

LAND LEASE AND USE REGULATIONS



Introduction

This document is intended to provide an overview of the Land Lease and Use Regulations. It does not replace the Regulations in any way, 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 km² 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 km² in size will primarily cater to maritime industries, polymers and plastics, advanced manufacturing, and logistics.

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.

How does the Free Zone legislation work in relation to the State's laws?

Article 4 prescribes that unless permitted to the contrary of Land Lease and Use Regulations, the lease, occupation, or use of all Real Property will be governed exclusively by the provisions of and be regulated as provided by and under the Free Zones Legislation.

What's the significance of signing a Lease?

The signing of the Lease between the Authority and the investor enables the Authority to issue the Licence which in turn allows the Investor to operate commercially.

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What are the conditions of a Lease?

Article 5 prescribes the conditions pertinent to a Lease:

- A Real Property may be leased either through a Master Lease or a Sub-Lease.
- Rent, service charges and other fees must be paid.
- The permitted use of the leased Real Property must be appropriate for the Permitted Activity.
- A Lease must be in writing signed by the applicant and the Landlord and registered in the Lease Register.
- The Authority must approve the Lease Agreement.
- The Lease must be designed in the prescribed form.
- The Tenant of a Master Lease will be liable for the payment to the Authority of the Free Zone Service Charge.
- The obligations of the Landlord and the Tenant will be governed by the terms and conditions of the Lease.

What is the maximum term of a Lease?

Twenty-five (25) years (plus a development or construction period).

Can a Free Zone Entity operate from a residential Real Property?

No, Leased Real Property must be fit carrying out the licenced Permitted Activity.

Is it possible to Sub-Lease or assign the Designated Land?

Article 7 deals with Sub-Lease and assignment.

A Real Property may be leased either through a Master Lease or a Sub-Lease. A Free Zone Entity must not sub-lease the Designated Land to any other person without the prior written approval of the Authority and the Landlord. Where the Authority approves, the Free Zone Entity will be jointly and severally liable and responsible (along with the sub-lessee). The sub-lease agreement must itself also be approved by the Authority.

Any sub-leasing arrangement entered into between the Free Zone Entity and a sub-lessee must not contradict or override any Master Lease agreement

Any assignment also requires the Authority's approval.

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Who will be responsible for paying the service charge to the Authority?

The Tenant of a Master Lease will be liable and will be free to re-charge such Free Zone Service Charge to its approved sub-tenants on a pro-rata basis of their sub-leased premises.

Which rules should a Tenant obey while constructing its facilities and what is the timescale to complete all works on the Designated Land?

A Free Zone Entity is obliged to carry out and complete all specified works on the Designated Land according to the terms of the Letter of Intent, the Lease, the Free Zones Legislation, and the requirements of the Authority.

If the Free Zone Entity cannot complete all works in the stipulated time, the Authority can only give an extension in the case of an exceptional reason.

Does the Authority keep a Lease Register?

The Authority will establish and maintain a Lease Register.

Tenants are obliged to provide the Authority with the information it may require for the purpose of maintaining the Register.

Tenants must promptly supply to the Authority, using the prescribed form, details to be included in the Lease Register and must promptly supply details of any changes to the information contained in the Lease Register within the timelines prescribed by the Authority or in any of the Free Zones Legislation.

Can leased Real Property be inspected?

The Authority may inspect any leased Real Property; this will normally be undertaken on notice unless there is a safety/security breach or public safety risk.

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Are Tenants required to maintain insurance?

Yes, Tenants are obliged to maintain their own insurance policies in accordance with the terms and conditions of their Leases.

Any subcontractor and Tenant of a Designated Land under development must hold a valid contractor's all-risks insurance policies and third-party insurance policies. A Tenant must provide copies of such policies to the Authority before beginning of any development works and at renewal.

What are the consequences of termination or expiry of a Lease?

A Tenant must ensure, upon the termination or expiry or termination that:

- All outstanding obligations and payments are fully settled or discharged
 - The leased Real Property is vacated
 - The termination or expiry of the Lease is recorded within the Lease Register and the register of Free Zone Entities maintained pursuant to the Licensing Regulations.
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Can a Lease be terminated by the Authority?

Yes, the Authority can terminate a Lease based on material or persistent breaches of the terms of the Lease or the Free Zones Legislation.

Are there any fees?

There is a Schedule of Fees that applies to Free Zones-related activities and a Tenant will be required to pay these non-refundable fees at the appropriate time.

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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