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HSBC 
Commercial Banking

Doing business in Qatar





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The materials contained in this publication were assembled in December 2012 and were based on the law enforceable and information available at that time.

Executive summary

- Qatar has one of the fastest-growing economies in the world.
 - In April 2011 HH Sheikh Hamad bin Khalifa Al-Thani and the Heir Apparent, Sheikh Tamim bin Hamad bin Khalifa Al-Thani launched the National Development Strategy 2011-2016. The strategy will pave the way for Qatar's economic, social, cultural and environmental development, leading to an even more prosperous Qatar and setting the pace for future national strategies to come.
 - It is an exciting time to do business in Qatar due to the opportunities created by massive public and private investment in non-hydrocarbon sectors.
 - There are a variety of corporate structures available for investors setting up business in Qatar, including establishing a corporate entity in the Qatar Financial Centre (QFC) or in the Qatar Science & Technology Park (QSTP).
 - A new tax law has been introduced, the main provisions of which are a corporate income tax of 10% and the introduction of withholding taxes. (Different tax rules apply in the QFC and the QSTP).
 - There is an audit requirement for most companies in Qatar. Financial reporting is based on IFRS.
 - Qatar is a member of the Gulf Co-operation Council along with Kuwait, Bahrain, Saudi Arabia, Oman and the UAE.
 - Qatar is a small country but has a growing population and has many cash-rich individuals and companies.
- 10 key points for foreign investors to consider:
1. Robust Foreign Investment policies.
 2. The appropriate business structure for their activities.
 3. Commercial registration requirements.
 4. Taxation – the corporate income tax rate is 10%.
 5. Recruitment requirements and processes/visas.
 6. There are no income taxes for expatriate employees.
 7. Property restrictions.
 8. The local culture and customs.
 9. The close links between Qatar and the other Gulf Co-operation Council (GCC) countries.
 10. The massive infrastructure developments that will be made in the lead up to the FIFA World Cup 2022 and significant investments in downstream oil and gas industries.



Foreword

Qatar has achieved unprecedented economic growth, outpacing regional and other global emerging markets including the BRIC countries. It is well-known as one of the richest countries in the world with an average GDP per capita income in excess of US\$75,000 per annum.

Qatar is one of the few countries in the world that weathered the global financial storm of 2008 with great success and received an upgraded sovereign rating to AA by S&P in 2010. The projected boost in budget spending of 25% for the fiscal year 2010-2011 resulted in higher outlay for major infrastructure projects as well as investments in the education and health sectors. The announcement that Qatar will be host to the FIFA World Cup 2022 has renewed confidence in strong economic growth for the country over the next decade.

A country with the third-largest proven Natural Gas reserves in the world, Qatar is investing in its potential and future. Under the visionary leadership of HH Sheikh Hamad bin Khalifa Al Thani and his consort, HH. Sheikha Moza bint Nasser, the developments in the health sector, education, infrastructure, science and technology have impacted the progress and growth remarkably.

At HSBC, we are ideally positioned to help corporates and individuals with cross-border banking needs. Our global connectivity extends to 87 countries and territories around the world. Our extensive local knowledge combined with global expertise can help corporates and individuals in achieving their goals.

HSBC has three branches in Qatar. A complete financial service provider that offers the best in corporate and personal financial services worldwide, HSBC is the preferred partner for the internationally-minded customer.



Abdul Hakeem Mostafawi
Chief Executive Officer
HSBC Bank Middle East Limited
Qatar



Introduction

Doing business in Qatar

Economic environment

Qatar has one of the fastest-growing economies in the world. The real terms GDP of Qatar increased by 17% in 2010 and by 19% in 2011 according to the IMF's World Economic Outlook (WEO) of April 2012. Oil and gas remains the most significant sector and in 2010 Qatar became the world's largest liquefied natural gas (LNG) producer. However, there has also been increasing investment in other sectors such as financial services, health and education.

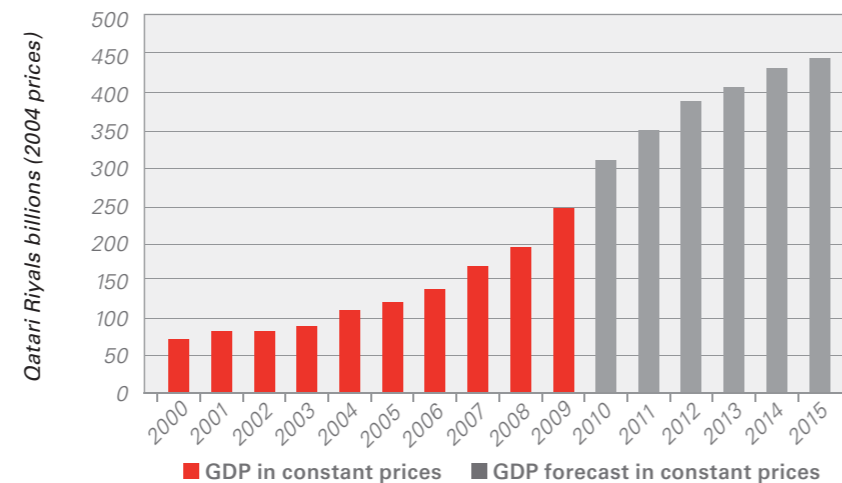
Qatar now has amongst the highest GDP per capita in the world. According to the WEO database, the GDP per capita in Qatar in 2011 was US\$98,330. The GDP based on purchasing-power-parity per capita, which takes into account relative costs of goods and services in countries, was US\$102,943.

Economic growth is set to continue with the WEO forecasting increases in GDP from 2012-2017. The actual and forecast real GDP growth figures from 2006-2017 are shown in figure 1.

The award of the 2022 FIFA World Cup to Qatar has brought forward planned long-term infrastructure development and will lead to many additional large investment projects. The rapid economic growth

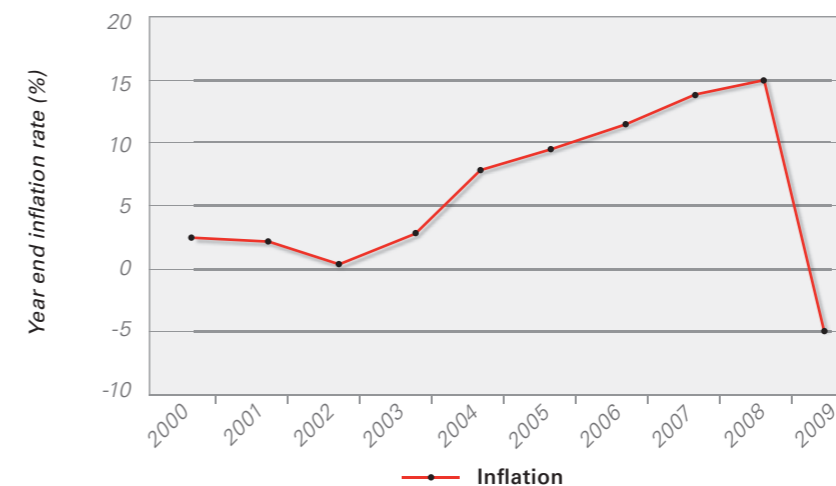
from 2002 was accompanied by relatively high inflation which reached a peak of over 15% in 2008. However, in the following year the slowdown in growth and a fall in property prices (due to a combination of a decline in demand and an increase in supply) contributed to deflation. Inflation for future periods is expected to average 4% per annum.

Fig. 1. Gross Domestic Product at Constant Prices, 2000-2009



Source: IMF, World Economic Outlook Database

Fig. 2. Inflation, end of year consumer prices (%)



Source: IMF, World Economic Outlook Database

Diversification of Economy

In recent years the Government's economic policy has focused on developing Qatar's non-associated natural gas reserves and increasing private and foreign investment in non-energy sectors such as financial services, health, education, sport and business-related tourism. It has set up the Qatar Financial Centre (on which more details are provided below) to attract financial services entities to locate in Qatar. It has also promoted Qatar as a high-end tourist destination through investment in infrastructure and through staging high-profile sporting events. Qatar hosted the Asian Games in December 2006 and it hosts annual events such as ATP

and WTA tennis tournaments and a European PGA Tour golf event. In January 2011, Qatar hosted the AFC Asian Cup at which the best international football teams from Asia competed. The most significant development came in early December 2010 when FIFA announced that Qatar had been chosen to host the 2022 Football World Cup.

Qatar's first National Development Strategy (NDS), 2011-2016 was launched in April 2011 that will identify priorities and direction for Qatar, serving the broader ambitions of the Qatar National Vision 2030 through specific set actions and targets. The government plans more than US\$65 billion in infrastructure spending through 2016.

Under the umbrella of the Qatar Foundation large investments have been made into education (Education City), science and technology (QSTP), Qatar Computing Research Institute (QCRI), Qatar National Research Fund (QNRF) and health (Sidra research hospital).

Why it is a good place to do business

The continued growth in the economy, together with the investment by the government as part of its efforts to diversify the economy, mean that there will be many business opportunities in Qatar in future years. Whilst governments and major private sector bodies are seeking to cut back on expenditure in other parts of the world, in Qatar there are large ongoing investment projects, with more on the way. Qatar also has many cash-rich individuals and firms looking for projects to invest in overseas.

The awarding of the 2022 football World Cup to Qatar accelerated and extended investment plans. Qatar is expected to spend up to US\$150bn on infrastructure projects over the next 5-6 years. These major projects include the New Doha International Airport, New Doha Port, Qatar Railways Project, Lusail, and the Qatar-Bahrain Causeway.

Business environment

In the World Bank's report 'Doing Business 2012', which covers the period from June 2010 through May 2011, Qatar is ranked 36th (out of 183 economies) for ease of doing business. Starting a business in Qatar now also requires the registration for taxes as well as obtaining a company seal. These new procedures were introduced in 2010.

A study from the World Bank, PwC and IFC titled 'Paying Taxes 2011' ranked Qatar second in the world for ease of paying taxes. This was based on the cost of taxes and the administrative burden of tax compliance for a medium-size case study company in 2009.

Qatar also has relatively low levels of corruption amongst public officials – in Transparency International's 2011 Corruption Perceptions Index, Qatar scored 7.2 out of 10 on a scale where 10 was 'highly clean' and 1 was 'highly corrupt.' This meant it was ranked 22nd out of 182 countries. Arabic is the official language of Qatar, but English is widely spoken, particularly in business circles.

Qatar Exchange, regulated by Qatar Financial Market Authority, supports Qatar's economy by giving investors a platform through which they can trade

efficiently. QE went into a partnership with NYSE in 2010 whereby NYSE obtained a 20% stake in QE. This enables QE to provide a world-class trading platform for its investors.

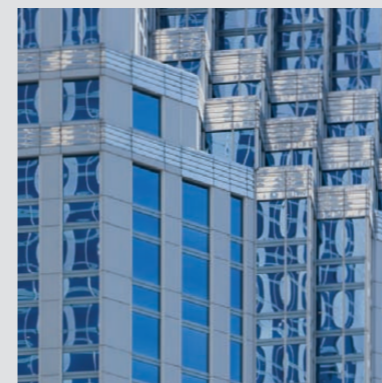
Population and workforce

Qatar's population has more than doubled in the last eight years, increasing from 744,029 in 2004 to 1,759,227 as of 31 January 2012 according to the Qatar Statistics Authority (QSA). This increase has largely come through immigration of expatriate workers and it remains a relatively easy location to which overseas employees can relocate.

Incentives for foreign investors

Qatar has many positive features to attract foreign investors:

- Well-equipped and resourced hospitals and medical facilities.
- International Schools providing the British, American and French Curricula as well as International Baccalaureate.
- Access to international universities (Texas A and M, Carnegie Mellon, Georgetown University, VCU-Q, Weill Cornell, North-Western University) for expatriate students.
- A strong telecommunications sector.



- An extensive and increasing range of air links to international destinations through Qatar Airways.
- The opportunity for foreign investors to have 100% ownership of companies (in the Qatar Financial Centre, in the Qatar Science and Technology Park and for certain specific industries if they are outside the specified zones).
- No income tax on salaried employees.
- Relatively few restrictions on recruitment of staff from overseas.
- No foreign exchange controls or restrictions on the remittance of funds overseas.
- A low corporate income tax rate of 10%.

In 2010, FDI inflows in Qatar fell by 32 per cent as the last of four LNG Qatargas plants, that had bolstered FDI in 2009, was completed. Qatar remains the second-largest recipient country of foreign direct investment in the region.

The presence of large international companies such as Exxon, Total, Shell, IBM and many more is a clear indication of the benefits of setting up operations in Qatar.

Qatar Investment Authority (QIA) has also opened opportunities through acquiring significant stakes in companies such as Volkswagen/Porsche, Hochtief and Harrods. QIA has state-backed investment clout that will continue to grow opportunities in the future.

Barriers, risks or downsides for foreign investors

The most significant barriers or risks for foreign investors are:

- The requirement that Qataris hold 51% or more of the capital in companies established in Qatar. (There are various exceptions to this which are outlined in the next section, 'Conducting business in Qatar.');
- Qatar has a relatively new intellectual property (IP) regime;
- Prices in the rental market in Qatar are high compared to other countries in the region;
- The Qatari Riyal is pegged to the US Dollar at an exchange rate of US\$ = QR3.64;

- Expatriate employees may take some time to adjust to living in Qatar. Whilst English is widely spoken, the language of government remains Arabic. Qatar is a Muslim country so the brewing of alcohol is prohibited and the importation and sale of it is strictly regulated, as is the importation and sale of pork products. There are also restrictions on the importation and use of narcotics and on the possession of materials considered obscene.

Key markets and trade

- Qatar is heavily dependent on imports but is a net exporter of goods and services due to its oil and gas reserves. In 2010, the total value of imports to Qatar was US\$21 billion whereas the total value of exports from Qatar was US\$75 billion. Hydrocarbon exports (crude oil, LNG (Liquefied Natural Gas) and associated products) accounted for over 85% of this total. According to the QSA, the largest export markets for Qatar in 2010 were Japan (29.4% of total exports), South Korea (16.5%), and India (8.7%). The import figures from QSA for 2010

show that the countries that Qatar imported from the most were the USA (11.8% of all imports), China (9.0%) and Japan (7.5%).

- Qatar has a sovereign wealth fund, Qatar Investment Authority (QIA), which is seeking to invest in a range of sectors throughout the world.
- The UNCTAD World Investment Report 2011 showed that Foreign Direct Investment (FDI) in Qatar in 2010 totalled US\$5.5 billion.

Business etiquette

Great emphasis is placed on networking and exchanging business cards (giving and receiving them with your right hand) is important. Punctuality at meetings is expected. The dress code is suits for men, and ladies should cover elbows and knees. Handshaking when meeting business contacts is common but when meeting Arab people of the opposite sex it is courteous to wait for them to initiate a handshake, as they do not always wish to do so. In Qatar it is important to maintain an ongoing

relationship with your business contacts and deliver on any promises you make as it is still a relatively small place, so your business reputation is of key importance.



Conducting business in Qatar

Forms of business

The Foreign Investment Law 2000 provides that the Ministry of Finance, Economy and Trade may authorise foreign investors to own 100% of a company's capital where:

- The entity operates in the agriculture industry, healthcare, education industry, tourism, IT, technical consultations, cultural, sport and entertainment

services, distribution services, exploitation and development of natural resources, energy or mining sectors; and

- The project is compatible with Qatar's development plan.

The authorisation is not automatic, being given on a case-by-case basis. Where the authorisation is not granted, the

options available for a foreign investor wishing to conduct business in Qatar are as follows:

1. Incorporate a local entity under the Commercial Companies Law (Law No.5 of 2002) as amended by Law No.16 of 2006. Details of the types of entities are shown in the table below:

Type of Company	Description	Foreign ownership limit (unless otherwise approved)	Minimum capital requirement
Simple Limited Partnership	Formed by two or more natural persons who are personally and jointly responsible for the liabilities of the entity.	49% of capital	N/A
General/Joint Partnership	An entity formed by Joint Partners (jointly and personally liable for the debts of the company) and Trustee Partners (shareholding partners whose liability is limited to the value of shares held in the capital).	49% of capital	N/A
Limited Partnership with Shares	An entity formed by one or more Joint Partners (personally liable for the debts of the company) and four or more Trustee Partners (shareholding partners whose liability is limited to the value of shares held in the capital).	49% of capital	≥ QR1 million, divided into shares of equal value that are transferable and indivisible and should be fully paid on incorporation
Unincorporated Joint Venture (JV)	An unincorporated entity. If any of the partners of a JV are non-Qataris then the company will only be permitted to carry out business activities stipulated by law for non-Qataris.	49% of capital	N/A



Table continued on page 16



Type of Company	Description	Foreign ownership limit	Minimum capital requirement
Limited Liability Company (LLC)	Formed by at least two partners, whose liabilities are limited to the value of the shares held in the company. The shares of an LLC are not freely transferable.	49% of capital	≥QR200,000
Public Shareholding Company	Capital is divided into shares of equal value. Should have a minimum of five shareholders. The liability of shareholders is limited to the nominal value of the shares to which they subscribe.		≥QR10 million
One Person Company	A company in which every economic activity and its full share capital is held by one natural or corporate person.	N/A	≥QR200,000
Holding Company	A joint stock, limited liability or one person company financially and administratively controlling one or more other companies by holding at least 51% of the shares of such companies.	Depends	≥QR10 million

Limited Liability Company (LLC)

The LLC is the type of company most commonly chosen by foreign investors. However, a LLC may not engage in the business of insurance, banking, or in the investment of funds.

A LLC requires by law the participation of one or more Qatari nationals (either individuals or body corporate) with the foreign shareholding restricted to 49% unless

otherwise specifically approved. Such an approval is only granted to projects that are strategically significant to Qatar.

Although the foreign shareholding in a LLC is restricted, the profit share attributed to the foreign shareholding may be in excess of the legal shareholding. There is no official guidance on the maximum percentage share which a foreign shareholder can receive, however, the agreed share

should reflect the contribution of the respective parties in operating the business and reflect a 'real partnership'. In some cases this could mean that the profit allocation to foreign shareholders is in excess of 90%. A foreign shareholder is also permitted to appoint the management and have control of the LLC.

2. Incorporate a local entity with the Qatar Financial Centre (QFC)

The government of Qatar established a financial centre, the QFC, in 2005, mainly aimed at regulated organisations operating in the financial services sector. However, the QFC law permits certain other non-regulated activities to be carried out such as acting as a holding company or providing group treasury functions. Entities can be based at premises anywhere in Qatar (provided those premises are approved by QFC). QFC entities can conduct business internationally and can be 100% foreign owned. Full repatriation of profits and capital is permitted for QFC entities.

Permitted activities in the QFC are:

- Regulated activities – activities undertaken by financial firms (such as investment and retail banks, insurance companies, fund and wealth management firms, brokerage offices and securities operations). Pre-authorisation by the QFC Regulatory Authority is required for these.
- Non-regulated activities – activities in support of financial firms (e.g. services by accounting, audit and legal firms). No QFC Regulatory Authority authorisation is required.

An outline of the QFC tax regime is provided in the corporate tax section below.

3. Incorporate a local entity in the Qatar Science and Technology Park (QSTP)

The QSTP is a location for entities engaged in research and development activities. It was established to provide a home for technology-based companies from around the world and to generate opportunities for Qatar's scientists and entrepreneurs.

The QSTP is a 'free zone' meaning that QSTP entities are fully exempt from Qatar tax in respect to their licensed activities, can have 100% foreign ownership and can trade directly in Qatar without a local agent. Another benefit is that the rent of the premises in the QSTP are subsidised.

QSTP entities must be physically located in the QSTP and can only perform activities specified in their licence. There are three types of licence:

- Standard licence – issued to entities that incorporate in the free zone as a QSTP LLC or register as a branch office. The QSTP LLC must have at least two shareholders and a minimum capital of QR200,000. Entities with the standard licence are entitled to all free-zone benefits;
- Restricted licence – issued to entities that do not qualify for the standard licence. Entities with this licence have limited free-zone benefits; and

- Service licence – issued to entities providing services to QSTP tenants. The holder of this licence is not entitled to any free-zone benefits.

4. Establish a branch

A foreign entity engaged in a project in Qatar is permitted to establish a branch. A branch usually exists only for the duration of the associated project or contract and ceases to exist once the relevant project is completed. It is sometimes possible to extend the duration of the branch to accommodate further contracts, but this requires the further approval of the relevant ministry and this process can sometimes prove difficult. A branch is therefore not usually an appropriate structure for a business model envisaging activity over a number of years and contracts.

5. Establish a Representative Trade Office (RTO)

A ministerial decision in 2006 allowed foreign entities to set up RTOs in Qatar with 100% foreign ownership.

A RTO is essentially a structure to establish a 'shop window' in Qatar – a RTO of a foreign company is not allowed to undertake contractual business in Qatar but it can be used to market services and products in Qatar.

Setting up a business

The Commercial Registration requirements for each of the business structures are as follows:

1. Incorporate a local entity under the Commercial Companies Law (Law No.5 of 2002) e.g. LLC

The requirements that must be met when setting up a LLC include:

- A LLC must have a minimum share capital of QR200,000;
- The appointment of directors must be registered in the commercial registry. A decision to remove a director or confine their powers is only enforceable against third parties when that decision is published in the commercial registry; and
- LLC's directors are not required to be Qatari nationals or resident in Qatar.

The time taken to set up a LLC is dependent upon the time taken to find an appropriate Qatari partner, agree the commercial arrangements with that partner, and reflect the arrangements agreed in the incorporation documents of the LLC. This may take some time as the incorporation documents are drafted in both English and Arabic. In addition, official Arabic translations of key documents,

such as shareholders, corporate registration documents are required. Provided these matters are resolved promptly, it is usually possible to set up a LLC in approximately 4-6 weeks.

2. Qatar Financial Centre (QFC)

Provided an entity is carrying out a permitted QFC activity, the process to set up in the QFC is either:

- Complete and submit QFC form Q01 'Application for a Licence to Conduct Non-Regulated Activities' to the QFC Regulatory Authority. The completion and submission of this form will also cover the application to the Companies Registration Office (CRO) to establish a legal presence in the QFC by incorporating as an LLC or an LLP, or by registering a branch office; or
- Complete and submit form Q02 'Application for Authorisation to Conduct Regulated Activities' to the QFC Regulatory Authority. The entity will be required to provide details including a description of the proposed business, financial information about the firm, and information on the firm's IT systems. The information provided will be used by the CRO to establish the applicant as a LLC, LLP or a branch office, and will cover the licensing of the applicant to operate in the QFC and the

authorisation by the Regulatory Authority to conduct Regulated Activities.

The Regulatory Authority aims to process all applications within three months of receipt of the completed form.

3. QSTP

The process to set up in the QSTP and the compliance requirements are as follows:

- Applicants should submit a description of their business and research plans to the QSTP to demonstrate that the majority of their activities will be dedicated to research and development;
- If QSTP grants approval then the applicant can either apply to incorporate or to register as a branch office;
- Applicant applies for a licence and completes a lease agreement; and
- Annual financial and activity reports must be submitted to the QSTP.

4. Branch

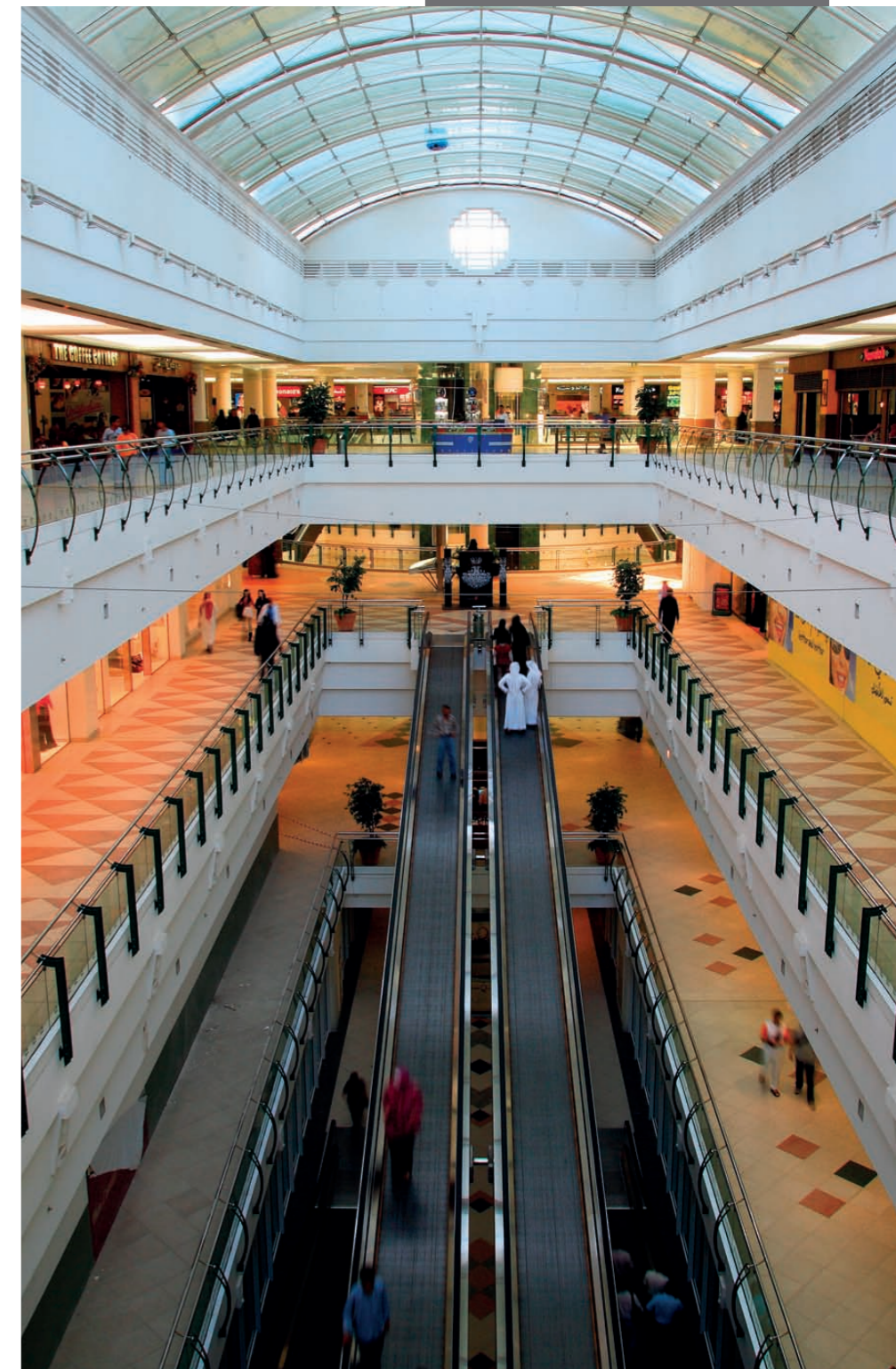
The establishment of a branch by a foreign entity requires ministerial approval and usually strictly requires the awarding of a contract with a governmental or quasi-governmental entity. However, in practice, foreign entities

may receive approval to set up a branch in the absence of any government or quasi-government contract.

Such approvals will typically take approximately 4-6 weeks to obtain, provided all the required documents have been submitted to the Ministry.

5. Representative Trade office (RTO)

A company wishing to establish an RTO must seek permission from the Ministry of Business and Trade.



Taxation in Qatar

Corporation Income Tax

A new corporate tax regime was introduced with effect from 1 January 2010 (Law No.21 of the year 2009 issuing the Income Tax Law).

The key points of this regime are as follows:

- There is a flat rate of corporate income tax of 10% on taxable profits. Taxable profits are defined as profits arising out of a taxable entity's activity in Qatar.
- Introduction of withholding taxes.

In Qatar, corporate income tax is levied on a source basis. Therefore, a corporate body is potentially subject to corporate income tax if it has a Permanent Establishment (PE) in Qatar or if it otherwise derives profits from an activity or assets in Qatar. The definition of a PE used in the New Tax Law is that of the OECD i.e. 'a fixed place of business through which the business of a taxpayer is wholly or partly carried on, for instance a branch, office factory, workshop, mine, oil or gas well etc.' Withholding tax is charged on payments from a Qatar resident entity to a non-resident entity which does not have a PE in Qatar.

No corporate income tax is levied on a corporate entity

that is wholly owned by Qatari nationals resident in Qatar. Law No.19 of 1989 provided that nationals of Gulf Co-operation Council States were to be treated as Qatari citizens for income tax purposes. Therefore, foreign companies wholly owned by GCC nationals resident in Qatar are not subject to income tax in Qatar.

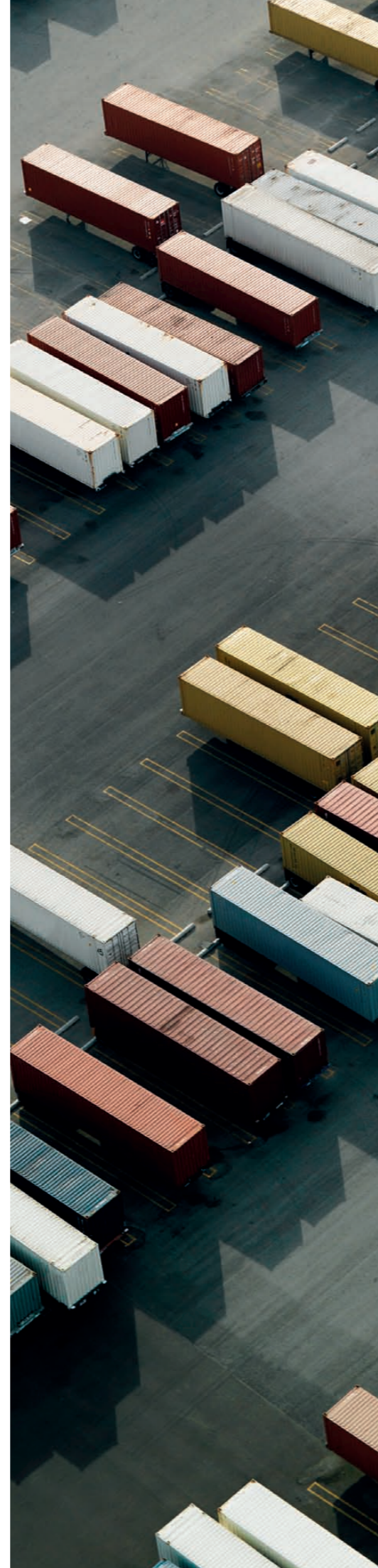
The tax rates and regulations provided for oil operations are governed by Law No.3 of the year 2007. This means that oil operations must pay tax at 35%.

Under the old tax regime there was no withholding tax and there was a sliding scale of corporate income tax rates with a maximum rate of 35% of taxable income over QR5 million. These rates of tax still apply for agreements that were concluded before the entry into force of the Law No.21 of 2009 and to which governmental or public bodies were a party. See also our further comments below on withholding taxes and retention payments.

Income determination

Examples of Qatar source income include:

- Income derived from an activity carried on in Qatar;
- Income derived from contracts wholly or partially performed in Qatar;



- Income from real estate situated in Qatar, including income from the sale of shares of companies with assets consisting mainly of real estate situated in Qatar;
- Interest arising in Qatar (other than received by natural persons); and
- Bank interest arising outside Qatar, provided that it results from the taxpayer's activity in Qatar.

Chargeable gains on the sale of capital assets are taxed as ordinary income.

Deductions

A deduction is usually available for expenses that are incurred in generating Qatar source revenue and that are considered ordinary rather than 'capital' in nature. Specific items of deductible expenditure include the following:

- Interest on loans attributable to the taxpayer's Qatari activities;
- Employee costs (including salaries, wages, gratuities, and other end-of-service benefits);
- Tax depreciation of fixed assets. Tax depreciation is calculated in accordance with rates specified by the Qatar tax law and regulations;
- Losses resulting from the sale of assets;

- Bad debts approved by the tax authorities in accordance with the criteria set out in the tax law;
- Donations, gift aid and subscriptions to charitable, humanitarian, scientific, cultural or sporting bodies paid in Qatar to government authorities or public bodies, provided the value does not exceed 5% of net profit in the year in which the deduction is claimed; and
- A branch's share of head office expenses up to a limit of 3% (1% for banks) of the total revenue less certain other costs.

Losses

Losses can be carried forward for three years after the year in which they were incurred. Losses cannot be carried back.

Tax administration

The tax compliance deadlines and penalties are as follows:

- Taxpayers are required to register with the Public Revenues and Taxes Department (PRTD) within 30 days of the earlier of commencement of taxable activity or receipt of taxable income. The penalty for failing to do this is QR5,000;
- Taxpayers are also required to submit an application to PRTD for a tax card within 30 days of commencement of the activity;

- The Qatar tax year is generally the same as the calendar year, although advance approval may be sought from the Qatar tax authorities to use a company's accounting year end. A corporate income tax return must be submitted within four months from the date of a company's tax filing period (i.e. by 30 April following a 31 December year end). If the company's capital or profit exceeds QR100,000, or the head office is situated outside Qatar, then the tax return must be accompanied by audited financial statements;
- Tax liability is payable on the same day as the tax return is filed;
- The penalty for late filing of the return is QR100 per day up to a maximum of QR36,000 and the penalty for failure to enclose accounts with the return is QR15,000; and
- The penalty for late payment of income tax is 1.5% of tax due per month (or part of a month) that the payment is delayed.

Even if an entity has been granted an exemption from Qatar tax, it will be required to submit a tax return.

Withholding taxes

Withholding tax was introduced in Qatar for the first time on 1 January 2010. Withholding tax is levied on certain payments made to non-residents in relation to royalties and technical services (the applicable rate is 5%) and on interest, commissions, brokerage fees, directors' fees, attendance fees and any other payments for services carried out wholly or partly in Qatar (the applicable rate is 7%).

The company that makes the payment to its foreign supplier is required to withhold the tax and remit to the tax department the funds that were withheld by the sixteenth day of the following month. In the event that the company does not make a payment to the tax department, the company will be liable for a penalty equal to the amount of unpaid tax due, in addition to the withholding tax.

Qatar has a growing network of double tax treaties with over 50 now in force. These may provide an opportunity to reduce withholding tax rates.

Retention Payments

Prior to the adoption of the new tax law, a retention system was in place whereby certain final contract amounts were required to be retained from payments made by Qatari entities to foreign entities in connection

with work performed in Qatar. The new tax law continues the retention system for entities that have a PE in Qatar. The Ministry of Economy and Finance also issued Circular 2/2011 in June 2011 which outlines the circumstances in which the retention system applies and how the recipient of the payment can secure payment of the retained amounts.

Transfer Pricing

An anti-avoidance provision was introduced by the new tax law, which gives the Qatar tax authorities very wide powers to counteract transactions that have been carried out with a tax avoidance purpose. These powers include substituting an arm's-length value or recharacterising transactions.

Other tax regimes

There are also two other tax regimes in operation in Qatar:

1. Qatar Financial Centre (QFC)
The QFC tax law was enacted in October 2010. The QFC tax law is being retroactively applied from 1 January 2010. Some of the key points of the QFC tax regime are:
 - QFC entities are subject to corporation tax on their local source profits at the rate of 10%. 'Local source profits' are defined as profits that arise

in, or are derived from, Qatar. There was a tax holiday in place until 31 December 2009;

- 100% foreign ownership of QFC entities is permitted;
 - Full repatriation of profits and capital (e.g. through dividends) is permitted;
 - There is no withholding tax;
 - There are transfer pricing rules dealing with transactions between related parties. The QFC tax authority has the power to compute the profit where transactions between related parties are not on an arm's length basis;
 - Provisions are in place for QFC entities providing Islamic financial services or entering into Islamic finance transactions to ensure that the tax treatment is comparable to that afforded to non-Shar'iah compliant institutions and conventional transactions;
 - The Qatar government, local authorities, statutory bodies and any QFC entity wholly owned by the Qatar government or these authorities or bodies are exempt from tax in the QFC;
 - An election for special exempt status is available for certain vehicles including registered funds and charities;
- There are special rules for QFC entities authorised to conduct an Islamic finance insurance business, QFC entities with a reinsurance business and captive insurance companies. A concessionary rate of 0% applies to reinsurance businesses and captive insurance companies (the latter may elect to be charged at the standard rate instead);
 - A tax ruling procedure has been introduced;
 - QFC entities are required to self-assess their tax liability and file a tax return, together with accounts and supporting computations, within six months of the end of the accounting period; and
 - Tax is due and payable six months and one day after the end of the accounting period.
2. Qatar Science and Technology Park (QSTP)
QSTP entities are fully exempt from Qatar corporate income tax in respect of their licensed activities and can import goods and services free of customs duties. However, QSTP entities are still required to file tax returns.

Personal Income Tax

There are no taxes imposed on employed individuals' salaries, wages and allowances in Qatar. Employers have to pay social insurance in respect of Qatari employees but have no obligations for employees of other nationalities.

A self-employed individual may be subject to income tax if he derives Qatar source income.

Sales tax/VAT

There are currently no sales taxes or VAT imposed on operations in Qatar. There have been discussions amongst the GCC countries about the possible introduction of VAT but to date no plans have been agreed.

Other taxes

Customs duties are applied to goods with an origin outside the GCC countries, normally at a rate of 5%, but sometimes at higher rates for specific types of goods, such as tobacco products. Temporary import exemptions are sometimes available.



Audit and accountancy

Audit requirement

Limited Liability Companies (LLCs) are required under Article number 119 of the Qatar Companies and Commercial Law No.5 of 2002 to have their financial statements audited.

There are no restrictions on appointment of auditors; however, listed companies are required to change auditors if the same auditors have been retained for five years (rotation requirement).

According to Article 248 of the Qatar Commercial and Companies Law No.5 of 2002, LLCs should prepare annual financial statements within four months of the financial year end. Article 249 specifies that LLCs should send copies of these financial statements to the Ministry of Trade and Business within a month of their preparation. There is no fee from the Ministry for the filing of accounts.

There is a requirement under Article 17 of the tax Law No.21 of 2009 for an entity to submit audited financial statements to the Public Revenues and Taxes Department (PRTD) together with its tax declaration if (i) the profits or capital of the taxable entity exceeds QR 100,000; or (ii) annual taxable income exceeds QR 100,000; or (iii) in the case of a branch, its head office is situated outside Qatar.

Reporting method of Financial Statements

Financial reporting in Qatar is based on IFRS. There is no local GAAP.

Companies mainly use Qatari Riyals or US dollars as their reporting currency. Another currency may be used by a company if the currency meets the definition of functional or presentation currency requirements under IAS 21.

The accounts of entities in the Qatar Financial Centre are expected to be prepared in accordance with IFRS, UK GAAP, US GAAP or standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

Public availability of accounts

The accounts for listed companies are publicly available. Those for unlisted companies are not.

Maintenance of local books and records

Local books must be maintained to comply with the requirements of the Tax Law, but companies can apply to the Public Revenues and Taxes Department PRTD for an exemption. Most companies maintain books in English but some local companies maintain them in Arabic. The currency used in the books is usually Qatari Riyals or US dollars.



Human Resources and Employment Law

Employment for most employees in Qatar is governed by Labour Law No. 14 of 2004 and, for those employed by QFC entities, by Regulation No.10 of 2006. Some of the key components of the Labour Law are:

- Employees must be sponsored by a company in order to work in Qatar. The employing company usually makes all application arrangements for an entry visa and a residence visa on behalf of its employees. Due to the volume of expats entering Qatar, delays can incur in every step of the process which can cause a delay in entering the country or obtaining a residence permit.
- The sponsoring company is legally responsible for the actions of anyone under their sponsorship.
- All employment contracts should be in writing and must be attested by the Ministry of Labour. By law an employee is entitled to paid annual leave and sick leave, a return flight home to his or her country at the completion of the contract, plus 21 calendar days gratuity for each year of service.
- Employers are allowed to impose a probationary period which must not exceed six months. If the probation is not successful, the company must arrange the exit visa of the employee, pay for their flight home and honour any benefits specified by the contract.
- Employees can work a maximum of 48 hours per week (36 hours per week during Ramadan).
- In the case of redundancy, the employer must give the same notice period of termination as is specified in the employee's contract for an ordinary end of service. The employer must pay all outstanding wages by close of business following the last day of employment and they must honour all benefit and bonus gratuities. The employer will also arrange the redundant employee's exit visa and pay for their flight home.



Trade

The standard rate of Customs Duty is 5% but there are exemptions for certain items and for goods manufactured in GCC countries. Somebody wishing to import into Qatar is required to register in the Importers Register and be approved by the Qatar Chamber of Commerce and Industry. There are no customs duties on imports to the QSTP.

There are no taxes on exports. Qatar is a member of the World Trade Organisation (WTO) and is in the process of liberalising many of its trade policies.



Banking in Qatar

There is a large selection of local and international banks in Qatar. Several of the local banks are Islamic institutions. Qatar National Bank is the largest commercial bank in Qatar and is 50% owned by the government.

The normal opening hours of bank branches are 7.30am -1pm Sunday-Thursday but some branches operate longer hours. When setting up an account, employees need to provide a letter from their employer stating that they do not object to the setting up of the bank account, as well as provide a copy of their residence permit.

The Qatar Development Bank, which is government owned, offers financing to small-and medium-sized industries.

The banking sector is overseen by the Qatar Central Bank (QCB) which applies banking standards and regulations for the commercial banks. There are plans by four of the GCC countries (Qatar, Saudi Arabia, Oman and Bahrain) to establish a GCC central bank located in Saudi Arabia.

In February 2011 the QCB asked conventional lenders to close down their Islamic banking operations. The order was effective immediately but the QCB gave lenders a grace period until 31 December 2011 to close down the operations.

HSBC in Qatar

Who we are

The year 2012 marks HSBC's 58th year in Qatar. With an unrivalled global network and a rich heritage in Qatar, HSBC is well positioned to play a leading role in the local economy and continue its commitment to the country. The diverse workforce of international banking professionals, combined with local Qatari talent, offer HSBC customers the best in international knowledge and understanding of the local market dynamics.

The new state-of-the-art main office officially opened its doors on 11 February 2010 and forms part of the branch network that includes branches in, City Center and Salwa Road. The bank offers a full range of cross-border banking products and services from commercial and global banking to corporate clients. For the retail banking segment, customers are also offered wealth management and offshore banking products and services.

Historical Milestones

1954 – As one of the first foreign banks locally incorporated in Qatar, HSBC Bank Middle East Limited (Qatar) started operations in 1954. In the past 57 years HSBC has been a pioneer in bringing to this emerging market a wide range of banking products and services.

1986 – HSBC Qatar being the first bank to install an ATM.

1987 – HSBC introduces Electronic Banking in Qatar.

2003 – First Bank to offer 'Instant Electronic Advising' of Trade transactions in Qatar.

2004 – Lead managing Qatar's first Islamic Sukuk for the Government.

2005 – First Bank to offer 'Factoring Services' in Qatar.

2007 – First bank to offer the Cheque Outsourcing Service in Qatar.

– First bank to offer Commercial Cards in Qatar.

– Launched a dedicated team for Business Banking Customers focusing on the Small and Medium Enterprises (SME).

2008 – First bank to offer Integrated Receivables Management in Qatar.

– First bank to offer the Wage Packets service in Qatar.

Network

HSBC Qatar has three branches.

There are more than 370 staff members of which 17% are Qatari nationals.

Awards for Excellence

Best Cash Management Bank in Qatar 2008, 2009, 2010 & 2011, Euromoney Customer Poll.

Best Corporate / Institutional Internet Bank in Qatar 2010 & 2011, by Global Finance magazine.

2010 – HSBC Amanah 'Best Islamic Wealth Management Provider', Islamic Finance news.

Corporate Sustainability

Sustainability is at the heart of HSBC's long-term strategy and in Qatar we aim to ensure that our actions support the global strategy which includes sustainable business principles that permeate every level of our business and culture.

Education

- HSBC in Qatar is a founding member on the board of Injaz Qatar (Junior Achievement). Since its inception in 2007, HSBC has provided more than 80 staff volunteers to conduct over five different courses to an estimated 1,400 students. JA More than Money – one of HSBC's global programmes has been successfully conducted for

the third consecutive year and reached over 700 students.

- With the cooperation of the Student Services Center at Education City, HSBC funds the annual English Enrichment Programme and to-date 90 Qatari students have received 180 hours of English Language Skills training to improve their chances of qualifying for higher education at international universities.
- HSBC and British Council are collaborating on a series of reading initiatives like the Qatar Boys Book Challenge and Kids Read, to improve reading skills of students in independent schools across Qatar.

Environment

- The HSBC Water Programme is a five-year partnership with WWF, WaterAid and Earthwatch to tackle water risks in river basins; bring safe water and improved sanitation to over a million people; and raise awareness about the global water challenge. Throughout the programme, HSBC will share findings and insight to contribute to global understanding and best practice among NGOs, policymakers and businesses, as well as engaging its own employees.

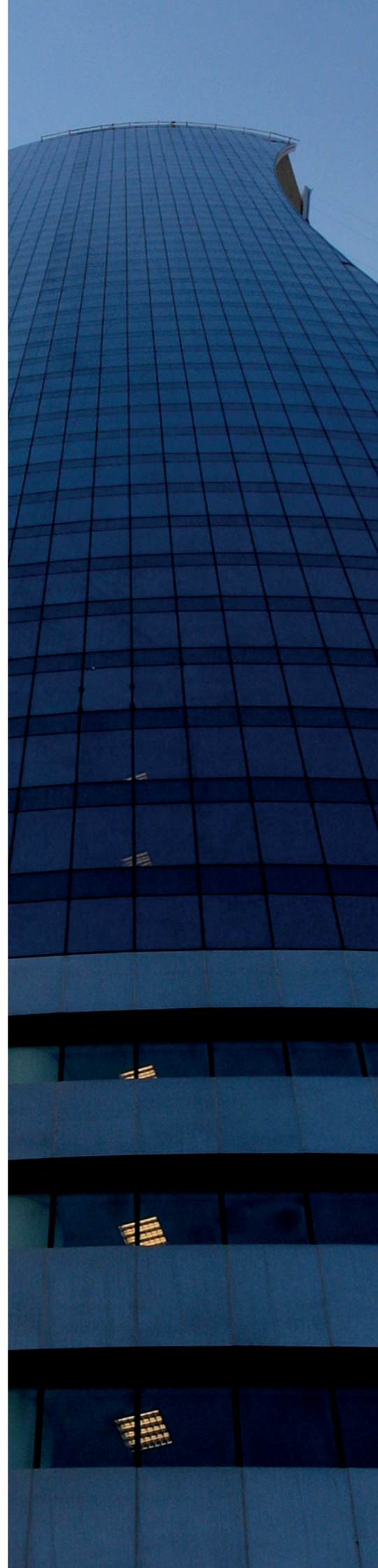
- Starting in 2012, HSBC has implemented a global action plan to reduce our annual CO2 emissions, develop

new products, processes and technologies and establish HSBC as a leader in environmental efficiency among our peers. Our goal is to reduce annual employee CO2 emissions by 1 tonne of CO2.

- HSBC members of staff annually take part in a number of environmentally-friendly actions and awareness programmes that include WWF's Earth Hour, World Environment Day celebrations and clean-up/ greening initiatives.

Community

- HSBC takes part in two major events annually that contribute to fundraising for cancer research and cancer awareness. During these events, staff volunteers are encouraged to take part and make personal contributions.
- HSBC Qatar initiated the Iftar meal distribution to migrant workers in 2007. Since then, this project has grown into a regional project now implemented by most countries in the GCC. Meals are distributed to labourers during the Holy month of Ramadan and staff volunteers are involved in the project.
- HSBC supports the Hope Centre for children with special needs. The support includes financial contributions to the school as well as fun activities for the children.



Country overview

<i>Capital city</i>	Doha						
<i>Area and population</i>	Area of 11,521 sq km and population of 1.76 million (at January 2012)						
<i>Language</i>	Arabic is the official language and English is widely spoken						
<i>Currency</i>	Qatari Riyal (QR) which is divided into 100 dirhams. It is pegged to the US dollar at rate of US\$ = QR3.64						
<i>International dialling code</i>	+974						
<i>National Holidays 2013</i>	<table><tr><td><i>National day</i></td><td>18 December</td></tr><tr><td><i>Eid Al-Fitr</i></td><td>28 of Ramadan to 4 of Shawwal</td></tr><tr><td><i>Eid Al-Adha</i></td><td>9 – 13 of Zilhijjah</td></tr></table>	<i>National day</i>	18 December	<i>Eid Al-Fitr</i>	28 of Ramadan to 4 of Shawwal	<i>Eid Al-Adha</i>	9 – 13 of Zilhijjah
<i>National day</i>	18 December						
<i>Eid Al-Fitr</i>	28 of Ramadan to 4 of Shawwal						
<i>Eid Al-Adha</i>	9 – 13 of Zilhijjah						
<i>Business and banking hours</i>	Government offices: 7am – 2pm Sunday – Thursday Banks: 7.30am – 1pm Sunday – Thursday						
<i>Stock exchange</i>							
<i>Political structure</i>	Constitutional Monarchy						
<i>Economic statistics</i>	FDI US\$5.5 billion in 2010 ¹ GDP US\$173.85 billion in 2011 ²						

¹ UNCTAD World Investment Report 2011

² GDP in current prices per IMF WEO Database



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