

Qatar Laws Enter a New Century

Tala Shomar - Associate - Corporate Structuring
- Dubai Maze Tower

Stephen Lansdown
s.lansdown@tamimi.com

April 2016

Qatar is also the world's leading producer of liquefied natural gas and liquid fuels using gas-to-liquids technology. So, it is no surprise that Qatar has emerged as one of the most prosperous countries in the world. With one of the highest GDP per capita figures in the world, a high growth rate and strong Government finances, Qatar has predictably attracted businesses and professionals from around the globe. Interest in the country has also increased following the award of hosting rights for the 2022 FIFA World Cup and other marquee sporting events.

At the same time, Qatar has been developing its legislative framework. This article summarises some of the key developments.

Foreign Investment

In 2000, Qatar issued Law No. 13 concerning Foreign Capital Investment in Economic Activities (the Foreign Investment Law). The Foreign Investment Law sets the current ground rules for foreigners wishing to establish business enterprises and other investments in Qatar. The Foreign Investment Law allows foreigners to directly invest in almost all sectors of the economy through foreign ownership of 49% of a company's capital (some exceptions include banks and insurance companies). In addition, it permits foreign investors to own up to 100% of businesses in the agriculture, industry, health, education, tourism, development/exploitation of natural resources, energy and mining sectors. Subsequent amendments to the Foreign Investment Law have allowed 100% foreign ownership in the areas of information technology, technical and consultancy services and entertainment, sport and cultural services and distribution services. Any exemption to be granted will be subject to Ministerial discretion. The rules relating to foreign ownership of listed public companies (which had previously been restricted to 25% of shareholding) have also been updated, and these have now been brought into line with the 49% rule set out above.

The rights of foreign investors in Qatar were also significantly widened with the establishment in 2005 of the Qatar Science and Technology Park (QSTP) and the Qatar Financial Centre (QFC). The QSTP (supervised by Qatar Foundation) was established with the aim of promoting scientific and technological research and allows non-Qatari persons (whether natural or legal) to own a business licensed to exercise an activity within the QSTP and in line with those aims.

Companies

The Commercial Companies Law was established by Law No. 5 of 2002 which, together with the Commercial Register Law (Law 25 of 2005) and the Foreign Investment Law, represents the main legal framework for companies looking to conduct business operations in Qatar. The Commercial Companies Law establishes the legal forms that entities may take in Qatar and the methods for their registration.

In 2015, a new Commercial Companies Law (the New Companies Law), Law No. 11 of 2015, was passed. The New Companies Law introduced some material amendments affecting entities currently registered in

Qatar (MEC), and those to be registered in the future. The most significant change is the removal for limited liability companies of the minimum share capital requirement, which is intended to promote the establishment of small and medium enterprises in Qatar.

Qatar Financial Centre

Another key change introduced in 2005 saw the establishment of the Qatar Financial Centre (QFC). The QFC is a business and financial centre located in Doha, created as an on-shore jurisdiction separate from the state of Qatar. It was established by virtue of Law No. 7 of 2005, with the aims of enhancing growth and diversification of Qatar's economy, and providing an attractive platform for firms to establish and do business in Qatar and the region. The QFC provides a transparent environment and offers flexibility to conduct business, inside or outside Qatar.

The QFC was first set up to offer domestic and international firms the opportunity to establish and provide a broad range of financial services related to banking, asset management and insurance businesses. In addition to the financial-type regulated activities, the QFC expanded the scope of its permitted activities to include non-regulated activities that are not financial-type services.

The QFC offers its own legal, regulatory, tax and business infrastructure, which allows 100% foreign ownership, unlimited repatriation of profits and a competitive rate of 10% corporate tax on locally-sourced profits. Since the QFC is not a separate geographical zone, all entities in the QFC operate on a fully onshore basis. This enables them to access the local market and operate from more than 50 locations all over Doha, with no restrictions on the currency in which they can trade. The QFC offers its own civil and commercial courts system, as well as its own stable and transparent tax regime.

The QFC has recently implemented several legal and structural enhancements. Changes have been introduced to clarify various aspects of the QFC legislation, in order to give QFC entities more certainty and flexibility in how they operate. In an attempt to provide a more efficient registration or incorporation process, QFC agencies now respond to applications to set up in the QFC in a shorter time frame.

The QFC has also expanded the scope of the non-regulated activities that can be undertaken through the QFC. The changes include the broadening of the definition of "professional services" to include "any business which provides qualified business-to-business services" such as management consulting, IT services, media, events management, engineering and environmental consulting. A wider range of structures for investing and holding assets, or managing business interests and operations, can also now be accommodated.

E-commerce

Keeping pace with the substantial technological advancements of our age, in 2010 Qatar passed its first comprehensive e-commerce law. This aims to facilitate and provide a clear legal framework to address matters such as e-signatures, e-documents and authentication. It covers e-commerce transactions in Qatar, including e-Government services. The law was modelled on the UN and the EU models and directions on e-commerce and electronic signature and other international practice. The law does not apply to documents relating to family and personal status, documents that by law must be notarised and negotiable instruments.

Cyber-crime and Anti-Money Laundering

In relation to crimes involving businesses, in 2010 Qatar established Law No. 4 on Combating Money Laundering and Terrorism Financing which has put into place a more robust identification and reporting regime in line with international standards and in 2014 Law No 14 put into place the Cybercrimes Protection Law in an effort to increase awareness and allow for a more stringent regime for combating cyber-crime. The legislation is intended to safeguard the country's technological infrastructure and strengthen cyber security.

This article highlights a small number of the profound legislative changes in Qatar which have taken place over the past 15 years. It is expected that momentum will continue in the future with several new laws on the horizon. Both investors and businesses set up in Qatar are now eagerly awaiting the issuance of the draft Arbitration Law which is based on the UNCITRAL Model Law. Furthermore, a new Commercial Agency Law is said to be in the drafting phase.