

# COMPANIES REGULATIONS



## Introduction

This document is intended to provide an overview of the Companies Regulations. It does not replace the Regulations in anyway nor does it remove the need for an investor to seek its own professional advice if it considers this to be prudent.

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## What does 'Qatar Free Zone' actually mean?

Law No. (34) of 2005, as amended by Decree-Law No. (21) of 2017 established the Free Zones Authority (the 'Authority') which in summary, is responsible for managing specific Free Zones within the State of Qatar.

The Free Zones are dedicated areas of land within the State of Qatar that have been identified as economic zones; these economic zones have been designed in a way that enables investors to benefit from economic incentives over and above those available to companies investing within the State of Qatar.

Currently, there are two (2) free zones:

- 1) Ras Bufontas – known as an 'Airport Free Zone and 4 km<sup>2</sup> in size; this particular zone is some 6 km away from Hamad International Airport, and is intended to provide for industries such as logistics, consumer products, light manufacturing, services, technology and applications, and pharmaceuticals.
- 2) Umm Alhoul – located near Hamad Port and 30 km<sup>2</sup> in size will primarily cater to maritime industries, polymers and plastics, advanced manufacturing, and logistics.

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## What activities are permitted in the Free Zones?

The Free Zones Authority (the 'Authority') has published a list of the activities it will allow investors to undertake within its zones; these are commonly known as the Schedule of Permitted Activities. Any potential investor is advised to check this published list to ascertain if its proposed activity is permitted within the Zones.

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## What are Free Zone Entities?

The Licensing Regulations enable Free Zone Entities (being an entity that has either been incorporated or registered in a Free Zone) to operate within the Qatar Free Zones. A Free Zone Entity can either be a Company or a Branch:

- Company – a limited liability company that is incorporated according to the Free Zones Legislation.
- Branch – a branch of a company (Originating Company) that is registered within a Free Zone; the Originating Company can either be a company that is registered in the State of Qatar or in another country.

The requirements governing Companies and Branches are to be found within the Companies Regulations.

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## What is the context of Companies Regulations?

Article 4 prescribes that unless specified to the contrary by these Regulations, the licensing, regulation, and incorporation of entities in the Free Zone and the carrying out of Permitted Activities in or from the Free Zone will be governed exclusively by the provisions of and be regulated as provided by and under the Free Zones Legislation.

To the extent that any person is licensed according to the Free Zones Legislation to carry out any Permitted Activity in or from the Free Zone, such person will require no further licence, consent, permit or registration in the State in order to proceed with such activity in or from the Free Zone. In carrying out such Permitted Activity, such person will be subject to regulation and enforcement procedures only as provided by the Free Zones Legislation.

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## Who can incorporate a Company?

Any one or more persons can apply to incorporate a limited liability Company within the Free Zone. Doing so requires the investor to:

- 1) Complete the prescribed form;
- 2) submit a copy of the Articles of Association signed by all the Shareholders;
- 3) pay the relevant fee for the incorporation; and
- 4) provide any information required by the Authority.

Incorporation will result in the issuing of a dated Certificate, the allocation of a Free Zone registration number and the inclusion of the Company's name and number within the Register.

The Authority will not consider the company to have a legal personality unless it has both received a Certificate and been included on the Register. The Certificate will be deemed as conclusive evidence that the Company has been incorporated for Free Zone purposes.

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## What's the significance of the Articles of Association?

The issuing of a Certificate binds the Company and its Shareholders to its submitted Articles of Association and these Articles of Association sets out how the Company is to be governed. The Authority has published a set of Model Articles of Association which it requires incorporated companies, subject to minor changes, to adopt. Any proposed amendment by an investor to the Authority's template Articles of Association must be approved by the Authority. Article 7 provides further details regarding the Articles of Association.

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## What freedom is there in terms of selecting a Company name?

In the first instance the proposed name must end with either 'Limited Liability Company Registered in the Free Zone Qatar' or 'QFZ LLC' and secondly, the Authority will have to approve the intended name.

Whilst an investor may select the Company name, there are some preconditions. Article 8 prescribes the criteria for restrictions on a Company's name.

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## Can the Company name be changed?

Yes, it is possible to change the Company's registered name.

Doing so will require a Special Resolution of the Company, prior approval by the Authority, payment of a fee, and entering the new name in the Register. Changing the name will not, however, affect the Company's rights, obligations, or liabilities.

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## How many Shareholders must there be?

A Company may consist of one or more shareholders and their liability will be limited to their shareholding. Information relating to shareholders is to be retained within an updated Register of Shareholders, maintained at its Free Zone Entity's company office. If a Shareholder is a natural person, he or she may be a national or non-national of Qatar and is not required to hold a residence permit or work permit in the State.

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## Who can certify Company documentation?

A document or instrument requiring certification by a company can be signed by an Officer on behalf of the Company.

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## How much share capital should be retained?

Share capital must be retained according to the Authority's requirements, or where no requirements exist, then the Company must maintain an adequate level of share capital to enable it to undertake its Permitted Activities. Unless the Authority specifically approves otherwise, all Company capital must be subscribed in full and only in cash (Qatari Riyal, unless otherwise prescribed).

Subject to the provisions of Companies Regulations, a Company, if authorised by a Special Resolution

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and by its Articles of Association, may increase its share capital as it deems fit. Any increase in a Company's share capital will only be effective as of the date the Authority updates the Register.

Reducing of share capital can only be undertaken with the Authority's consent, with share transfer being permissible under the Articles of Association or Companies Regulations.

The shares may be transferable in a manner provided by the Articles of Association and subject only to the restrictions provided therein or in the Companies Regulations. Such a transfer will not be binding unless having been made in the prescribed form, it has been entered into the Register by the Authority.

Details of increasing or reducing share capital and transfer of shares are set out in Articles 14, 15, and 16.

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## Can shares be pledged or mortgaged?

Unless prohibited by the Articles of Association, each Shareholder is permitted to pledge, mortgage, or charge its shares, this will take effect on the date such action is included by the Authority within its Register.

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## Are there any dividend payment restrictions?

A Company will not declare, make or pay any dividend or other distribution if there are reasonable grounds that the Company would be unable to pay its liabilities when they become due or the realisable value of the Company's assets would be less than the aggregate of its liabilities and its share capital.

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## Is there a need to have a Registered Office?

A Company is required to have a registered office in the Free Zone (or in such other location as may be permitted by the Authority) at all times. Any changes to the registered office require the Authority to be notified, with the intended change only taking place once the Authority updates the Register.

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## What is the importance of a Registered Office?

A document served concerning any matter under the Free Zones Legislation may be served on a Company and will be deemed delivered by leaving it at the registered office of the Company in the Free Zone.

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## Is there a need to advertise the Company's details?

Yes, a Company is required to have its name, registration number and registered office mentioned in legible characters in all official documentation. The Company is also required to ensure that its name is placed in a conspicuous place legibly outside every office or premises occupied by it.

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## What is the importance of a Manager?

Company affairs are to be managed by a Manager (in the case of a sole Manager) or if there are more than two Managers, by a Management Board (with an appointed Chairman who can only be removed by way of an ordinary resolution). In general, the Managers will have full power to manage the Company and their acts will be binding upon the Company. Managers are under a positive obligation to draw attention to any vested interest and can be liable to the company concerning monetary or other issues.

A resolution restricting the powers or changing the identity of the Manager must be notified to the Authority in the prescribed form within 14 days of such a change with the payment of the relevant fee; taking effect as of the date the Authority updates the Register.

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## Are there any prohibitions on appointing a Manager?

Undischarged bankrupts or a person convicted of a criminal offence (in any country) may not act as a Manager or directly or indirectly take part in or be concerned in the management of the Company.

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## How is a Manager removed?

A Manager's removal requires a Special Resolution and the Manager to be notified at least 14 days before the meeting; in which the Manager will be entitled to a hearing. Where such removal takes place, the shareholders are required to appoint another Manager.

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## Is there a need to register a Manager's employment?

Particulars relating to a Manager's employment, personal and professional details are to be registered with the Authority within 14 days of such change on the prescribed form and upon payment of the relevant fees following Article 27.

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## How is a Company Secretary to be appointed?

The Managers may appoint a Company Secretary (who may also be a Manager).

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## Who will appoint a Chairman?

If it is not decided by the Shareholders, the Management Board will appoint a chairman immediately upon being elected.

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## Is there a minimum number of Company Officers required?

The Company must always have at least 1 Officer who holds a valid residency or work permit. The Officer is required to comply with the requirements of Article 31 of the Regulations which relate to the discharging of company requirements and acting in good faith.

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## Where can I find the information governing Meetings and Resolutions?

Articles 32 – 35 inclusive prescribe the procedure relating to General Assembly Meetings and Article 36 deals with Shareholder resolutions.

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## How are votes managed?

When voting at a General Assembly Meeting (unless prescribed otherwise in the Articles of Association) each Shareholder will be entitled to 1 vote for each share held by it and may attend in person or appoint a proxy to do so on its behalf; holding two or more shares enables the appointing of more than one proxy to represent it. Unless prescribed otherwise, matters will be dealt with by way of a simple majority with the Chairman exercising a casting vote. Such meetings can also be held in writing under Article 38 (resolution in writing).

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## When are Management Boards required?

Management Boards are required when more than two Managers have been appointed. Management Board meetings will be held as often as necessary for the conduct of the affairs of the Company per its Articles of Association with each Manager being, by default, entitled to one vote with a decision being made by majority vote.

Resolutions of such meetings will be affected by a resolution in writing signed by all the Managers or committee members. Unless specified otherwise, the resolution date will be the date at which it was signed by the last Manager.

Management Board meetings can be held through telephone, electronic, or other communication facilities in so much as each member is able to communicate with each other simultaneously and instantaneously.

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## What Company Records must be kept?

A Company must maintain proper records of accounts with respect to its operations at its registered office. The Managers are responsible for preparing the Company's financial statements for each financial year and these are to be submitted to the Shareholders for the Annual General Assembly Meeting.

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## How long must Records be kept for?

Copies of financial statements are to be kept at the Company's registered office for 10 years from the date they were first prepared. Where the records are not made available to the Manager, Shareholder, or auditor for inspection they may seek recourse from the Authority.

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## Must Auditors be appointed?

Yes, the Shareholders must at its first General Assembly Meeting following incorporation appoint one or more Auditors; if they fail to do so the Managers are to appoint the Auditor(s).

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## Do I need to obtain the Authority's consent for change of control, or share transfer?

Any Company or Branch must obtain the written consent of the Authority prior to any assignment or transfer of benefit or interest in, or any change of Control or shareholding in a Company or an Originating Company.

No change will be deemed effective until the Authority updates the Register.

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## What are the liquidation, winding-up and insolvency criteria?

Article 50 prescribes criteria related to liquidation, winding-up, and insolvency.

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## What is the process for registering a Branch?

An Originating Company may apply to register a Branch to carry out Permitted Activities in or from the Free Zone. Registering a Branch requires the investor to submit a prescribed form and supporting documents, the process will upon successful completion result in the issuing of a Certificate, allocate to the Branch a number, and enter the name and number of the Branch in the Register.

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## What's the significance of the Certificate?

A Branch will not have a legal presence unless it has received a Certificate and its name is included in the Register.

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## Does the Branch require an employee?

Yes, the Branch must have at least one (1) Manager who holds a valid residence permit or work permit at all times.

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Unless limited by a Power of Attorney or a resolution of the Originating Company the Manager will have full power to manage the Branch and the Manager's actions are binding upon the Branch.

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## What freedom is there in terms of selecting a Branch name?

The Branch name is to be identical to that of its Originating Company and must be followed by either 'Branch Registered in the Free Zone-Qatar' or 'QFZ Branch'.

The name must also be approved by the Authority.

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## Is there a need to maintain Branch Records?

Every Branch is required to maintain proper records of accounts which are to be kept at the registered office of the Branch. The Originating Company must prepare the Branch's financial statements for each financial year. If the records of account are not made available to the Manager, an Originating Company or an auditor, they may seek recourse from the Authority.

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## Is there a need to advertise the Branch's details?

Yes, a Branch is required to have its name, registration number and registered office mentioned in legible characters in all official documentation. The Branch is also required to have its name placed in a conspicuous place legibly outside every office or premises occupied by it.

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## What are the Powers of the Authority?

The Authority has the power to request and inspect and make copies of documents produced by the Free Zone Entity and the Free Zone Entity is obliged to co-operate fully with and respond to any requests from the Authority or those acting in or on its behalf.

In the case of a Company, an investigation can be commenced at the behest of a substantiated Shareholder request.

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## Is there a time limit for the Certificate?

A certificate remains valid unless the license is revoked or suspended pursuant to the Free Zone Legislation or the Free Zone Entity is dissolved.

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## Are there any fees?

Yes, the Authority maintains a Schedule of Fees which are payable by the Free Zone Entity.

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## Can sanctions be imposed?

There is a Schedule of Sanctions which the Authority can enforce for contraventions, should the need arise.

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## Can there be alternative corporate structures?

Yes, as the Authority has the discretion to Licence alternative corporate structures as legal entities should it consider this to be appropriate in the circumstances.

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