Regulatory Framework of Travel Offices in Qatar

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May 2017

Driven by Qatar National Vision 2030, the hosting of the FIFA 2022 World Cup, and Qatar's focus on the development of its non oil & gas revenues, Qatar has declared its intention to diversify its economy and market Qatar as a tourism hub.

Qatar's efforts to develop its tourism sector can be easily seen through its efforts in attracting investments in several aspects of the tourism sector, including the investment in travel agencies, where there are currently 332 licences issued for companies providing travel related services.

The Ministry of Economy and Commerce of Qatar has recently set out rules for investing in travel business, in order to promote the growth of this sector and achieve Qatar National Vision 2030, which is aimed at establishing a diversified and competitive knowledge-based economy.

The permitted services of travel offices, as defined by law, include services related to selling and issuing of travel tickets, facilitation of luggage transfers, reservation of seats in regular transport, carrying out exchange of passenger's transportation, and any other related businesses and services. In order to perform the services of travel offices, a licence must be obtained from the Civil Aviation Authority of Qatar. The application for such a licence must be accompanied with the following:

- letter explaining relevant experience in the travel related services;
- engineering design for the office by an authorised and licensed engineering firm based in Qatar;
- guarantee in the amount of two hundred thousand Qatari Riyals (QR 200,000) in cash to the Civil Aviation Authority treasury. The guarantee may also be submitted in the form of a bank guarantee addressed to the Authority, issued by a bank operating in Qatar, valid for the entire duration of the licence period, and unrestricted by any conditions or limitations. This guarantee will be used to pay any debts or obligations in the event of a default on part of the travel office; and
- the initial licence fee, being ten thousand Qatari Riyals (QAR 10,000).

The establishment of travel offices is governed by the general rule of doing business in Qatar, as stipulated under the Foreign Investment Law (Law No. 13 of 2000), where such business cannot be carried out in Qatar without 51 per cent of the capital of any enterprise being owned by Qataris. However and as an exception, it is permitted for GCC nationals (whether individuals or companies fully owned by GCC nationals) to own up to 100 per cent of companies in the field of air travel offices in Qatar, without the need for a Qatari partner(s).

Under the provisions of the Proxy Law (Law No. 25 of 2004, concerning Combating Concealment of Non-Qatari Practice in Commercial, Economic, and Professional Activities in Contravention of the Law), and in particular Article 1 of the Proxy Law, it is a criminal offence for a non-Qatari to be engaged in any commercial, economic, or professional activity within Qatar, unless legislative exclusions are available. Article 2 of the Proxy Law provides that Qataris may not assist foreigners in carrying on the activities set out in Article 1.

Taking into consideration the restrictions under the Proxy Law, there are some schemes used in Qatar that are believed to be legal and within the provisions of the Foreign Investment Law and the

Proxy Law. Such schemes could include:

- Subscription for the shares of the company to be formed (the ‘Company’) should be 51 per cent by a Qatari national, with 49 per cent to the non-Qatari national;
- The Articles of Association of the Company could provide that all managers/directors of the Company are to be appointed by the non-Qatari national;
- The Articles of Association of the Company could provide that the vast majority of the profits (up to 97 per cent are to be distributed to the non-Qatari national, as permitted under the Commercial Companies Law (Law No. 11 of 2015);
- The simple majority of 51 per cent for shareholders’ resolutions could be increased to 60 per cent, so that the Qatari partner may not unilaterally pass shareholders’ resolutions;
- The powers to the management appointed by the non Qatari partner could be given very widely to ensure that there is a bare minimum that requires the approval of the Qatari partner at a shareholders’ meeting;
- A Shareholders’ Agreement could be entered into by the shareholders of the Company, where it will be agreed that the non-Qatari partner will provide management services for the Company, so as to justify a higher profit margin to the non-Qatari;
- A Shareholders’ Agreement can also provide for the shares of the Qatari partner to be transferred to the non-Qatari partner at par value in the event the law changes so as to allow a foreigner to hold more than a 49 per cent shareholding;
- Assuming that the non-Qatari partner will finance the operations of the Company and its capital, the Shareholders’ Agreement could provide that the capital of the Qatari partner is provided by way of a loan from the non-Qatari partner, repayable upon transfer of shares or dissolution of the Company; and
- An Option Agreement could be signed by the Qatari partner granting the non-Qatari partner the right to acquire all of the Qatari’s shares at par value at any time, either in its own name (if the law permits) or in the name of a nominee appointed by the non-Qatari partner.

It is worth mentioning that these structures have been successfully used in Qatar, but to date have not been tested in courts. However, foreign investors should note that there should be no legal agreements that make provisions for the non-Qatari national to ‘own’ any or all the shares of the Qatari national, and consideration should be given by the non-Qatari national to maintain levels of assets at minimal levels, using equipment leases and the like whenever suitable.