type of these activities. The office may not engage in any other profession that is contrary to the engineering profession in which they are licensed to operate in. The office must comply with the code of ethics and practices of the profession and must not engage in activities relating to securing projects that are contrary to such ethical practices. The owners, partners and engineers of a registered engineering practice in Qatar are prohibited from working in any government ministry, or government body, public establishment or corporation. These prohibitions constrain many Qatari businessmen from involvement in engineering activities in Qatar as invariably they may have existing construction related businesses or hold positions with government ministries or work in the semi government sector.

All individual engineers, whether Qatari or non-Qatari, must be licensed and registered in the Register of Engineers. The applicant must be resident in the State of Qatar, hold a bachelor degree in engineering or an equivalent degree from a recognized university or institution, have full capacity, be of good standing and character and must not have been convicted of a crime or imprisoned for a crime relating to morals or integrity and must pass the technical skills test in accordance with the regulations established by Engineering Committee. Registration as a local or international engineering office is valid for two years and an application for re-registration must be submitted to the Engineering Committee within 30 days before expiry of the registration. Given the burdensome process required for registration and re-registration, it is recommended that the process of renewal of a registration is started well before the 30 day expiry period. In 2012, there were approximately 35 international engineering offices and 80 local engineering firms registered with the Engineering Committee.

Although the engineering law is a fairly all-encompassing set of regulations for the engineering profession, an international engineering firm may be allowed to undertake an engineering project in a specialized technical area for which there are no existing engineering firms with the skill sets required to perform such an activity or in the case where the particular specialty is required for the development of professionals in Qatar. In such rare cases the engineering firm would not be required to register and be licensed with the Engineering Committee.

An international engineering firm may also be allowed to register a branch to undertake a contract that qualifies as a public interest project without having to register an engineering consultancy office with the Engineering Committee. Under this commercial registration route the engineering firm is required to obtain a Ministerial Resolution from the Minister of Business and Trade approving a branch commercial registration. Such registrations are currently available where the project activity is in the oil and gas sector or another specialized industrial field where the project owner is a government or semi government entity or an international oil and gas company operating in Qatar under an oil and gas production sharing agreement with the state.

## New Qatar Commercial Companies Law

The Ministry of Business and Trade released the draft of the new Commercial Company Law on 14 January 2013. The draft, once effective, would repeal the current Commercial Company Law issued by way of Law No. 5 of 2002.

The ministry clarified that the main objectives of the draft include streamlining incorporation procedures and following international best practice in order to improve the ranking of Qatar in terms of ease in doing business.

While the legislation is still in draft format and therefore subject to change, the following points contained therein are worth noting:

- The draft, unlike the current Commercial Companies Law, does not consider the single person company and the holding company as separate forms of companies. Under the draft, the former is a variety of LLC and the latter may either be a joint stock company or a limited liability company.
- In relation to incorporation procedures, the draft introduces the concept of a one-stop shop, which would deal with all required procedures to establish a company. All concerned ministries and authorities would be represented therein. The details of implementation would be laid down in a decision of the Minister of Business and Trade.
- Another deviation included comprises a provision whereby no minimum capital is required to incorporate a LLC. The draft only provides that the capital must be sufficient to achieve the company's purpose. As the current Commercial Companies Law provides for a minimum capital of QAR 200,000 (\$54,794), this is one of the measures that are aimed at facilitating doing business in Qatar.
- In terms of proposed changes on public shareholding companies, the ordinary share capital requirement amount of QR 10 million (\$2.74 million) remains. However a new draft provision provides that in the case where a public shareholding company fails to offer its shares for Initial Public Offering within 60 days from the date of incorporation, it shall automatically turn into a LLC, and the co-founders shall be liable to modify the Memorandum and Articles of Association to correspond with such an automatic transfer. The co-founders shall also be required to bear the costs of this transformation, including the fees and fines imposed by the Ministry of Business & Trade. The public shareholding company is also required to be listed within a one year time-frame. This provision is clearly aimed at urging such entities to undertake speedy and efficient flotation processes.
- Other proposed changes also concern the regulation of certain Islamic finance products – specifically the tradable sukuk. Following certain approvals, a Company may issue the tradable sukuk which complies with the provisions of Islamic Sharia, and which is subject to the terms, conditions and pro-





visions governing the bonds, provided they do not contravene the very nature of the sukuk.

- Additional penalties and control measures are specified in the draft which the Ministry of Business and Trade may impose on non-compliant companies. These sanctions range from the issuing of a warning to the imposition of a financial sanction which can be as high as QR 10,000 (\$2,746) per day for continuous offenses and QR 1 million (\$274,672) in other cases.

The draft is published on the Ministry of Business and Trade's website (in Arabic) for public consultation and comments. It requires the pending approval of the Council of Ministers (after being formally submitted by the Ministry of Business and Trade) and the Head of State. This is expected in the coming months.

## 7. Structures used by foreign companies to do business in Qatar

- Foreign investors can operate in Qatar by adopting one of the following structures:
- Establish a wholly owned branch of a foreign company by obtaining a Ministerial Resolution to carry out a project
- Establish an international engineering office under the Engineering Law
- Establish a local engineering office with a Qatari partner provided the foreign investor's share in the capital does not exceed 49 percent under the Engineering Law;
- Establish a company with a Qatari partner to engage in commerce, industry, agriculture and services provided the foreign investor's share in the capital does not exceed 49 percent and the company is incorporated in a correct manner in accordance with the commercial companies' law;
- Establish a business entity in certain designated business sectors which allow for up to 100 percent foreign capital investment, provided this investment project is approved by the Minister of Economy and Commerce.

Businesses operating outside these structures are deemed to be illegal and any parties facilitating the continued operation of an illegal business structure may be subject to prosecution.

## 8. Labor relations and regulations Labor supply

The work force in Qatar consists mainly of Asian and expatriate Arab workers. There are also a significant number of Europeans and American nationals with specialized expertise. Priority in employment shall be given to Qataris. Non-Qataris may only be employed after approval of the Department of Labor and the possession of a valid work permit. The Minister of Labor determines the proportion of non-Qatar to Qatari workers in each work sector. The Minister can prohibit employment of non-Qataris in any sector if the public interest necessitates.

## Labor legislation

Employment related matters are regulated by the Labor Law No. 14 of 2004. Wages and salaries are normally agreed between the employer and employee. There is no requirement to pay employees either an annual bonus or a share of profit.

A normal working week consists of eight hours per day, six days per week. This is reduced to six hours per day during the month of Ramadan. Overtime should be paid at a minimum rate of time and a quarter except on Fridays and public holidays when the minimum is time and a half.

A statutory minimum of three weeks annual leave is due to employees with more than one and less than five years continuous service. After this period the minimum is four weeks per annum. In practice the amount of leave granted in a year varies considerably depending on the employer. The employer, usually being a sponsor, is responsible for the costs of engagement and repatriation of expatriate workers from and to their home country. Employees may request that up to half of their annual leave entitlement be carried forward to the next holiday year. Employees are prohibited from working for another employer during their annual leave. Female workers are entitled to 50 days paid maternity leave after one year of service, which may be extended further on the basis of unpaid leave. In addition, a working mother is entitled to a one hour break during the working day to breastfeed a child for a period of one year after the birth of the child.

## Labor relations

Companies which employ 100 or more Qatari workers are permitted to form a workers' committee. Trade unions are not permitted for the expatriate workforce.

## Payroll taxes

There are no payroll taxes in Qatar as individuals in employment are presently not liable to income tax.

## Dismissal and severance payments

Staff may be dismissed; provided the cause is reasonable and adequate notice is given. An employer must pay severance (terminal benefit) payments as follows:

- Where the dismissal is without a cause deemed reasonable under the Labor Law;
- Where the contract ends and employment ceases;
- Where an employee resigns after more than two years service.

The terminal benefit payment level shall be agreed upon between the employer and employee. An employee must be employed for at least one year in order to have an entitlement to a terminal benefit payment. The payment should not be less than three weeks basic salary per year of the service on the basis of the last drawn basic salary level.

### Special requirements for foreign nationals

Citizens of GCC countries may reside and work in Qatar without obtaining special permission. Nationals of other countries must obtain residence and work permits before their entry into Qatar, except in the case of transit and visit visas

Applications for permits are normally made through a Qatari embassy or consulate. They must be based on a formal offer for employment that describes the nature of the position. The Department of Immigration issues the permit, which can take a few weeks to process.

### Qatarization

It is stated government policy to replace expatriate manpower with appropriately skilled Qatari staff in all government and semi-government corporations. The 2004 Qatar Labor Law has introduced a Qatarization requirement for private sector employers. An employer in the private sector employing 50 or more workers is required to employ 5 percent of the headcount as Qatari trainees with the intention that these trainees will receive the technical skills to perform the duties of existing employees in the future. The take up of positions by Qatari employees in the private sector has been limited in recent years due to more attractive job opportunities in the government, oil and gas and financial services sectors and therefore unlike the nationalization programs in other GCC states, there is currently no major pressure on employers to have Qatari employees in private sector companies at present.

### Block visas for employees

An employer in Qatar will need to obtain an immigration card, commonly known as a "Computer Card" in order to apply for visas and work permits for its employees. Once a computer card has been obtained the employer may register with the Labor Department for the purposes of employment of staff. A large employer will need to submit an application for a block visa to hire employees. The block visa application will specify the nationality, gender, and job positions of workers that the applicant wishes to hire. The number of visas allocated to an employer is a function of the size of the project that the business is working on and the applicant must support its application with copies of contracts that it has on hand.

The Labor Department applies quotas on certain nationalities in line with Qatar's management of population demographics in the State and employers may be faced with the dilemma that the nationalities that it applies for may not be available or the number of visas requested has been reduced. If a quota is imposed on an employer, there is an option to appear before a review committee at the Labor Department to request a revision in the initial decision based on the particular merits of the employers' case for visas. Once the block visa allocation has been approved the employer will then need to compile the necessary documents for each employee including educational certificates, employment contracts, marriage and birth certificates, police clearance re-

ports and other documents. These documents will need to be notarized, legalized and authenticated in the originating country.

Different documentation requirements may apply for different nationalities and therefore the services of an in-house or external public relations officer familiar with immigration procedures is essential.

## 9. Taxation

### Corporate Income Tax

Natural and legal persons, including partnerships and joint ventures, carrying on business activities in Qatar are subject to tax. Tax is imposed on a foreign entity operating in Qatar, regardless of whether it operates through a branch or in a joint venture with a locally registered company.

### Corporate Income Tax Exemptions – based on nationality

For a company with Qatari and foreign shareholders, tax is assessed on the total profits of the company. The resulting tax liability is apportioned between the foreign and Qatari shareholders. The foreign shareholders must pay their share of the tax liability to the tax authorities, but the Qatari shareholders are exempt from tax. Citizens of other GCC countries (Bahrain, Kuwait, Oman, Saudi Arabia and United Arab Emirates) are treated as Qatari citizens for the purposes of the tax law.

Consequently, companies which are tax resident in Qatar and which are wholly owned by Qataris and other GCC nationals are exempt from tax. If these entities are tax resident outside Qatar, they are subject to taxation in Qatar. Finally, companies which are wholly owned by Qatari or GCC nationals are currently fully exempt from corporate income tax.

### A- Corporate Income Tax Exemption – based on activity

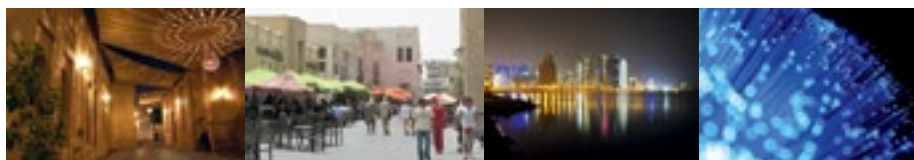
Foreign shipping and aviation companies are exempt from tax in Qatar, if the Qatari shipping and aviation companies enjoy similar reciprocal treatment in the respective foreign countries.

The incomes of not-for-profit entities that are registered in Qatar or in another country are also exempted from taxation.

The share of profits of non-Qatari investors in Qatari shareholding companies, where the shares are listed on the Qatar Exchange is tax exempt.

Upon application to the Tax Exemption Committee established within the Ministry of Economy and Finance, an income tax exemption may likewise be given to certain entities based on their activity type.

In considering the application for tax exemption, the Tax Exemption Committee is guided by specific criteria as follows:



- The project should contribute to supporting and developing industry, agriculture, fishery, trade, petroleum, mining, tourism, land reclamation, transportation or any activities or projects needed by the country which provide social and economic benefits.
- The project should be in line with the objectives of the economic development plan, approved by the competent government authority and shall contribute to the overall development of the economy, taking into consideration:
  - (i) The volume of investment and location thereof
  - (ii) The commercial profitability
  - (iii) The extent to which the project is integrated with other projects
  - (iv) The extent to which the project relies on the production factors available in the country
  - (v) The impact of the project on the balance of trade and the balance of payments.

The project should introduce modern technology and lead to the creation of employment opportunities for nationals.

There is no Qatari or GCC national participation requirement. From a practical perspective, foreign investors should note that obtaining such an exemption is a lengthy process and may take up to one year to obtain.

### Rates of Corporate Income Tax

Income is subject to tax at a standard rate of 10 percent and a standard rate of 35 percent is applicable for oil and gas companies operating in the upstream sector (or rates ranging from 35 percent to 55 percent for agreements that precede the enactment of the 2009 Income Tax Law).

### Scope of Corporate Income Tax

Qatar operates a territorial taxing regime, regardless of the source of investment in the company. Thus, only items of income sourced from within Qatar should fall within the Qatar tax net.

The Qatar Income Tax Law contains rules on when an item of income may be considered as Qatar source. In the case of construction services, the revenues would be considered as derived from Qatar sources when the related services are performed in Qatar. Revenues from the supply of equipment into Qatar are not considered to be from Qatar sources.

Where a contract includes services to be performed within Qatar and outside Qatar, or includes services bundled with supply of equipment, there is a risk that the full contract value would be considered as derived from Qatar sources, hence entirely subject to tax in Qatar.

Given the territorial taxing regime, it becomes imperative to structure contracts to ensure that the company would not be subject to more Qatar taxes than is necessary under the contracts. Any such structuring, however, should be in line with the commercial realities of the activities.

### Withholding taxes

Withholding tax of 5 percent applies on payments to foreign companies without a permanent establishment in Qatar on the following income sources:

- Royalties
- Technical fees
- Management fees
- Consultancy fees

Other payments for services performed in Qatar including commissions and brokerage fees are subject to 7 percent withholding taxes. A 7 percent withholding tax is also levied on interest paid by a company operating in Qatar to a group affiliate.

The withholding tax on payments must be remitted to the Public Revenues and Taxes Department by the 15th day of the month following the month in which the payment was made. An entity that fails to deduct withholding tax at source shall be subject to a financial penalty equivalent to the tax not deducted, in addition to payment of the amount of the original tax due.

### Capital gains

Capital gains are aggregated with other income and are subject to tax at the regular corporate income tax rates.

### Administration

A taxpayer must register with the Qatar tax authority within 30 days of commencing a taxable activity in Qatar and obtain a tax card.

The tax year runs from 1 January to 31 December, and a taxpayer must use this accounting period unless approval is obtained for a different year-end. Approval to use an alternative accounting period is granted in exceptional cases only.

Tax declarations must be filed within four months after the end of the accounting period. The due date may be extended at the discretion of the tax administration, but the length of the extension may not exceed four months after the deadline for the tax filing.

Audited financial statements must be submitted with the tax declaration if the capital of the taxpayer exceeds QR 100,000 (\$27,467), or total taxable income exceeds QR 100,000, or the head office of the taxpayer is located outside Qatar. The tax declaration must be certified by an accountant in practice in Qatar who is registered with the Ministry of Business and Trade. If this requirement is not satisfied, the tax administration rejects the tax declaration. The tax declaration and supporting audited financial statements must be denominated in Qatari riyals.

Tax is payable on the due date for filing the tax declaration. The due date for payment of taxes may be extended if the filing date is extended and if the taxpayer provides reasons acceptable to the tax administration.

Penalties for late filing are levied at the rate of QR 100 (\$27.4) per day subject to a maximum of QR 36,000 (\$9,888). The penalty for late

payment is based on 1.5 percent of the tax due for each month or part of a month for which the payment is late. The tax administration may issue tax assessments based on a deemed profit or reassess the amount of tax due based on applying market prices for certain related party transactions in certain circumstances. The tax law provides for a structured appeals process against such tax assessments. The appeals procedure consists of the following three stages:

- Correspondence and negotiations with the tax administration
- Formal appeal to an Appeal Committee
- The commencement of a case in the judicial courts

The tax administration may inspect a taxpayer's books and records, which should be maintained in Qatar. The books and records are not required to be maintained in Arabic. The accounting books and records must be maintained for at least five years from the date the annual tax declaration is filed with the tax administration or for 10 years where a taxpayer has not filed a tax return or failed to register with the tax department.

## Tax filing requirements for 100 percent GCC/ Qatari owned companies

Although exempt by virtue of the nationality of its shareholders, 100 percent Qatari and GCC owned companies are required to file annual income tax declaration and audited financial statements where its capital is at least QR 2 million (\$549,345) or its annual revenue is at least QR 10 million (\$2.74 million).

Outside of the above thresholds, the filing of tax declaration and audited financial statements can be made on a voluntary basis.

As mentioned previously, QSTP entities are also required to file annual income tax declarations with the Public Revenue and Taxes Department.

## Statute of limitations

The Public Revenue and Taxes Department have a right to assess the tax and financial penalties related thereto within five years following the year when the taxpayer submitted its tax declaration. Where the taxpayer fails to submit a declaration, the period is extended to 10 years. The department would have a right to assess the tax within 10 years from discovery of the activities of the taxpayer in the event the taxpayer fails to register with the tax authority.

## Contract retention

Payments made to non-resident taxpayers with a permanent establishment of more than one year in the State are subject to retention that is to be held pending receipt of a tax clearance from the Qatar tax administration. The Public Revenue and Taxes Department have recently undertaken the view that a no-objection letter which covers the entire project duration is required prior to the release of retention. Negotiations are ongoing with the department in this regard given the significant negative cash flow impact on taxpayers such a stance would cause. The retention shall amount to the greater of 3 percent of the contract value excluding supply value or the final payment. Qatar incorporated companies and

permanent branches (non-project related) of non-resident entities are not be subject to retentions.

## Dividends

Dividends are not taxed. Tax is assessed on the share of profits attributable to foreign shareholders according to the financial statements of a company, as adjusted for tax purposes. Income distributed from profits that have already been subject to Qatar taxation will not be subject to double taxation in the hands of the recipient where these are included in the investment income of a taxpayer. Dividends paid by an entity that has a tax exemption are tax exempt in the hands of the recipient.

## Determination of trading income

- The following are some of the items included in taxable income:
- Interest derived outside the State from amounts generated by the taxable activity carried on in the State.
- Commissions due to agencies, mediation or commercial representation incurred outside the State for activities practiced therein.
- Total income resulting from an activity practiced in the State.
- Total income resulting from partial or total implementation of contracts in the State.
- Total income resulting from real estate located in the State including sale of stocks and shares in corporations or shareholding companies of assets mainly constituting of real estate located in the State.
- Total income resulting from stocks or shares of companies resident in the State or enlisted on its financial market.
- Service fee income received by head offices, branches or related companies.
- Interest on loans acquired in the State.
- Total income resulting from excavation, extraction or exploitation of natural resources located in the State.
- Total taxable income in the State in accordance with agreements for avoiding double taxation.

Normal business expenses are allowable and must be determined under the accrual method of accounting.

## General rule on the deductibility of expenses:

Generally, expenses shall be allowable in the computation of taxable profit if they satisfy the following conditions:

The expense should:

- Be necessary to derive the gross income;
- Have been actually incurred & supported by documentary evidence;
- Not increase the value of fixed assets used by the activity; and
- Be related to the taxable year.

Agency fees paid to a Qatari agent are deductible if they are supported by a valid agreement and if they do not exceed 5 percent of



the reported contract revenue for the year. Branches are limited in the deduction of head office expenses. Self employed individuals may choose to deduct 30 percent of their total income in return for all expenses and costs which are allowed to be deducted. Expenses for entertainment, hospitality, meals, holidays, club subscriptions and client gifts are subject to restrictions. These expenses are subject to an allowable ceiling of 2 percent of net income (before deduction of the expenses) up to a maximum of QR 200,000 (\$54,934).

### Inventories

Inventories must be valued using the guidance under international accounting standards.

### Provisions

General provisions, such as bad debts and stock obsolescence, are generally not allowed. Specific bad debts that are written off are deductible to the extent they satisfy conditions set by the tax administration. Deductions by banks for loan loss provisions are the subject of periodic instructions from the Central Bank of Qatar and in general, provisions are allowable up to a ceiling of 10 percent of net profits.

### Allocation of head office expenses

Charges of a general or administrative nature imposed by a head office on its Qatar branch are allowed as deductions, provided they do not exceed 3 percent of turnover less subcontract costs. For banks, the limit is 1 percent. If a project derives income from both Qatari and foreign sources, the limit is 3 percent of the total revenues of the project, less subcontract costs, revenues from the supply of machinery and equipment overseas, revenues derived from services performed overseas and other income not related to activities in Qatar.

### Tax depreciation

Tax depreciation is calculated using the straight-line method for the following major assets:

	Annual depreciation rate
Building and constructed assets	5 percent
Ships and boats	10 percent
Aircraft and helicopters	20 percent
Drilling equipment	15 percent
<b>Intangible assets</b>	
Pre-establishment costs	50 percent
Trademarks and patents - amortized over useful life and not to exceed	15 percent
<b>Other asset groupings are depreciated on a reducing balance method over the following rates :</b>	
Computer hardware and software	33 percent
Machinery, plant, electrical equipment, cars and trucks	20 percent
Office furniture, fixtures and fittings	15 percent

### Relief for losses

Losses may be carried forward for up to three years. Carry back of losses is not allowed.

### Groups of companies

There are no tax regulations covering groups of companies. However, in practice, the tax authorities require a taxpayer to aggregate income from all Qatari sources.

### Transfer pricing

The tax authority has the power to nullify or alter the tax consequences of any transaction that it has reasonable cause to believe was entered into to avoid or reduce a tax liability. If a company carries out a transaction with a related party that was intended to reduce the company's taxable income, the income arising from the transaction is deemed to be the income that would have arisen had the parties been dealing at arm's length. Additionally the tax authority will look at the substance of a transaction or commercial structure rather than its legal form, primarily where a taxpayer may be structuring transactions, the primary aim of which is tax minimization.

### Supply and installation contracts

Profits from "supply only" operations in Qatar are exempt from tax because the supplier trades "with" but not "in" Qatar. Where a contract includes work elements that are performed partially outside Qatar and partially in Qatar and there is a clear separation of these activities in the contract, the outside Qatar revenues are not taxable in Qatar. Similarly, with respect to engineering, procurement and construction contract for a project in Qatar, the obligation to perform construction work in Qatar may bring the revenues arising outside Qatar into the Qatar tax net unless the contract clearly includes a revenue split between work done in Qatar and work done outside.

### Contract reporting

Companies and permanent establishments are required to notify the tax authorities of contracts entered into with non-residents with no permanent establishment within 30 days of signing the contract. The same requirement applies for contracts entered into with residents or with non residents with a permanent establishment in Qatar if the contract value amounts to at least QR 200,000 (\$54,934) for service contracts, or QR 500,000 (\$137,336) for contracting, supply and supply and service contracts.

Contract reporting is one way of determining compliance with withholding tax and contract retention obligations of companies operating in Qatar.

### Other taxes

#### Personal income tax

Qatar does not levy personal income tax on employee earnings.



### Miscellaneous taxes

Qatar does not levy estate or gift tax. Qatar does not also levy any social security taxes.

### Sport and social levy

Qatari public shareholding companies are subject to a sport and social levy of 2.5 percent of the annual net profits. The levy is allocated to a fund, which supports sport, cultural, social and charitable activities.

### Double taxation treaties

Qatar has entered into several double tax treaties with other countries and is actively expanding its treaty network. The following treaties are in force:

Algeria, Armenia, Austria, Azerbaijan, Belarus, Bulgaria, , China (People's Rep.), Croatia, Cuba, Cyprus, France, Georgia, Greece, Hungary, India, Indonesia, Isle of Man, Italy, Jersey, Jordan, Korea (Rep.), Lebanon, Luxembourg, Macedonia, Malaysia, Malta, Mauritius, Monaco, Morocco, Nepal, Netherlands, Norway, Pakistan, Panama, the Philippines, Poland, Romania, Russia, Senegal, Serbia, Seychelles, Singapore, Slovenia, Sri Lanka, Sudan, Switzerland, Syria, Tunisia, Turkey, United Kingdom, Venezuela, Vietnam, and Yemen.

Qatar has also signed the following treaties which are not yet effective: Albania, Barbados, Belgium, Bermuda, Bosnia & Herzegovina, Brunei, Iran, Ireland, Mauritania, Mexico, and Portugal.

### Method of obtaining Double Tax Treaty relief:

The provisions of tax treaties prevail over those of the Qatar Income Tax Law, except only when the Qatar Income Tax Law provides a more favorable tax treatment. However, taxpayers should note that generally only retrospective relief on the elimination of withholding tax is available. Withholding tax must be operated at the first instance and a subsequent application for a refund may be submitted to the tax authorities by the non-resident – i.e., a withhold and reclaim system is in operation. Alternatively, a pre-clearance may be sought by the payor prior to making any payments to the non-resident.

### Qatar Financial Center

Qatar Financial Center (QFC) is a separate zone and has a separate tax regime to that which is in place in the domestic market. The income of businesses operating in the QFC is subject to a standard rate of tax of 10 percent. Activities that may be carried on at the QFC include the following:

- International banking
- Insurance and reinsurance
- Fund management
- Brokerage and dealer operations
- Treasury management
- Funds administration and pension funds
- Financial advice and back office operations
- Professional services in the areas of classification and investment grading
- Audit, legal and taxation advisory

- Holding company and headquarter hosting
- Ship brokering and agency services

Companies engaged in captive insurance or reinsurance services, operating collective-investment schemes or establishing special-purpose entities at the QFC are exempt from tax.

### Accounting

Taxable income is calculated based on the profit disclosed in the entity's financial statements, with various adjustments. Whilst International Financial Reporting Standards are followed by most entities, applications for reporting under US or UK GAAP will be considered by the QFC where the parent entity is required to report under these standards.

### Loss relief

Tax losses incurred can be carried forward indefinitely for utilization against future income derived by the loss making entity, provided that the entity meets various requirements including continuity of ownership and continuance of its business.

### Exemptions

Certain exemptions apply for activities to be carried out by QFC entities, in order to ensure that the QFC remains competitive as a base for financial service providers on an international scale. The exempt activities include:

- Registered funds and special investment funds
- Special purpose and finance vehicles
- Captive insurance and alternative risk vehicles
- Reinsurance

### Qatar Science and Technology Park

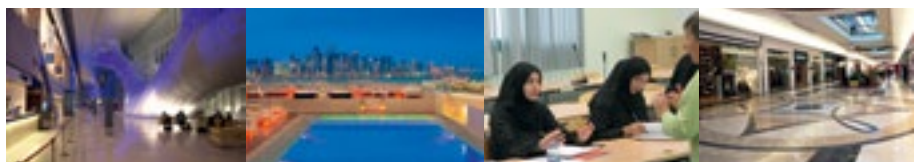
The income of businesses operating at the QSTP is exempt from tax. However, as previously outlined, QSTP entities are required to file an annual income tax declaration with the Public Revenue & Taxes Department. Activities that may be carried out at the QSTP include the following:

- Research and development of new products
- Technology development and development of new processes
- Low volume, high value added specialist manufacturing
- Technology-related consulting services, technology training and promotion of academic developments in technology fields
- Incubating new businesses with advanced learning

## 10. Financial reporting and auditing

All business enterprises are required to maintain adequate financial records necessary to reflect properly both the company's operations and its financial status and to allow the preparation of annual financial statements in compliance with International Financial Reporting Standards. Accounting records may be in English or Arabic.

Income tax regulations specify that taxable income must be recorded in accordance with the accruals basis of accounting with



the adopting on International Financial Reporting Standards. The regulations also specify that all original documents must be available for inspection and that the books and records must consist of a general ledger, inventory books and subsidiary ledgers appropriate to the business activity. The financial year for a company shall be the Gregorian year unless the company's Articles of Association provides otherwise.

General Accounting principles and practices are not formally codified in Qatar. The Ministry of Business and Trade has issued a circular to audit firms instructing them to ensure that all companies prepare accounts in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. A separate set of accounting standards and principles for banks is set out in Circular No. 51/95 issued by Qatar Central Bank. The standards issued by Qatar Central Bank are similar to the pronouncements of the International Accounting Standards Board.

### Filing requirements

Companies with limited liability are required to deposit a copy of their audited financial statements with the Department of Commercial Affairs at the Ministry of Business and Trade within two months of the financial year end. All companies with limited liability are obliged to hold a general meeting at least once each year within four months following the end of company's financial year.

Public Shareholding Companies are required to deposit a copy of agenda for their General Assembly, the audited financial statements and the Directors report on the company's activities and future plans with the Department of Commercial Affairs at the Ministry of Business and Trade within three months of the financial year end. All Public Shareholding companies are obliged to hold a general meeting at least once each year within four months following the end of company's financial year.

Income Tax regulations specify specific reporting requirements for tax payers. In addition to the generally accepted reporting requirements, tax payers are required to support audited financial statements with a detailed analysis of fixed assets and depreciation calculations.

### Audit requirements

All Limited Liability Companies and Public Shareholding Companies should have auditors appointed by the general assembly every year. Also, income tax declarations must be accompanied by financial statements audited by an auditor registered and based in Qatar. The auditor must be independent of the company being audited and must be registered in the Register of Auditors.

## 11. ENTRY VISAS AND WORK PERMITS

### Entry points

Entry into Qatar may be made by land through the main border point at Abu Samra, by air through Doha International Airport, and by sea through the ports of Doha and Mesaieed.

### Visas

All foreign nationals, except for those from GCC countries, must obtain visas and residence permits. Applications for these are normally through the Qatari Embassy or Consulate in the home country. Applicants for residence permit must be based on a formal offer of employment. The Department of Immigration is responsible for issuing such permits. Visas are issued for business purposes, tourism and residency.

A two week renewable business visa will be issued to visitors who visit Qatar for business purposes. For this the visitor must have a valid passport and a return ticket. In addition, a letter signed by a sponsor in Qatar stating that the visit is for business purposes only, must be submitted to the immigration authorities at the airport 48 hours prior to the visitor's arrival.

Tourist visas valid for up to 28 days may be obtained upon application of one of the main hotels in the country. Visitors must stay at the hotel through which the visa was obtained for the length of their visit.

Residents of certain specified countries are permitted to travel to Qatar without the need to obtain an entry visa in advance of travel and may obtain a tourist visa on arrival at any port of entry in Qatar. The specified countries include: Australia, Brunei, Canada, certain European Union States, Honduras, Hong Kong, Iceland, Japan, Liechtenstein, Malaysia, Monaco, New Zealand, Norway, San Marino, Singapore, South Korea, Switzerland, the Vatican and the United States of America. The tourist visas are valid for two weeks renewable for a further two weeks.

A visitor's visa valid for up to six months may be obtained only upon application of a sponsor residing in Qatar, not necessarily a Qatari national. Where the visitor wishes to stay for more than one month, health examination procedures should be completed prior the elapse of such month.

A residence visa valid for up to three years will be granted to persons holding employment contracts to work in Qatar. The person is usually sponsored through the company with which they have the employment contract.

Foreigners doing business or professional consulting jobs with valid resident permits for GCC states do not require a visitor's visa. On arrival in Qatar they will be granted an entry visa that will be valid for up to two weeks. The residence permit stamped on their passport must be valid for more than six months.

Holders of British passports with the right of abode in Britain may obtain a visitor's visa for Qatar for up to six months on application to the Qatari Embassy in London, as well as other Qatari embassies overseas. A two week renewable business visa may also be obtained from the embassy in London. The application for the business visa should be accompanied by a letter from a sponsor in Qatar stating that the visit will be for business purposes only. The visas will be available for collection within 24 hours or may be dispatched by post without the need for the British citizen to be present at the embassy.



British citizens may, on application be granted a multiple entry visa for a maximum five year period, depending upon the validity of the passport.

A U.S. citizen is entitled to a multiple entry visa valid for 10 years. However, the maximum length of stay in the country is six months after which the holder of the visa must leave the country. The application for the multiple entry visa must be made to a Qatari Diplomatic mission outside Qatar. The visa is valid for business and tourism purposes.

Foreign individuals and their immediate family owning land or with property rights in leased properties are entitled to residence permits for five years with renewal options without a sponsor for the duration of their interests in these properties. In addition, foreigners with investments in businesses under the provisions of the Foreign Capital Investment Law No. 13 of 2000 or Law No. 1 of 2010 are also entitled to entry visas and resident permits for five years with renewal options over the period of their investments in Qatar.

## Work permits

Applications for residence permits are made after arrival in Qatar by the local sponsor through the Immigration Department. These are becoming increasingly straightforward to arrange and are normally available within six weeks of arrival. Family dependents also receive residence permits under the sponsorship of the family member employed in Qatar. For long-term visitor's and residence visas, it is necessary to complete various health and fingerprint examination procedures. Most companies have well established departments to assist new arrivals in the completion of the necessary formalities.

A person employed in Qatar may not work for anyone other than his sponsor. Sponsorship cannot be transferred until an employee has worked with the original sponsor for at least two years, and

has been granted a release letter by that sponsor. However, it is possible for an employee to join another employer on a secondment basis with the permission of his sponsor. Secondment arrangements are allowed for six months, renewable thereafter, when the employee has completed one year of service.

There are no restrictions on the employment of women. Opportunities for such employment are determined by market demand and lie mainly in the teaching and medical professions, and in accountancy and secretarial work. An employee with a residence permit may apply for a family visa where his basic salary is not less than QR 7,000 (\$1,922) and his employer provides appropriate family accommodation facilities. Department of Immigration approval is based on the applicant nature of work and his/her job title as well. Foreigners resident in Qatar are advised to register with their embassy on arrival.

## Identity cards

All expatriates residents in Qatar are required to carry identify cards. These are normally obtained at the same time as residence permits.

## Driving licenses

All residents driving vehicles in Qatar are required to hold a valid Qatari driving license. These are obtained after the residence permit has been issued, and usually involve driving and eye tests.

## Health cards

In order to receive medical treatment from polyclinics and hospitals, it is necessary for foreign residents to obtain health cards. On payment of a nominal fee, these are issued by the nearest polyclinic to the person's residence on production of relevant residence permits. These must be shown on all polyclinic and hospital visits