

## **QATAR – 2010 YEAR-IN-REVIEW\***

The wealthiest ranked country in the world for 2010, Qatar,<sup>1</sup> is revamping its investment and tax laws to provide for a climate that is in line with the economic development goals of Qatar National Vision 2030.<sup>2</sup>

### A. INVESTMENT LAW

On February 1<sup>st</sup>, 2010, Law No. 1 of 2010 was passed amending Qatar's Investment Law No. 13 of 2000,<sup>3</sup> which allowed foreign investors up to 49% ownership in all sectors of the national economy,<sup>4</sup> however upon special government approval, it allowed 100% ownership in certain sectors including: agriculture, industry, healthcare, education and tourism.<sup>5</sup> The new law allows foreign investors to have up to 100% ownership in businesses such as information technology, consultative and distribution services.<sup>6</sup> This development is an effort to sharpen Qatar regional competitive edge and to attract foreign investors and firms otherwise restricted by the ownership limitations. In addition, Qatar is considering the cancelling of the sponsorship system, in which foreigners need to be sponsored by a Qatari national to enable a free entry and ac-

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<sup>1</sup> *The Richest Countries in the World*, GLOBAL FINANCE MAGAZINE, <http://www.gfmag.com/tools/global-database/economic-data/10501-the-richest-countries-in-the-world.html>.

<sup>2</sup> Qatar National Vision 2030, Qatar Investment Promotion Department, *available at* <http://www.investinqatar.com.qa/about/qatar%20vision>.

<sup>3</sup> Law No. 13 of 2000, Qatar's Investment Law Regulating the Investment of Foreign Capital in Economic Activities, Ministry of Economy and Commerce, *available at* [http://www.mec.gov.qa/files/Law%20No%20\\_13\\_%20of%20the%20year%202000.pdf](http://www.mec.gov.qa/files/Law%20No%20_13_%20of%20the%20year%202000.pdf).

<sup>4</sup> *Id.* art. 2.1.

<sup>5</sup> *Id.* art. 2.2.

<sup>6</sup> U.S. Department of Commerce, 2010 Investment Climate Statement – Qatar, <http://www.state.gov/e/eeb/rls/othr/ics/2010/138132.htm>

ceptance of jobs in the country.<sup>7</sup> This will certainly enables unrestricted flow of labor to the market by foreigners, further removing barriers to investments and its underlying operation.

## B. INCOME TAX LAW

Qatar's Income Tax Law No. 11 of 1993<sup>8</sup> comprised a tax bracket regime ranging from 0 for net income under 100,000QR and up to 35% for over 5,000,000QR.<sup>9</sup> This law was repealed and replaced on November 17, 2009 with the enactment of Income Tax Law No. 21 of 2009.<sup>10</sup> Effective January 1<sup>st</sup>, 2010, a flat tax rate of 10% of the net income will be collected.<sup>11</sup> The new law also requires every taxpayer to withhold taxes in the amount of 5% in the case of technical and royalties and 7% in the case of interest, commission, and other services, from the gross payments for the delivery of services in Qatar by nonresident companies.<sup>12</sup> Significantly, however, the new law stayed the tax rate at 35% or as provided in an agreement where a governmental body is the contracting party,<sup>13</sup> and levied a 35% tax rate on income derived from natural resources exploitation.<sup>14</sup>

Recently, the Ministry of Economy had issued two important announcements concerning

<sup>7</sup> Cancellation of Sponsorship System Being Studied, QATAR ONLINE.COM, Nov. 15, 2010, <http://www.onlineqatar.com/840-Cancellation-of-sponsorship-system-being-studied.html>.

<sup>8</sup> Income Tax Law No. 11 of 1993, July 14, 1993, Ministry of Economy and Finance, *available at* <http://www.mof.gov.qa/arabic/pdf/3.pdf>.

<sup>9</sup> *See id.* art. 19.

<sup>10</sup> Income Tax Law No. 21 of 2009, Nov. 17, 2009, Ministry of Economy and Finance, *available at* <http://www.mof.gov.qa/english/tax/PDF/DRAFT%20INCOME%20TAX%20LAW%20English%20condensed.pdf>.

<sup>11</sup> *See id.* art. 11.

<sup>12</sup> *See id.* art. 11.2.a and Article 11.2.b.

<sup>13</sup> *See id.* art. 11.1.a.

<sup>14</sup> *See id.* art. 11.1.b.

the new law; first, that the law is applicable to foreign corporations only and not to individuals;<sup>15</sup> and second, that the tax withholding of 5% or 7% required in Article 11.2 of the law is suspended until further consideration by the Ministry.<sup>16</sup> Further study of the application of this new law will have to be carefully considered by the Ministry, as it prepares to issue its final regulation on the matter. Clarity and predictability in Qatar's tax laws, in addition to low tax rates, will empower the country with the ideal legal and tax framework for realizing its 2030 economic and strategic goals.<sup>17</sup>

<sup>15</sup> Ministry of Economy and Finance Announcement, *available at* [http://www.mof.gov.qa/arabic/media\\_center/News-2009/new-18-11.html](http://www.mof.gov.qa/arabic/media_center/News-2009/new-18-11.html) (reporting an interview by the Minister with Qatar TV).

<sup>16</sup> Ministry of Economy and Finance Announcement, *available at* [http://www.mof.gov.qa/arabic/media\\_center/news/2009/Tax\\_1\\_2010.html](http://www.mof.gov.qa/arabic/media_center/news/2009/Tax_1_2010.html)

<sup>17</sup> *See supra* note 2.