



# Qatar corporate legal framework 2013

**C L I F F O R D  
C H A N C E**



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## Background

In October 2008, the State of Qatar launched Qatar National Vision 2030, designed to provide a framework for sustainable development and high living standards for generations to come in Qatar.

Qatar has gone a considerable way to achieving this goal, now ranking as one of the highest GDP per capita countries in the world based on its oil and gas reserves. As Qatar looks to diversify its State revenue base, it seeks to foster foreign investment in a range of sectors.

## Qatar corporate legal framework

In Qatar there are two corporate legal systems (the Qatar Financial Centre and the domestic corporate law, primarily governed by the Commercial Companies Law and related regulation). Depending on the nature of business, those looking to establish a presence in Qatar may consider either system.

### The Qatar Financial Centre (QFC)

The QFC is a financial and business centre established by the State of Qatar under the Qatar Financial Centre Law No 7 of 2005, and located in Doha.

The QFC legal framework establishes a separate legal jurisdiction, having its own commercial and regulatory environment essentially separate from the State of Qatar. It is operated by the QFC Authority (QFCA) and it has its own financial services regulator, the QFC Regulatory Authority (QFCRA).

Only a limited range of permitted activities are eligible to be carried out from the QFC. These fall into two categories, regulated and unregulated activities.

**Regulated Activities** (which are regulated by the QFCRA) comprise: financial, banking and investment business; insurance and reinsurance business; money market, stock exchange and commodity market business; money, asset and investment fund business; the provision of project finance and corporate finance and Islamic banking and financing business; funds administration, fund advisory and fiduciary business; pension fund business and the business of credit companies; insurance broking, stock broking, and all other financial brokerage business; financial agency business and the business of provision of corporate finance and other financial advice, investment advice and

investment services; and financial custodian services and the business of acting as legal trustees.

**Unregulated Activities** comprise ship broking and shipping agents; provision of classification services and investment grading and other grading services; business activities of company headquarters, management offices and treasury operations and other related functions for all kinds of business, and the administration of companies generally; provision of 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; and provision, formation, operation and administration of companies.

Entities established in the QFC may take a number of forms. These are summarised at Schedule 1. Though they are governed by the QFC law and regulations, Qatar domestic criminal laws apply to any QFC entity.

## State of Qatar

Alternatively, corporate entities may be established and run in accordance with Qatari domestic laws, in particular the Commercial Companies Law No 5 of 2002 (CCL). Potential amendments to the CCL are being considered (2013), but entities that may be established under the current CCL are set out in Schedule 2.

## Foreign investment regulation

Entities established in the QFC are not subject to Qatar's foreign investment regime. They may be 100% foreign owned and are not subject to Qatar domestic laws regarding Qatarisation.

Entities established under the CCL are subject to Qatar's foreign investment regime which

generally restricts foreign investment to 49% (with the balance 51% to be held by Qataris) under the Foreign Investment Law No 13 of 2000.

There are exceptions to the foreign investment restrictions (requesting Ministerial resolution) for certain projects such as in agriculture, industry, health, education, tourism, development and exploitation of natural resources, power, mining, IT, sport and entertainment.

## Other matters

There are several other aspects to consider in terms of investing or establishing a presence in Qatar, such as visa requirements, intellectual property protection, financing, and taxation which are beyond the scope of this paper. We would be happy to assist you with these and ancillary matters as required.

## Schedule 1: Types of Qatar Financial Centre entities

QFC entity type	Primary features of the QFC entity					General restrictions
	<i>Separate legal entity?</i>	<i>Capital</i>	<i>Members</i>	<i>Reporting obligations</i>	<i>Liability</i>	
QFC LLC	Yes	Minimum capital requirements apply for Regulated Activities. No minimum for Unregulated Activities (but solvency test applies)	At least 1	Annual Return requirement. Accounts to be audited and laid before Annual General Meeting and filed with the Companies Registration Office (CRO). However, these accounts are not available for public inspection.	Limited	Only QFC permitted activities.
QFC Special Purpose Company ("QFC SPC")	Yes. Established specifically for the purpose of an Islamic finance or conventional finance structured transaction	Same as for a QFC LLC	One or more who is a nominee, financial transaction initiator or another Special Purpose Company	Exemption: Not required to have accounts audited or filed with CRO unless requested by the QFCA	Limited	Only Special Purpose Company activities: acquisition, holding and disposal of an asset and obtaining financing in connection with a Financing Transaction, any Regulated Activity that is not carrying on a business, and any Unregulated Activity permitted by the QFCA
QFC Holding Company	Yes	Same as for a QFC LLC	At least 1	See QFC LLC	Limited	Licensed to only carry out holding company activities and must have one or more subsidiaries (which it must control and may be a QFC LLC or QFC SPC or a non-QFC entity)

QFC entity type	Primary features of the QFC entity				Liability	General restrictions
	Separate legal entity?	Capital	Members	Reporting obligations		
QFC General Partnership	No. Is a partnership which is not a limited partnership or limited liability partnership (see below). Partners owe duties and carry on the business. Governed by a partnership agreement.	Same as for a QFC LLC	Two or more	If registered with CRO, Annual Return requirement and accounts to be audited and filed with the CRO	Joint and several and unlimited	Only QFC permitted activities.
QFC Limited Partnership	No. Is a partnership comprising of a General Partner and a Limited Partner.	Same as for a QFC LLC	One or more General Partners and one or more Limited Partners	Annual Return requirement. Accounts to be audited and filed with the CRO	General Partner has unlimited liability, and Limited Partner has limited liability provided it does not take part in the management of the partnership business or affairs	Only QFC permitted activities.
QFC Limited Liability Partnership	Yes. Governed by a limited liability partnership agreement	Same as for a QFC LLC	Two or more	See above	Limited to amount agreed	Only QFC permitted activities.

QFC entity type	Primary features of the QFC entity				Liability	General restrictions
	<i>Separate legal entity?</i>	<i>Capital</i>	<i>Members</i>	<i>Reporting obligations</i>		
QFC Protected Cell Company	PCC is a single legal person (but each cell is not a legal person separate from PCC). Assets and profits are separated and compartmentalised into cells. PCC to notify parties that they are dealing with a PCC.  Managed by a board of directors	Same as for a QFC LLC	At least 1	See above	Limited. But unlike LLC, a cell's creditors only have recourse to the assets of that cell.  PCC may issue shares for each cell.	Only carrying on Regulated Activities as an Insurer or a Collective Investment Fund.



## Schedule 2: Types of Commercial Companies Law entities

CCL entity type	Primary features of the CCL entity					General restrictions
	Separate legal entity?	Capital	Members	Reporting obligations	Liability	
<b>"Limited liability company" (LLC), Art 225 of CCL</b>	Yes. To have a name taken from its objective. The company manager has full authority to manage the company (equivalent to the powers of the board of directors of a QSC, see below). Company to allot each year, 10% of net profit to a legal reserve, which can be suspended if the reserve reaches 50% of the company's capital.	Minimum is QAR200,000 or such higher amount to meet company's objectives	Between two and 50. If more than 20, there is to be an advisory council of at least three shareholders.	Yes, manager to prepare accounts and send a copy to the Ministry of Economy and Trade (in reality filing does not take place for LLCs). However, not available for public inspection.	Limited to paid up share capital	Foreign investment restrictions. Subject to proxy law, may introduce operational control in agreements. Cannot undertake banking, insurance business or make investments on behalf of others (principal or agent).  Cannot offer shares to public.
<b>Single Person Company (SPC) Art 260 of CCL</b>	Yes. To have a name taken from its objective. Owner may appoint a manager	QAR200,000	One person	Yes, manager to prepare accounts and send a copy to the Ministry (in reality filing does not take place for SPC's). However, not available for public inspection.	Limited	Can be owned 100% by foreigners if a Ministerial exemption is granted.
<b>"Private Shareholding Company" or private joint stock company (QSC) Art 203</b>	Yes. Managed by a board of directors. Minimum of five directors and max of 11. It is to have a definite period and if its objective is to carry out a particular business, the company shall expire at the expiry of that business.	Minimum is QAR2 million or such higher amount to meet company's objectives	At least 5	Yes, requirement for annual accounts to be audited and filed at the Ministry	Limited	Foreign investment restrictions. Excluding state representatives and holders of 10% or more, no person may be a board member for three QSC's or more nor Chair or Deputy Chair in more than two companies



CCL entity type	Primary features of the CCL entity					General restrictions
	<i>Separate legal entity?</i>	<i>Capital</i>	<i>Members</i>	<i>Reporting obligations</i>	<i>Liability</i>	
<b>"Public Joint Stock Company (QSC) Art 94</b>	Yes. See private shareholding company above	See private shareholding company above but able to offer shares to the public	At least 5	Yes, see private shareholding company above	Limited	Yes, see private shareholding company above
<b>"Article 68" Company Art 68 of CCL</b>	Yes. A shareholding company at least one of the Company's shareholders must be a Qatar government organisation holding or a company in which the state owns at least 51% (or such lower amount as the Council of Ministers may approve) of the shares in that company.  An Article 68 Company may then effectively contract out of the provisions of the Qatar CCL through its Articles.	As set out in the Articles of Association	One or more depending on the constitution of the relevant company	As above, subject to contrary provisions in the Articles	Limited	Subject to the provisions of the CCL unless the Articles provide otherwise.
<b>"Partnership Company" Art 19 of CCL</b>	No.	No requirement	At least 2	No requirement	Joint and several liability of the partners	A partner cannot practice to his own account or the account of others, any activity of the partnership company or be a partner in a competing partnership company.
<b>"Holding Company" Art 261 of CCL</b>	Yes. It is a QSC or a WLL or SPC.  Has financial and administrative control over one or more companies operating under it, owning a minimum of 51% of shares in an underlying QSC or a LLC or SPC.	Not less than QAR 10 million	As per a QSC or a WLL or SPC as applicable	As per a QSC or a WLL or SPC as applicable	Limited	It cannot be a partner nor can it own equities in other holding companies.

CCL entity type	Primary features of the CCL entity					General restrictions
	<i>Separate legal entity?</i>	<i>Capital</i>	<i>Members</i>	<i>Reporting obligations</i>	<i>Liability</i>	
<b>"Limited Partnership with Shares" Art 206 of CCL</b>	Yes. Has a control board of at least 3 members but is managed by a general partner.	QR 1 million	At least 1 "joint" partner and at least 4 shareholder partners	Required to have an auditor	Joint partners have joint and several liability and shareholder partners have limited liability	Foreign investment restrictions.
<b>"Particular Partnership Company" Art 44 of CCL</b>	No. Not a separate legal entity from the relevant partners.	No requirement	At least 1 "joint" partner and at least 1 "silent" partner	No requirement for auditor	"Joint" partners have joint and several liability and "silent" partners have limited liability	If there is a non-Qatari partner, the particular partnership company cannot practise business which is prohibited for non-Qataris by law.

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