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How to do Business in Qatar and the UAE

Association of International Business Lawyers

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I. Regional Map



I. Middle East

- Territory north east of Africa and south west of Asia
- Different legal traditions
- Not all about Sharia law
- Qatar and UAE mixed legal systems of civil law and Islamic law
- Civil and common law play increasingly important role
- UAE and Qatari Civil Codes based on Egyptian Civil Code
- Egyptian Civil Code based on French Civil Code
- Good English translations of laws and regulations not always readily available

II. Qatar

- Gained independence in 1971 (from UK)
- One of the fastest growing economies and wealthiest countries in the world
- Obtained emerging market status from MSCI in 2014
- Third largest proved reserves of natural gas in the world
- Economic diversification to protect against hydrocarbon price volatility
- Population: 2,194,817 (2015 est.)
- Official currency is the Qatari Riyal (QAR) which is pegged to the US dollar
- Member of GCC (customs union), Arab League, OPEC, WTO and GAFTA

II. Foreign Investment (Law No 13 of 2000)

- 51% Qatari ownership rule (companies formed under Commercial Companies Law)
- Rule does not apply to Art. 207 (formerly Art. 68) companies and QFC or QSTP entities
- Minister of Economy and Commerce can grant exemption where entity operates in certain sectors and/or meets specific conditions (e.g. foreign branch)
- Minority shareholder (foreign) may have control over entity through reserved matters and earn more than 49% of profits
- Foreign investors may be granted incentives (tax free, duty free, etc.)
- No foreign exchange control and generally no restriction on repatriation of capital and profits
- Statutory protection against expropriation of assets

II. Qatari Company Law

- Three (3) legal regimes for incorporating company in Qatar
 - Law No 11 of 2015 (Commercial Companies Law)
 - Qatar Financial Centre (QFC) Companies Regulations
 - Qatar Science & Technology Park (QSTP) Free Zone Regulations (Schedule A – Company Regulations)
- Company has separate legal personality in each case
- QFC Companies Regulations and QSTP Free Zone Regulations more “modern”
- Not all types of activities qualify for QFC or QSTP licence
- Other types of business organizations (unincorporated) available

II. Commercial Companies Law

- Official text in Arabic (English translations often poor)
- Recognizes several types of entities
- Limited liability company (LLC)
- Joint stock company (QSC)
- Art. 207 (formerly Art. 68) company
- Holding company
- General partnership
- Limited partnership

II. QFC Companies Regulations

- QFC is not a free zone
- QFC houses mostly banking, financial and insurance related businesses (“permitted” activities)
- QFC Companies Regulations in English and based on international standards
- Normal Qatari law applies where not in conflict with QFC regulations and rules
- QFC Regulations distinguish between regulated and non-regulated activities
- Regulated activities undertaken by financial firms
- Non-regulated activities carried out in support of financial firms
- QFC courts have jurisdiction over QFC licensed entities
- QFC company can either be formed as limited liability company (LLC), protected cell company (PCC), company limited by guarantee (LLC-G), holding company or special purpose company

II. QSTP Free Zone Regulations

- Qatar Science & Technology Park (QSTP) is a free zone
- English language QSTP Free Zone Regulations read well
- Licensee must have R&D, technology development, specialist manufacturing, education and/or training, technology-related consulting services and/or new business creation and/or development as predominant activity
- Licensee can either be limited liability company (LLC) formed under QSTP Free Zone Regulations or branch of non-QSTP company
- QSTP entities and branches enjoy benefits (tax free, customs free, repatriation of capital and profits)
- Other free zones to be established under Law No 34 of 2005

II. Comparative Table (Companies Law/QFC/QSTP)

	Companies Law	QFC	QSTP
Free zone	NO	NO	YES
Branch	NO	YES	YES
LLC	YES	YES	YES
QSC	YES	NO	NO
Art. 207 (formerly Art. 68) company	YES	NO	NO
General partnership	YES	YES	NO
Limited partnership	YES	YES	NO
LLP	NO	YES	NO
51% Qatari ownership rule	YES	NO	NO

II. Comparative Table (Companies Law)

	LLC	QSC*	Art. 207 Co.*
Minimum capital (QAR)	NO	2,000,000	NO
Shares must have par value	YES	YES	NO
Minimum number of shareholders	1	5	2
Maximum number of shareholders	50	NO (public QSC)	NO
Minimum number of managers/directors	1	5	1
Maximum number of managers/directors	NO	11	NO
Non residents may act as directors	YES	YES	YES
Directors must hold shares	NO	YES	NO
Government entity must be a shareholder	NO	NO	YES
51% Qatari ownership rule	YES	YES	NO
Can be listed	NO	YES	NO

* Excluding listed companies,

Table not comparing holding companies, companies limited by guarantee, protected cell companies and partnerships.

II. Agencies

- Foreign company may establish commercial agency with wholly-Qatari entity or Qatari individual registered as agent in Commercial Agents Registry at Ministry of Economy and Commerce (Law No 8 of 2002 amended by Law No 27 of 2006)
- Foreign principal in agency relationship need not maintain representative office or branch in Qatar
- Agent can act as importer and distributor of products exported by foreign principal
- Agent will have exclusivity to sell and distribute, in Qatar, products exported by foreign principal
- Agency agreement must set up clear duration and termination regime

II. Foreign Branch

- Foreign company may establish branch in Qatar to perform contract or sub-contract which facilitates rendering of public service or utility (e.g. contract/sub-contract for Government of the State of Qatar or quasi-governmental body)
- Branch must perform specific contract or sub-contract in respect of which it has been registered and registration lapses on completion thereof
- Not necessary for local branch to have Qatari partner
- Local branch must be registered with Ministry of Economy and Commerce
- Branch does not confer separate legal personality

II. Trade Representative Office

- Foreign entity can establish so-called trade representative office
- Trade representative office more or less a "shop window"
- No need to have a local partner
- May be used for marketing and promotion only (not enter into contracts)
- Trade representative office has no separate legal personality
- Business is effectively conducted by foreign entity
- Useful to start analyzing Qatari market

II. Taxation

- Territorial tax regime
- Personal taxation not levied – tax free salaries
- Corporate tax rate for foreign-owned companies: 10% flat rate (35% oil and gas)
- Law No 13 of 2010 for the Issuance of QFC Tax Regulations took effect on 1st January 2010 (QFC income tax rate is 10% on local source business profits)
- Payments to non residents subject to withholding tax in certain circumstances
- Currently no VAT and social security deductions in Qatar (Qatar participating in GCC discussions on introduction of VAT)
- Qatar has signed about a dozen tax treaties including with Switzerland

III. UAE

- Gained independence in December 1971 (from UK)
- Federation of seven emirates: Abu Dhabi (which serves as the capital), Ajman, Dubai, Fujairah, Ras al-Khaimah, Sharjah, and Umm al-Quwain.
- Allocation of power between federal government and government of each emirate
- UAE's oil reserves rank 7th largest in the world
- Official language: Arabic with English widely spoken
- Estimated population in 2014: 9.44 million, of which 1.5 million are Emirati citizens and 7.9 million are expatriates
- Official currency: UAE dirham (AED) pegged to the US dollar

III. UAE Company law

- There are several legal regimes for incorporating a company in UAE:
 - Federal Law No 2 of 2015 (Commercial Companies Law, NCCL, entered into force 1/7/15)
 - Free Zone Regulations
 - Dubai International Financial Centre (DIFC) Companies Law and Regulations
 - Abu Dhabi Global Market (ADGM) (not fully operative yet)
- DIFC and ADGM Companies Law and Regulations: common law system
- Not all types of activities qualify for DIFC or FZ licence
- Company has separate legal personality in each case

IV. Commercial Company law (NCCL)

- 51 – 49% rule ownership but NCCL grants Cabinet of Ministers right, upon recommendation of MoE, to limit certain sectors to UAE nationals only.
- Exemption of NCCL:
 - By a Cabinet Decision
 - Companies held in full by federal/local government
 - Companies 25% held, directly or indirectly, by federal/local government in the sectors of oil, power generation, gas production, water desalination, energy of all kinds
- New corporate structures and entities introduced by NCCL:
 - Holding companies: conduct activities only through their subsidiaries
 - Common Investment Companies. Investment funds with separate legal personality (regulations to be established by the Securities and Commodities Authority)

IV. Commercial Company law (NCCL) (cont.)

- Several types of entities for foreign companies
- LLC:
 - Minimum of 2 shareholders maximum 50 shareholders
 - No minimum share capital required (adequate capital to achieve company's purpose)
 - Minimum of one manager – no maximum
 - GA quorum 75% share capital
- Single person company incorporated by UAE natural or legal person

V. TRO and Branch

- Both branch/TRO can be fully owned by foreign companies
- Both branch/TRO need a local agent (sponsor)
- Branch has no separate legal personality
- Branch may be incorporated to perform several projects involving public and private contracts
- Branch must be registered with relevant Ministry of Economy and Commerce
- TRO entitled to undertake marketing activities only, useful to test the waters of local market

VI. DIFC

- DIFC houses mostly banking, financing, insurance related business, professional services, global corporations
- Dubai Financial Services Authority grants licences and regulates activities of banking and financial institutions in DIFC
- Independent regulations based on common law
- Independent judicial system with exclusive jurisdiction over DIFC licensed entities
- 100% foreign ownership
- No tax rate on income and profits (guaranteed for 50 years)
- DIFC company can either be formed as limited liability company, company limited by shares, branch, limited liability partnership, general partnership, limited partnership

VII. Free Zones

- Over 35 free zones, each governed by an independent free zone authority
- NCCL does not apply to companies incorporated under a FZ
- FZ can be wholly owned by foreigners
- No corporate or income tax for 10- 15 years from set up
- No restriction on foreign repatriation
- Three types of entities:
 - FZCo: limited liability and a minimum of two shareholders, maximum 5 shareholders
 - FZE: limited liability and a minimum of one shareholder
 - Branch of foreign company: governed by rules of parent company
- Licences issued under a FZ: trading, industrial or service activities

VIII. Taxation in UAE

- Territorial tax regime
- No federal income tax, no personal income tax
- No withholding taxes, no VAT
- Corporate income tax mostly for foreign oil companies: 55% but actual rate is agreed in individual concessions
- Branches of foreign banks: 20% of their taxable income (Abu Dhabi, Dubai, Sharjah and Fujairah)
- FZ generally offer tax holidays 15-20 years, renewable
- Social security (only if employee is a UAE national): 15% (public employer), 17.5% (private employer)
- UAE has signed + 30 bilateral taxation treaties, including with Switzerland

Conclusion

- Qatar & UAE offer great investment opportunities
- Significant growth expected in construction and infrastructure (EXPO 2020 Dubai, 2022 FIFA World Cup, etc.)
- Government priorities being reshuffled due to oil price slump, thereby affecting decisions on projects and transactions
- Corruption and other grey methods can be a challenge
- Qatar criticized for labour standards (treatment of foreign workers)
- Arabic language and Sharia law not insurmountable obstacles
- Need to enjoy plain sun, haze, dust storms and sand storms!

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Melina Llodra joined LALIVE in 2008 after several years of practice in corporate and commercial law in Argentina. She specialises in international business law, including mergers and acquisitions, joint ventures, cross-border transactions involving Qatar with LALIVE IN QATAR LLC, international projects, international sale of goods, agency and distributorship agreements, government licensing and concessions and public procurement.

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