

Which type of corporate entity should a foreign investor set up in Qatar?

Tala Shomar - Associate - Corporate Structuring
- Dubai Maze Tower

i. Registering a Limited Liability Company with the Ministry of Economy and Commerce:

What is a Limited Liability Company under Qatari Law?

A Limited Liability Company is a company that is formed by one or more persons and the number of partners in a Limited Liability Company shall not exceed 50 persons. A partner in a Limited Liability Company is liable for only its share in the company's capital.

What are the foreign investment rules for a Limited Liability Company?

The general rule for foreign investment in Qatar, in any type of company, is that a local Qatari partner must hold 51% of the shares in that company.

The most common vehicle for use in Qatari-Foreign joint ventures is a Limited Liability Company, in which 51% of the shares are held by a Qatari national and 49% are held by the foreign investor.

What is the minimum share capital for a Limited Liability Company?

The Commercial Companies Law no. 11 of 2015 (the "Commercial Companies Law") does not set a minimum share capital for a Limited Liability Company. Foreign investors must, however, take into consideration that the share capital of the Limited Liability Company should cover the initial expenses of the company. Such initial expenses could include the cost of leasing a premises and costs related to employees.

Can the partners in a Limited Liability Company agree to the percentage of profit distribution?

The Commercial Companies Law states that the profits of a Limited Liability Company should be distributed in accordance with the percentage of shares held by the partners unless agreed otherwise. As such, partners in a Limited Liability Company often agree to a different method of profit distribution in the memorandum of incorporation.

Are there any options that allow for 100% foreign ownership in a Limited Liability Company?

While the general rule under the Qatar Foreign Investment Law No (13) of 2000 (as amended) (the "Foreign Investment Law") is that any foreign investor seeking to do business in Qatar must have a Qatari partner holding at least 51% of the shares; however, Article (2) of the Foreign Investment Law sets out certain exemptions applicable to certain sectors of business. These sectors include agriculture, industry, health, education, tourism, development, exploitation of natural resources, energy, mining, business consultancy, technical consultancy, information technology, cultural, sports and entertainment. Foreign investors operating in one of these sectors may apply for the registration of a Limited Liability Company with 100% foreign shareholding.

Establishing a Branch of a Foreign Company: What is a Branch of a Foreign Company under Qatari Law?

A branch of a foreign company is registered in Qatar to facilitate the foreign company in the performance of its contract(s) in Qatar (as described below). The branch does not have a separate legal personality from the foreign company.

What are the rules for registering a Branch of a Foreign Company?

Article (3) of the Foreign Investment Law, subject to an exemption from the Minister of Economy and Commerce, permits a branch/temporary registration of a foreign company to be registered in Qatar if that foreign company has a contract or sub-contract in Qatar which facilitates the rendering of a service or implies public benefit. This usually means that the foreign company must have a contract/sub-contract with the Government of the State of Qatar or a quasi-governmental body. Such a branch is only entitled to perform the specific contract in respect of which it has been registered (save to the extent other permitted contracts are registered under the same commercial registration) and the registration will lapse on completion of that contract. A branch exemption may, however, be extended if either the original contract is extended in time or a new contract is entered into which falls within Article (3).

ii. Establishing a Branch or a Limited Liability Company in the Qatar Financial Centre (QFC):

Why register a Branch or Limited Liability Company in the QFC?

The main advantage of registering a branch or a Limited Liability Company in the QFC for foreign investors is that the QFC allows 100% foreign ownership and unlimited repatriation of profits. Further, since the QFC is not a free zone or a separate geographical zone, all entities in the QFC operate on a fully onshore basis with the ability to access the local market.

What activities can be carried out from the QFC?

The QFC allows foreign investors the opportunity to establish and provide a broad range of professional and financial services. These include the regulated activities of deposit taking; providing credit facilities; providing custody services; dealing in investments; managing investments; advising on investments; arranging deals in investments; arranging credit facilities; arranging the provision of custody services; operating a collective investment funds; carrying out a contract of insurance; effecting a contract of insurance.

Additionally, it includes non-regulated activities of: ship broking and shipping agents; provision of classification services and investment grading and other grading services; company headquarters, management offices and treasury operations and other related functions for all kinds of business, and the administration of companies generally; providing professional services including but not limited to audit, accounting, tax, consulting and legal services; holding companies, and the provision, formation, operation and administration of trusts and similar arrangements of all kinds; provision, formation, operation and administration of companies.

Are there any operational restrictions on QFC entities?

Regulated and non-regulated activities permitted under the umbrella of QFC do not include trading activities. QFC companies thus are not allowed to perform any trading activities in Qatar or import or export any goods or materials. Further, due to the nature of the regulated and non-regulated activities permitted by the QFC, there is a restriction on QFC entities ability to hire blue collar workers.