

QATAR FREE ZONES AND PROGRESS SO FAR

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Qatar Corporate Alert

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BACKGROUND

The state of Qatar (Qatar) is one of the fastest growing economies and has the highest per capita income in the world. It is undergoing a rapid transformation to attract leading global companies and individuals to help deliver a future driven by innovation. Although the majority of the country's revenues stem from its natural reserves and resources, since the development in 2008–2012 of Sheikh Tamim bin Hamad Al Thani's Qatar National Vision 2030, Qatar's economic policy has also been focused on developing and expanding its non-energy-related sectors and industries.

Qatar's National Vision 2030 is set to invest over US\$200 billion in human, economic, social, and environmental developments and advancements to establish a self-sustaining economy. To achieve this vision and to drive foreign investment into the country, Qatar has provided for the creation of numerous 'free zones' that offer lucrative commercial and economic incentives. One of these is the Qatar Free Zones (the QFZ).

The QFZ was established pursuant to Law No. 34 of 2005 (as amended in 2017) and comprises two areas located in Ras Bufontas and Um Alhoul. These zones are considered as establishing separate "states within a state," that sit outside the boundaries of Qatar for legal, regulatory, tax, and customs purposes.

BENEFITS OF ESTABLISHING IN THE QFZ

Foreign investors licensed by the Qatar Free Zones Authority (the QFZA) enjoy a range of benefits including, but not limited to:

- Zero customs duty;
- Zero corporate tax;
- 100 percent foreign ownership;
- No individual income tax;
- Renewable 20-year tax holidays; and
- Possible additional incentives for investing in economic sectors or projects that are considered strategic or lead to increasing the local component ratio in its products.

ELIGIBILITY CRITERIA

Similar to other free zones in Qatar, foreign investors are obliged to meet the eligibility criteria, set by the QFZA, in order to obtain a license to carry out their business activities. A schedule of the permitted activities (the Schedule of Permitted Activities) has been issued by the QFZA and can be found on the QFZ website. It should be noted that in the event a QFZ entity enters into business with individuals or entities residing in Qatar, the QFZ entity will be treated as a foreign entity and will be subject to the applicable local laws and regulations in this regard.

As a free zone located near the airport and the port, it aims to target key industries such as maritime, polymers and plastics, advanced manufacturing, and logistics. However, the scope activities that are permitted to be carried out in the QFZ are very broad.

SETTING UP

The QFZA operates a one-stop-shop licensing facility where applicants are able to submit applications to lease land, business premises, or facilities in the relevant areas and to subsequently incorporate a limited liability company or register a branch within its jurisdiction. It should be noted that under the QFZA regulations, applicants are not permitted to own property within the QFZ.

Applicants intending to establish an entity in the QFZ must submit an application form (the Application) to the QFZA that will need to include the following:

- A brief background on the applicant;
- A business plan;
- A statement of the applicant's designated land requirements, including the type of property, the gross internal area required, and the term the land is required for;
- A statement of the applicant's intended commercial activities by reference to the Schedule of Permitted Activities;
- Evidence of payment of the relevant fee for the application as set out in the schedule of fees issued and updated from time to time by the QFZA; and
- Any other information or documentation that the QFZA may require from time to time.

Once the Application has been submitted, it will be evaluated against the eligibility criteria. The QFZA will study applications on a case-to-case basis to determine if the proposed business is in line with Qatar's goals, economic diversification, and growth strategy.

QFZ PROGRESS

Since its inception, the QFZ has attracted a plethora of globally renowned companies including, but not limited to, Google, DHL, and Volkswagen. Currently, the QFZA has adopted several key regulations for establishing an entity in the free zones and undertaking any approved permitted activity. The QFZA is further in the process of adopting additional regulations (for example, in respect of employment, intellectual property, and insolvency) that will supplement the existing primary regulations.

Such regulations will further bolster the QFZ's legal environment and will provide a strong and comprehensive legal framework that current and future investors will rely on and benefit from. The adoption of the remaining regulations will provide additional investor clarity and security and attract more investors to set up shop in the free zones, which will benefit such investors and contribute to the growth of the QFZ in line with the Qatar National Vision 2030.

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