

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 percent 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 tons per annum LNG export target making it the world's largest exporter of LNG.

Qatar has allocated up to \$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 \$20 billion will also be spent to build and expand roads, including the \$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.

2. 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.

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 of the Gulf Island
- West Bay Lagoon
- Al Khor Resort

Additionally, foreigners may purchase the right to enjoy the use of apartments in multi-storey 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 Kharajj 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 favour of other parties.

Investment 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 utilise natural resources
- Power
- Mining
- Consulting services
- Technical and information technology,
- Cultural
- Sports
- Entertainment 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 licences 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 organisations 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.

3. 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 Centre (QFC) which is regulated by the Qatar Financial Centre Regulatory Authority. It is expected that the two banking sectors will be brought under a single regulatory authority during 2012.

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, 10 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. Qatar National Bank, 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 authorised capital of QR 200 million (\$54.9 million) and the current capitalization stands at QR 3 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 can alone pursue Islamic banking activities in the State of Qatar.

3.2 Qatar Financial Centre

The Qatar Financial Centre (QFC) was formally opened on 1 May 2005, and has been successful in attracting over 120 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 centre. 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 centres 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 four 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 (\$2.75 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 took shape in June 2009 with the formation of the Qatar Exchange.

The Qatar Exchange is a strategic partnership between Qatar Holding (investment arm of Qatar Investment Authority), which holds a 80 percent stake and NYSE Euronext which holds a 20 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. The Qatar Financial Markets Authority (QFMA) is the regulatory and supervisory authority of the Qatar Exchange.

4. FREE ZONES

4.1 Qatar Science & Technology Park (QSTP)

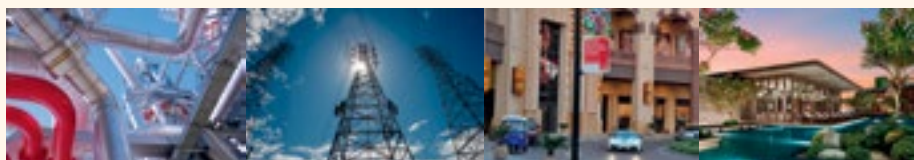
In September 2005, Qatar launched QSTP. The park has a special free zone status and is a centre of research and commercial excellence for scientific development and regionally produced intellectual property for both Qatari and international partners.

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.

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 aimed at sustaining and diversifying the economy, with particular emphasis on in-

dustry, 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 new airport and port facilities that are currently under development.

5. 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 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 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 Committee. 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 legalised 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. Legalisation fees are levied on the basis of invoice value and range from QR 100 (\$27.46) 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 (\$274,611).

Valuation

The basic value for the assessment of duty is the CIF value of the goods. Where only the FOB 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 cheque 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. 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 immunised against this disease.

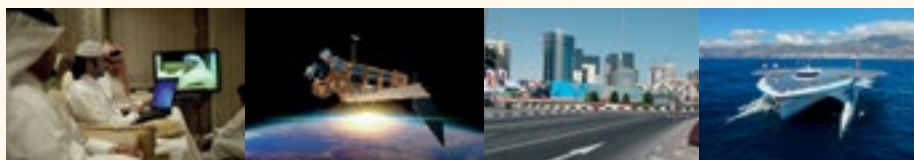
Exports

No duties are levied on exports.

6. 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 cancelled. 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 (\$8,237) to QR 100,000 (\$27,458) and a term of imprisonment ranging from six months to one year. The law is enforced by a Copyright Bureau consisting of 12 inspectors.

7. 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 organised. These are as follows:

- Limited Liability Company
- Public Shareholding Company
- Simple Partnership Company
- Joint Partnership Company
- Limited Share Partnership Company
- Joint Venture Company
- Individual Proprietorship Company
- Holding Company

Any company that does not 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.)

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 (\$54,916) divided into shares of at least QR 10 (\$2.79) 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 million (\$2.75 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 Amiri decree is obtained to allow non-Qataris to subscribe.

Individual Proprietorship Company

An Individual Proprietorship Company is a company owned by one natural or legal person. The Company must have a share capital of at least QR 200,000 (\$54,916) 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 is similar to Simple Partnership Company, however the Joint Partnership Company 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.

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 million (\$274,636). 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. 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. 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.

8. 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 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.

9. LABOUR RELATIONS AND REGULATIONS

Labour 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 specialised expertise. Priority in employment shall be given to Qataris. Non-Qataris may only be employed after approval of the Department of Labour and the possession of a valid work permit. The Minister of Labour 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.

Labour Legislation

Employment related matters are regulated by the Labour 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.

Labour 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 Labour 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.

Qatarisation

It is stated government policy to replace expatriate manpower with appropriately skilled Qatari staff in all Government and semi-government corporations. The 2004 Qatar Labour Law has introduced a Qatarisation 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 programmes in other GCC states, there is currently no major pressure on employers to have Qatari employees in private sector companies at present.

10. TAXATION

Corporate Income Tax

Foreign companies, 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. 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 Gulf Cooperation Council (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.

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.

Rates of Corporate Income Tax 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 some other 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 (\$27,458), or total taxable income exceeds QR 100,000, or the head office of the taxpayer is located out-

side 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 (\$27.46) per day subject to a maximum of QR 36,000 (\$9,884). 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.

Retentions Pending Tax Clearance

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 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 General

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. 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 cost 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 (\$54,916).

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%
Ships and boats	10%
Aircraft and helicopters	20%
Drilling equipment	15%
Intangible assets	50%
Pre-establishment costs	15%
Trademarks and patents - amortised over useful life and not to exceed	

Other asset groupings are depreciated on a reducing balance method over the following rates rates :

Computer hardware and software	33%
Machinery, plant, electrical equipment, cars & trucks	20%
Office furniture, fixtures and fittings	15%

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.

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 per cent of the annual net profits. The levy is allocated to a fund, which supports sport, cultural, social and charitable activities.

Tax 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:

Armenia, Azerbaijan, Belarus, China, Cyprus, Cuba, France, India, Indonesia, Italy, Korea (South), Lebanon, Luxembourg, Macedonia, Malaysia, Morocco, Nepal, the Netherlands, Norway, Pakistan, Romania, the Russian Federation, Senegal, Seychelles, Singapore, Sri Lanka, Switzerland, Syria, Tunisia, Turkey, United Kingdom, Venezuela, and Yemen.

Qatar has also signed the following treaties which are not yet effective:

Algeria, Bangladesh, Belgium, Jordan, Malta, the Philippines, Poland and Sudan.

Qatar Financial Centre

Qatar Financial Centre 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 Qatar Financial Centre (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; and
- Reinsurance.

Qatar Science and Technology Park

The income of businesses operating at the Qatar Science and Technology Park (QSTP) is exempt from tax. 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 the technology fields
- Incubating new businesses with advanced learning

11. 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.

12. 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 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, 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, a 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 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 Licences

All residents driving vehicles in Qatar are required to hold a valid Qatari driving licence. 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.



Challenge

One of the driest countries in the world, Qatar is a bellwether in addressing the growing global problem of water scarcity.

Action

Developing the technical expertise to expand and sustain water and energy resources will benefit the entire world.

Solution

Texas A&M University at Qatar launched the Qatar Sustainable Water and Energy Utilization Initiative (QWE).

IT'S TIME *to* QUENCH A NATION'S THIRST.

IT'S TIME FOR



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In 2003, Texas A&M University partnered with Qatar Foundation to establish a branch campus in Education City, connecting one of the world's top engineering programs with a region of unlimited potential. Texas A&M is educating engineers in the sciences and technology crucial to resource sustainability, the heart of the Qatar Sustainable Water and Energy Utilization Initiative.

Texas A&M at Qatar is providing the research, education and innovation needed by government agencies, public authorities and industrial companies assembled to address critical water and energy issues. Texas A&M is proud to lend its expertise to help Qatar achieve its brilliant promise of growth and prosperity.

IT'S TIME *to* ENGINEER A WORLD OF DIFFERENCE.