



Welcome to Indian Business & Professional Network

Mission Statement: To promote trade and commerce and formation of manufacturing and trading joint ventures between India and Qatar and promoting investment in either country on a bilateral basis.

The Indian Business and Professionals Network Qatar (IBPN) works under the aegis of the Embassy of India Qatar for the purpose of enhancing and supporting business and professional interests of India and Qatar in both these countries. Its members are people of repute living in Qatar engaged in either key positions in business or successful professionals.

IBPN aims to provide a platform for interested bodies or individuals in either India or Qatar to know more about the other country, its opportunities and business and professional outlook. It works by networking the right people to work together and find solutions that are mutually beneficial to both parties and which serve the common interest of enhancing business and professional ties in both these countries.



cutting through complexity

Qatar

An ever-changing landscape of
investment and opportunity

Qatar Chamber of Commerce and Industry

9 September 2013

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Macroeconomic Analysis

Qatar's Political Landscape

The State of Qatar has a stable political environment due to both economic prosperity and Government efforts to improve the lifestyle of its residents.

Qatar has been recognized as the most politically stable country in the GCC with a high prevalence of law.



- Qatar is a sovereign and independent state in the Middle East. Qatar is an Islamic State whose laws and customs follow the Islamic tradition. The country is presently governed by the 9th Emir, Sheikh Tamim bin Hamad Al Thani.
- Qatar's government structure includes ministries, supreme councils and other government agencies. Politically, Qatar is evolving from a traditional society into a modern welfare state. Government departments have been established to meet the requirements of social and economic progress.
- Qatar enjoys strong political stability driven by its visionary leadership and based on the continuous pursuit of progressive social and political reform. Its new constitution was overwhelmingly approved in a nationwide referendum and came into effect in 2005, engendering a strong trust in the government by the population.
- The State of Qatar came first among the Arab states in the prevalence of law and political stability, according to a World Bank report published on 18th September 2006.
 - According to the report, the political stability index in the State of Qatar was 83%, the highest in the GCC. It is followed by the Sultanate of Oman with 82%.

Source: World Bank, KPMG Analysis

Qatar is one of the fastest growing economies in the world.

Although it was temporarily affected during the global credit crunch of 2008-09, this situation has improved rapidly due to strong market fundamentals and growth in oil prices.

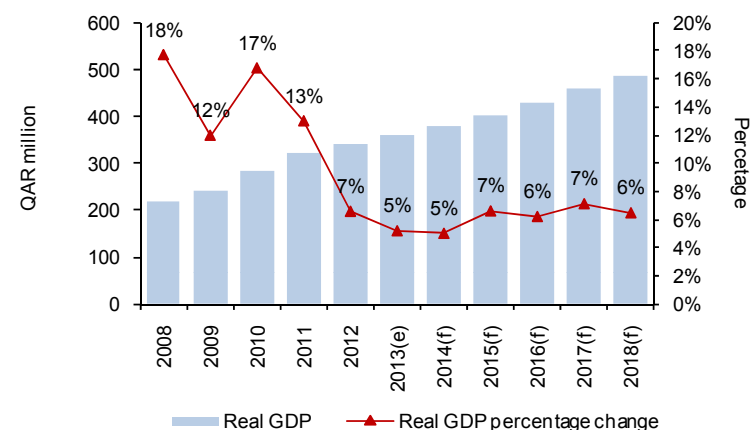
Real GDP

- In 2012, Qatar's real GDP reached QAR 342 billion, (USD 94 billion), a 58% increase from the 2008 figures, when real GDP was at QAR 217 billion. (USD 60 billion)
- The real GDP witnessed a significant growth during 2008-12 (at a CAGR of approx. 12%), being driven by the oil and gas sector that experienced a significant increase in Liquefied Natural Gas (LNG) production and export. The service sector also grew during this period, being driven by an increase in financial services, government services, real estate, logistics, wholesale and retail trade.
- However during 2011-12, as the LNG production reached its full capacity, the annual growth in real GDP dropped to around 7%.
- From 2013-18, real GDP has been forecast to grow steadily around 5% to 7% as projects related to the FIFA 2022 World Cup commence.

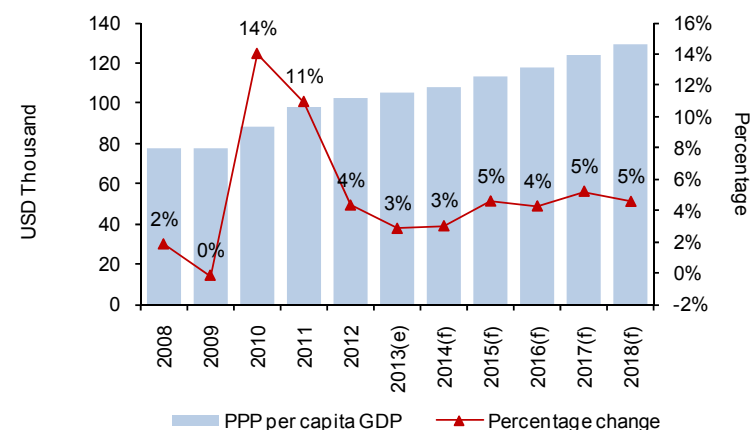
PPP per capita GDP

- Qatar has the highest Purchasing Power Parity (PPP) per capita GDP in the world, estimated to be around USD 105,000 in 2013. It has witnessed a healthy growth, at a CAGR of 7% from period 2008-12. From 2013-18, it is forecast to grow at a CAGR of 4% from USD 105,091 (QAR 382,533) in 2013, to USD 129,771 (QAR 472,365) for 2018.

Real GDP (2008-2018)



PPP per capita GDP (2008-2018)



Source: IMF, QNB report

Qatar's economy is strong and continues to grow, as it holds the largest proven natural gas reserves available in the world, for which demand is always growing.

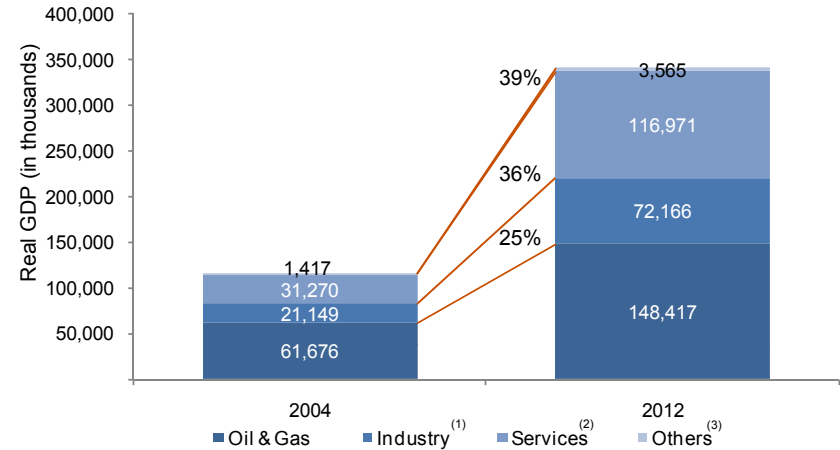
Large scale deployment of funds has led to rapid development of the services and infrastructure sectors. This is observed in their increasing share of Qatar's GDP.

- In 2012, the oil and gas sector contributed approximately 42% of the Real GDP, with the non-oil and gas sector accounting for 58%.
- From 2004-12, the service sector has witnessed the highest growth, with a CAGR of approximately 39%. Since 2004, lending and real estate activity grew due to increase in government infrastructure spending. Furthermore, growth in public benefits and social development (such as healthcare and education) are the contributing factors for the increase in government services.
 - During this period, the Industry sector increased significantly with a CAGR of 36%, the second highest after the service sector. Growth in manufacturing has been the key growth driver as various projects in Gas to Liquid (GTL), petrochemicals, fertilizers etc have commenced during the period.
- Despite having the highest contribution of Real GDP in 2012, the share of oil and gas to the total GDP has fallen by 11% compared to the 2004. From 2004-12, Oil and Gas sector has had the lowest growth rate of only 25%.

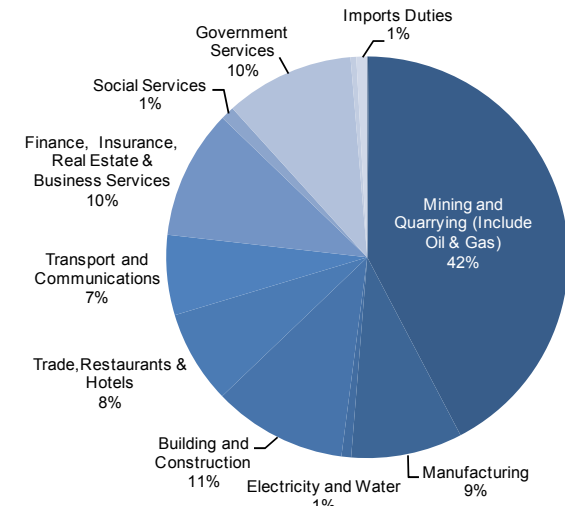
Note:

- (1) Industry include Manufacturing, Electricity & Water and Building and Construction.
- (2) Services consist include Trade, Restaurants & Hotels, Transports and Communication, Finance, Insurance, Real Estate and Business Service, Social Services, Government Services, Household Services.
- (3) Others include Agriculture & Fishing and Import Duties.

Real GDP breakup – 2004 vs. 2012



Real GDP composition – 2012



Source: QSA & Qatar Economic Outlook, QNB

The population of Qatar at the end of June 2013 was 1,916,426.

During the period 2008-12, the population increased at an annual growth rate of 6.16%.

47% of Qatar's population resides in Doha.

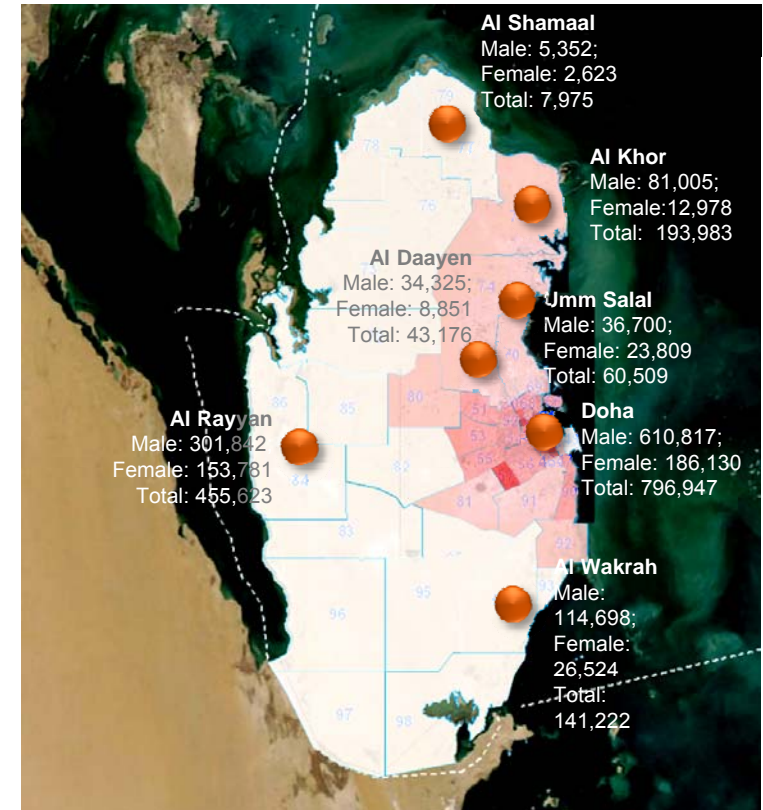
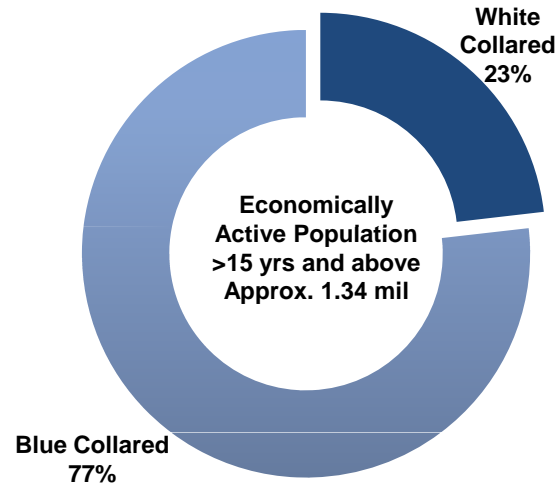
The economically active population in Qatar comprises of individuals at and over the age of 15 years who work or are willing to work.

Expectedly, the blue collared workforce, at around 77%, forms the larger segment of the population.

Population growth rate in the GCC (2008-12)

Country	CAGR
1. Bahrain	10.25%
2. Qatar	6.16%
3. UAE	3.82%
4. KSA	2.97%
5. Oman	2.62%
6. Kuwait	2.40%

Breakup between White Collared⁽¹⁾ and Blue Collared Workforce⁽²⁾



Source: QSA, IMF, The World Bank

S TRENGTHS

- Encouraging steps taken by the Qatari Government to develop the manufacturing sector in Qatar including low rent land and cheap loans
- Growing economy and rising private consumption
- Steps taken by the Government, in line with Qatar National Vision 2030, to diversify the economy by encouraging private and foreign investment by streamlining the financial sector



W EAKNESSES

- Dependence on Oil and gas leaves growth, exports and Government revenue vulnerable to fluctuations in the global oil prices
- Dependence on expatriate workforce can impact the businesses by taking longer hiring time



O PPORTUNITIES

- Successful bid by Qatar for the 2022 FIFA World Cup - increasing the infrastructure projects
- \$80 bn budget planned by the Government to put in place the required infrastructure for the world cup
- Even before Qatar successfully bid for the world cup, the Government had rail and road development projects in the pipeline to improve connectivity with neighboring GCC countries



T HREATS

- Uprisings in the GCC region can have an indirect effect on the political and socio-economic landscape of the country
- Tight credit markets can make financing of large scale projects hard or expensive



Qatar's economic evolution

A diversifying economy with strong roots in oil and gas

Oil and Gas Boom

- In 1971 gas reserves were found in the North Field, the single largest non associated gas field in the world - as of 2011 proven gas reserves estimated at 885tn cubic feet
- Qatar strategically invested in LNG and capacity to produce 77MTA of LNG
- Qatar's crude oil production peaked at around 1.1 million bpd in 2012 – both onshore and offshore. While Onshore is mainly QP operated, Offshore production is mainly on Production sharing agreement basis with different IOCs

Upstream and downstream investments

- By the 1980's perception of gas as compared to oil started to change and gas was increasingly seen as a valuable resource
- In 1973 Qatar commissioned its first fertilizer company in the Mesaieed which now has 5 trains now producing Urea and Ammonia
- In 1978 Qatar established the Qatar Petrochemical Company (QAPCO), which now has 3 trains producing Ethylene and LDPE.
- By 1984 Qatar started its first liquefaction plant – NGL
- Qchem, QAFAC, Qatofin, QVC, Al Seef are other major petrochemical ventures

Diversifying through Sovereign Wealth Fund

- QIA holds a minor stake of 12.7% in Barclays
- It has a 17% stake in the automotive major Volkswagen
- It has acquired retail majors like Harold's store and Sainsbury where it has 25% stake.
- QIA has invested in EADS (airbus)
- QIA has also acquired 3% stake in Shell and Total
- Through Qatari Diar Group, real estate investments are taken care of;
- Through Qatar mining, mining assets are purchased

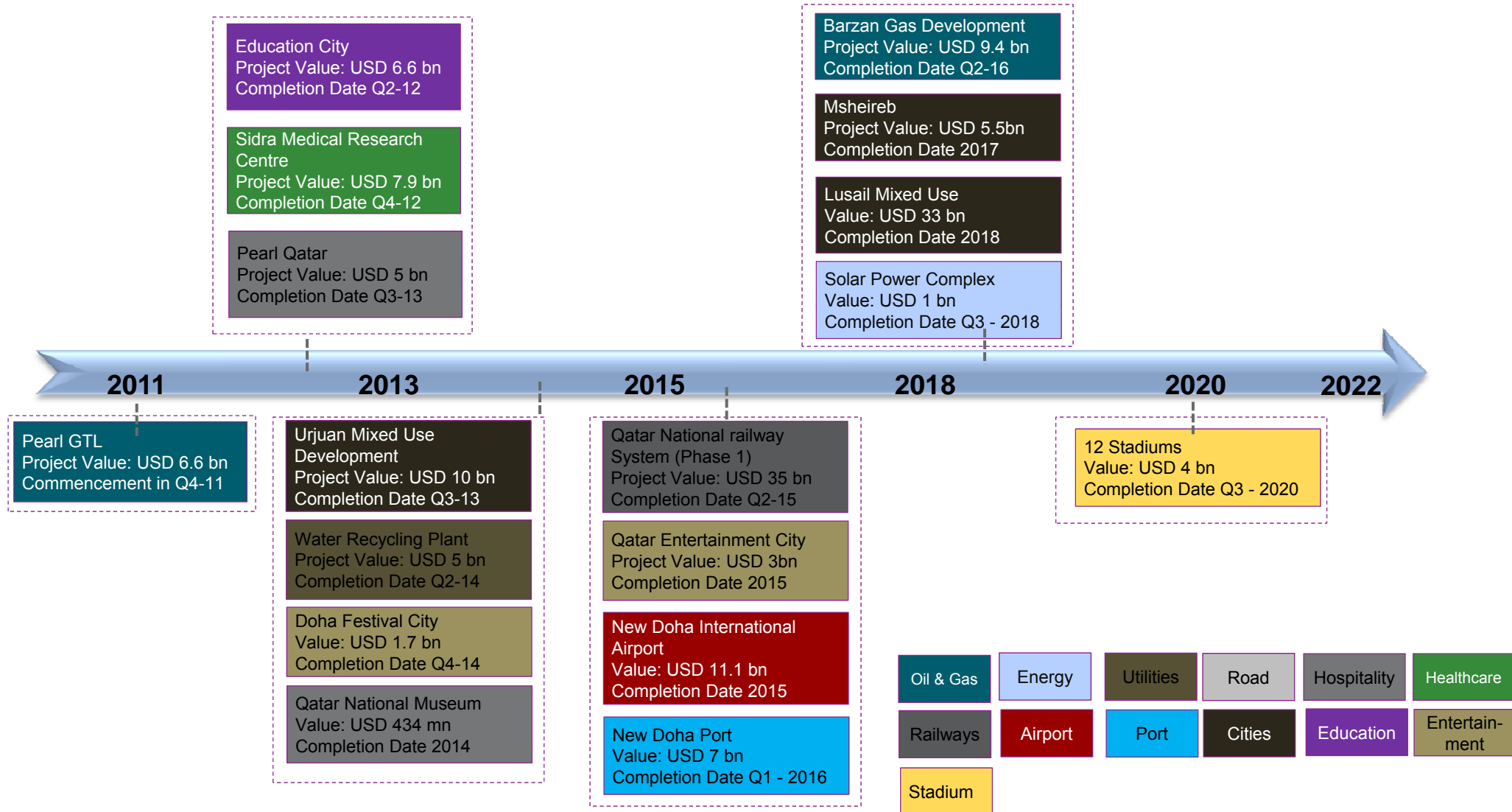
Qatar as International Destination through QF and QFC

- Qatar Foundation (QF) established in 1995 has affiliated campus for most of the top universities in the world offering degrees in different fields – Weil cornell, CMU, Texas A&M, VCU etc
- QFC was established in 2004 to attract and facilitate FS institutions to participate in country's growth

Source: Gulf Times, Ras Gas, Qscience Connect, The National, Sainsbury, Qatar Foundation

Qatar's economic evolution

Over USD 100bn in investment committed over the next decade





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Part 2 – Doing business in Qatar

Rules and laws

Recent amendments

- Now allow 100% foreign ownership (previously 51% Qatari ownership required) in the following sectors subject to Ministry approval:
 - Consultative and technical work services;
 - Information technology (IT) services;
 - Services related to sports, culture and entertainment; and
 - Distribution services.

- The Minister of Business and Trade can also relax the exemption process in nine other key sectors including agriculture, industry, health, education, tourism and development and exploitation of natural resources, energy and mining.

- The Council of Ministers may add any sector or activity to the list.

Incentives

- Foreign investors can transfer investment ownership
- Foreign investors are allowed to transfer to any destination:
 - Investment revenues – profits or dividends
 - Amounts from the partial or entire sale or liquidation of investment
 - Settlement of investment disputes
 - Compensation
- Exemption from custom's taxes in respect to machinery and equipment imported for the projects setup
- Long term lease contract (50 years) from the Government in the industrial area

Limited Liability Company

- Minimum capital of QR 200,000.
- Must have at least 51% Qatari ownership unless an exemption has been obtained.
- The parties' profit shares (tax implications) do not necessarily have to reflect their shareholdings.
- 10% of each year's net profits must be kept within a company as statutory reserve until the reserve balance reach 50% of the share capital.
- May not raise capital by public subscription and may not issue freely transferable shares or bonds.
- Allows diversity of business operations.

Branch

- Used where a foreign company is performing a specific contract (government or quasi government) in Qatar.
- The project must “facilitate the performance of a public service or utility”.
- 100% foreign ownership (no requirement for a Qatari partner).

Commercial agency

- No ‘presence’ in Qatar, instead an agent is appointed to market goods and services.
- Exclusive agencies must be registered and are governed by Qatari agency law.

Representative trade office

- A method of establishing a “shop window” in Qatar.

Company Incorporation & Commercial Registration

- Notarized, authenticated and consularised copies of the foreign company's Certificate of Incorporation and Memorandum and Articles of Association.
- Letter from a bank indicating the deposit of the share capital.
- A lease contract for the office of the company.
- Commercial Registration from the Ministry of Business and Trade and registration with Qatar Chamber of Commerce.

Once Commercial Registration is complete the issued share capital can be released for the purposes of running the company. The following licences must then also be obtained:

- Municipal licence.
- Signage licence.
- Employer's Immigration Department identity card.

Branch Office - Commercial Registration

- Authorization from the Ministry of Business and Trade to establish a branch.
- Notarized, authenticated and consular's copies of the foreign company's Certificate of Incorporation and Memorandum and Articles of Association.
- A notarized, authenticated and consular's power of attorney from the foreign company to the manager of the branch.
- A copy of the contract in respect of which it is sought to establish the branch office.
- Commercial Registration from the Ministry of Business & Trade.
- A lease contract for the office of the company.
- Municipal license.
- Signage license.
- Employer's Immigration Department identity card.
- If applicable, the branch will also need to be entered in the Importers' Register and/or Contractors' Register.

Key Features of the New Tax Law No 21 of 2009 *(effective 1 January 2010)*

Corporate Tax Regime – 10%

- Tax applies to non resident GCC (unless wholly GCC owned) and foreign shareholders.
- Tax calculation based on profit distribution to taxable shareholder.
- To file a tax return you must (unless special approval is granted) have a valid tax registration card.
- Retention payments - Final payment to sub-contractors is required to be retained unless they can provide a tax registration card.
- Tax clearance certificate is required to release funds.

Withholding Tax Regime – 5 or 7%

- Withholding tax may apply (as a final tax) on payments made to non-residents, not connected with a PE for services carried out in Qatar.



Qatar tax law 21 of 2009

New Provisions

- Transfer pricing
- Anti-avoidance
- International Tax Agreements - Qatar has treaties with around 40 countries.
- Penalties

Other Taxes

- Capital duty – No
- Real property tax – No
- Payroll tax – No
- Social security – No
- Stamp duty – No
- Transfer tax – No
- Personal - No

Administration & Compliance

- Tax year - 1 January to 31 December.
- Consolidated returns not permitted.
- Corporate tax filing deadline – 4 months after tax year end. Penalties apply for late lodgment.
- Withholding tax submission deadline – 16th day of the month, following the month during which the payment occurs. Penalties apply for late lodgment.
- Tax exemptions – hard to now obtain.
- Advanced rulings can be applied for with the Public Revenues and Tax Department but are not common.

Tax Implications on Popular Qatar Business Structures

- Limited Liability Company vs. Branch.



Qatar Tax Law: Qatar Financial Centre (QFC)

QFC Regime - Key Issues

- Effective from 1 January 2010
- Applicable to entities holding a QFC license.
- 100% foreign ownership allowed.
- Flat rate of 10% tax.
- Principal concept of taxation is based on concept of 'local source profits'.
- Exemptions exist for certain activities.
- Favorable immigration rules.



Other Tax Matters & Developments

Customs Duty

- GCC customs duty generally applies at 5% of the import value on most items.
- Exemptions may be available for the import of equipment relating to a particular project.

Tax Treaty Network

- Qatar has treaties with around 40 countries.

Tax Developments

- Expected introduction of VAT into the Gulf region (including Qatar) in 2014/15.



Accounting & Audit Requirements

- Under the provisions of Commercial Companies Law No 5 of 2002, all Qatari shareholding companies (both public held and closely held), limited liability companies, holding companies and limited share partnership should appoint auditors.
- The founders of the company may appoint the first auditor till the first general assembly of the company is held.
- The General Assembly should appoint the auditors and fix their remuneration. Auditors should be registered in Qatar and their term of office generally cannot exceed five consecutive years with respect to Qatari shareholding companies.
- The financial statements should be drawn up annually in accordance with IFRS.

Staffing

- Total population of Qatar approximately 1.95 million with local population of around 300,000 only – dependence on expats.
- A “Qatarisation” initiative is in place which aims to increase the number of Qatari nationals in the public and private sector workforce.
- All contracts of employment are governed by the Labour Law and require approval by the Labour Department.
- End of service benefits apply to employees.
- Residence and work permits are required for expatriate staff.
- Exit visa’s required for leaving the country.
- Pension schemes only applicable to Qatari Nationals.
- All expatriate employees must be sponsored by their employer.



Important Websites

Ministries & Government Organizations:

- Ministry of Economy & Commerce www.mec.gov.qa
- Ministry of Foreign Affairs www.mofa.gov.qa
- Ministry of Interior www.moi.gov.qa
- Ministry of Education www.moe.edu.qa
- Ministry of Municipal Affairs & Agriculture www.baladiya.gov.qa
- E-Government www.gov.qa
- Qatar Chamber of Commerce & Industry www.qcci.org
- Investment Promotion Department www.investinqatar.com.qa/index.php
- Qatar Financial Centre www.qfc.com.qa



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End of presentation

Thank you!