Published on *The National Law Review* https://natlawreview.com

Doing Business in Qatar—A Guide for Foreign Investors

Article By:

Amjad Hussain

Jaime Oon

Qatar has one of the fastest-growing economies in the world. To meet the demands of its rapid economic growth and to diversify away from the hydrocarbons industry, international investors are increasingly seeking to establish a presence in Qatar. The country has undergone significant regulatory changes to encourage foreign investors to set up businesses in Qatar, both onshore as well as utilizing one of the economic or free zones (Qatar Financial Centre (QFC), Qatar Science and Technology Park (QSTP), Media City (MC), and Qatar Free Zone (QFZ)), depending on the nature of business.

Regulatory changes have been introduced that provide a number of incentives for foreign investors to establish companies. These include the ability to set up companies without a local partner(s), provide for full repatriation of profits, as well offering tax holidays. In this guide, we will compare the new foreign-investor-friendly environment with the previous regime and identify some of the key changes that have been made to attract new businesses.

OVERVIEW

Qatar's ambitious National Vision 2030 provides for substantial investment of its wealth in four major areas: human, social, economic, and environmental development. The objective is to create a competitive and diversified economy and a high standard of living for its people. The successful hosting of the FIFA World Cup in 2022 further accelerated the country's growth.

Due to the rapid growth of its economy and the focus on diversification, international businesses are increasingly seeking to establish a presence in Qatar. This guide aims to give potential investors a brief overview of the issues that a foreign investor should consider when looking to do business in Qatar by providing an overview of the legal and regulatory considerations relating to the establishment of a business presence. It describes the differences between establishing in Qatar and the economic or free zones within it, and it compares some of the more commonly used establishment vehicles.

FOREIGN INVESTMENT IN QATAR

Most businesses that operate in Qatar are licensed and supervised primarily by the Qatar Ministry of Commerce and Industry (MoCI), and for some activities, additional licenses from other government authorities are required. Foreign investors carrying out businesses in specific sectors may also be eligible to establish a presence in one of the following economic or free zones:

- QFC;
- QSTP;
- QFZ; or
- MC.

Companies established under the QFC, QSTP, QFZ, and MC regimes can be 100% owned by a foreign investor, and these regimes offer certain commercial and economic incentives. However, these regimes are available only to certain types of businesses.

Historically, only banking, finance, insurance, asset management, and other related businesses could be formed within the QFC. However, this has changed with the QFC opening its doors to a wider range of companies and business activities such as, among others, corporate solutions service providers; the incorporation of holding and special purpose companies; the formation of trusts, foundations, and other family offices and wealth structures; and not-for-profit entities. The QSTP is limited to businesses involved mainly in research and development, technology, education, training, and other related activities. The MC is a media hub designed to attract investments from media-production companies and professionals. The QFZ is intended to attract businesses in the field of logistics, warehousing, and light manufacturing, to name a few.

Other types of businesses must, therefore, generally be established under the Commercial Companies Law (Law No. 11 of 2015, as amended) by obtaining a license from the MoCI, and currently, with the passing of Qatar's Foreign Investment Law (Law No. 1 of 2019, as amended), restrictions have been relaxed to enable foreign investment of up to 100% into most business sectors provided specific approval is obtained from the MoCI.

If the aforesaid MoCI approval is not granted, a foreign investor would be required to enter into a joint venture with a local partner who must own no less than 51% shares in the business. It is important to also note that Law No. 3 of 2023—regarding combatting concealment of non-Qataris practicing commercial, economic, and professional activities—criminalizes any attempts of concealment or circumvention of ownership restrictions on foreign investors, whether initiated by Qatari or non-Qatari shareholders.

Foreign investment remains restricted in the following instances:

- Establishment of commercial agencies or ownership of real estate, although exemptions are sometimes granted on a case-by-case basis;
- Investment in the banking and insurance industry can only be made with the approval of the Council of Ministers; and
- Subject to the approval of MoCI, no more than 49% of the floated share capital of a company listed on the Qatar Stock Exchange (QSE) may be owned by foreigners unless approval has been granted for a higher percentage by the Council of Ministers.

THE INVESTMENT VEHICLE

Foreign investors who wish to conduct business in Qatar on a regular basis must establish a legal presence in-country through one of the following means:

- Incorporating a limited liability company (LLC);
- Establishing a branch office;
- Entering into a commercial agency relationship with a local agent;
- Registering a trade representative office; or
- Incorporating or registering through the QFC, the QSTP, the MC, or the QFZ.

The type of establishment that will most closely match the commercial objectives of the entrant will depend on a number of factors, including, most importantly, the nature of the business and the commercial objectives of the owners.

COMPANY STRUCTURES

Limited Liability Company

The Commercial Companies Law permits businesses to be established in Qatar in a variety of corporate forms, but the most common form is an LLC structure, the key features of which include:

- At least one shareholder is required (and in the case where the sole shareholder is a foreign investor, this is permissible so long as such investor is entitled under the Foreign Investment Law to own 100% shares in the company) and no minimum amount of capital;
- 10% of the net annual profit must be retained by the company until the maximum legal reserve capital requirement is met (50% of the share capital);
- The company may not form its capital or raise additional capital by public subscription, and it may not issue freely transferable or tradable shares or bonds; and
- Where an LLC has more than one shareholder, existing shareholders enjoy preemptive rights in respect of any shares offered for sale, unless that right has been waived by the other shareholders.

Shareholding Company

Shareholding companies can be established with a minimum of five founding shareholders and may be either privately or publicly held. Privately held companies require a minimum paid-up capital of QAR$2 million. Publicly held companies, which are typically listed on the QSE, require a minimum paid-up capital of QAR10 million. The foreign investment restrictions applicable to companies generally apply to shareholding companies. Additional legal requirements are imposed by the Qatar Financial Markets Authority depending on whether the publicly held company wishes to list on the Main Market or the Venture Market of the QSE.

The Commercial Companies Law also permits general and limited partnerships, unincorporated joint ventures, and holding companies to be formed in Qatar, but these types of entities are not appropriate for foreign investment in most instances.

BRANCH OFFICES

The Foreign Investment Law provides for the issuance of a branch license to foreign companies that have entered into contracts with the government or quasi-government entities.

A local partner is not needed for the conduct of such projects. These licenses are limited to the conduct of business in Qatar for the delivery of the specific contract and they expire once performance of work is complete.

Additionally, in accordance with Law No. 7 of 2017, companies established in the GCC (which are wholly owned by GCC nationals) may also be entitled to establish branches in Qatar provided that certain conditions are met.

Certain types of businesses (for example, engineering and auditing firms) are also permitted to establish LLCs or register branches, although they are subject to additional licensing requirements from other regulators in Qatar.

COMMERCIAL AGENCIES

Foreign businesses that wish to sell their goods in Qatar but do not wish to establish a presence in the country may appoint a local agent to market goods and services pursuant to the Commercial Agents Law (Law No. 8 of 2002, as amended).

This law, which permits commercial agency contracts to be registered, provides the commercial agent with various protections, including the exclusive right to import the goods that are subject to the contract, the right to receive a commission on all sales of the goods within the designated territory, even if the sales are not due to the activities of the agent, and compensation for termination of the agency unless for justifiable cause.

REPRESENTATIVE OFFICES

A foreign company can register a representative office in Qatar in order to market and promote its business in Qatar pursuant to Ministerial Decision No. 396 of 2017 issued by the MoCI. Although the representative office may be registered with the MoCI and employ staff in its own name, it is akin to a "shop window" and is not permitted to engage in selling or entering into contracts in Qatar.

QATAR FINANCIAL CENTRE

The QFC was established to provide a platform for investment in Qatar and in other expanding economies in the region with, historically, a particular focus on financial services, asset management, insurance, and reinsurance. It is intended to create a world-class legal and business infrastructure for firms licensed and authorized to do business by the QFC.

The QFC is operated by the Qatar Financial Centre Authority (QFCA), which provides administrative functions for the QFC and for the firms licensed within it. The Qatar Financial Centre Regulatory Authority (QFCRA) serves as the independent regulator of the QFC, with power to authorize, supervise, and discipline QFC-licensed firms. There is also a QFC Companies Registration Office (CRO), which registers firms established within the QFC.

Organizations that are eligible to apply for a license with the QFCA can be established with 100% foreign ownership and benefit from numerous advantages such as the possibility to repatriate 100% of generated profits, trading in any currency, operating under a common law legislative and judicial framework, and a competitive tax system (corporate tax is currently 10% on locally sourced profits). The types of activities that can be conducted by QFC-licensed firms (referred to as permitted activities) are divided into two categories:

- Regulated activities, which are those undertaken by financial and insurance firms for which pre-authorization by the QFCRA is required and that are subject to close ongoing supervision; and
- Nonregulated activities, which are those that do not fall within the scope of regulated activities. Historically, activities that fall within the remit of nonregulated activities include those undertaken by legal, accounting, audit, consulting, and tax firms for which no QFCRA authorization is required. The QFC has, however, considerably expanded the scope of its permitted activities, and currently, licenses may be granted to entities carrying out management, consultancy, or holding-company activities.

Entities wishing to conduct permitted activities within the QFC can do so by either incorporating a company or partnership within the QFC or by registering a branch of a non-QFC entity with the CRO. The licensing process is dealt with online through the QFC's portal and is usually quick and straightforward.

All QFC-licensed firms are subject to oversight by and reporting to the QFCA and, in the case of firms conducting regulated activities, by and to the QFCRA. All firms are subject to the QFC's strict anti-money laundering regime, and QFCRA-regulated firms are subject to the QFCRA's financial services regulatory regime, which is based on international standards.

QATAR SCIENCE and TECHNOLOGY PARK

The QSTP is a science and technology free zone located in the Education City. It is part of the Qatar Foundation and is intended to be a home for technology-based companies from around the world. Its location and status as a free zone provide companies with a number of incentives to establish a presence in the QSTP. These incentives include 100% foreign ownership, no tax, the ability to trade directly in the Qatar economy, duty-free import of goods and services, unrestricted repatriation of capital and profits, and close access to premier universities at Qatar Foundation.

Companies must meet certain criteria before they can incorporate or register in the QSTP. As a science park, the focus of the QSTP is research, design, and training. Therefore, the majority of a company's activities in the QSTP must contribute to the advancement of technology. Contributing activities include applied research, development and testing of products and services, and technology-related training, which should represent an investment in the company's corporate technology portfolio.

The QSTP allows foreign entities to incorporate within it or to set up a branch office. Both registered branches and QSTP companies require a license. The QSTP provides three tiers of license:

- Standard license, which is issued to businesses that incorporate in the free zone as a QSTP LLC or register a branch office. The QSTP LLC may have one or more shareholders (but this must not exceed 50) and there is no minimum capital requirement, although such entity must have sufficient capital to fulfil its objects. Holders of a standard license are entitled to all of the free zone benefits;
- Restricted license, which is issued to individuals and business entities that do not qualify for a standard license. The free zone benefits are limited and granted at the discretion of QSTP management; and
- Service license, which is issued to entities providing services to the QSTP. Holders of this

type of license are not entitled to any of the free zone benefits.

QATAR FREE ZONES

The QFZ was established by Law No. 34 of 2005 (as amended by Decree Law No. 21 of 2017) and is a cluster of free zones located in the areas of Ras Bufontas and Umm Alhoul. Foreign investors that elect to obtain licenses from the Free Zones Authority (FZA) may enjoy a range of benefits, including 100% foreign ownership, renewable 20-year tax holidays, zero corporate tax, and zero customs duty (except for goods and products exported from the free zone to the Qatari market, which are currently subject to customs duties).

Similar to other economic or free zones in Qatar as set forth above, foreign investors must meet the eligibility criteria set by the FZA in order to obtain a license to carry out business. As a free zone located near the airport and the port, its aim is to target key industries such as maritime, polymers and plastics, advanced manufacturing, and logistics.

The FZA operates a one-stop-shop licensing facility where applicants can submit applications to lease lands, business premises, or facilities in the relevant areas and to incorporate or register a limited liability company or a branch within its jurisdiction.

MEDIA CITY

The MC was established in 2019 under Law No. 13 of 2019. It is a hub set up to attract and regulate investments from media-sector investors and issues licenses to carry out regional TV and video production, news and magazines publication, and gaming studios for developers, to name a few.

Entrants to the MC may be entitled to own 100% interests in the business and enjoy a range of incentives and benefits, including corporate tax exemptions for 20 years and exemption from import and export duties.

SUMMARY

The structure to be used by an investor seeking to establish a presence in Qatar is dependent upon a number of legal, licensing, and tax considerations, and upon the level and location of the business that is likely to be transacted in the region. In addition to the legal considerations described in this brief overview, an investor should also discuss all issues relating to import, tax, real estate, procurement, immigration, employment, intellectual property, dispute resolution, anti-money laundering, and local customs with their legal and tax advisors.

It is important to note that undertaking business activities without being appropriately licensed may lead to civil and criminal sanctions being imposed on the concerned persons.

National Law Review, Volume XIV, Number 264