



# Corporate Structures Under Qatari Law



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# Corporate Structures under Qatari Law

The Commercial Companies Law of Qatar [Law No. 11 of 2015] (“Commercial Companies Law”) recognizes seven types of corporate structures that may be formed and registered in Qatar, these are:

- (i) Joint Liability;
- (ii) Limited Liability;
- (iii) Limited Partnership;
- (iv) Joint Venture (Special Partnership);
- (v) Public Shareholding;
- (vi) Private Shareholding;
- (vii) Partnerships Limited by Shares;

There is another type of company known as a Holding Company. It is also possible for a holding company to be a shareholding company or a limited liability company under the Commercial Companies Law.





## Joint Liability Companies

It is a legal form of corporation in which two or more individuals are jointly responsible for the obligations of the corporation to the full extent of their assets. The company's incorporation memorandum includes the following information: the company's name, its objectives, its headquarters and its branches, the name, profession, title, nationality, date of birth and domicile of each partner, as well as the amount of company capital and shares to be contributed by each partner, whether in cash, in kind or as rights to third parties.

Additionally, this document gives an estimate of the company's share value, the method by which it must be submitted, its maturity date, its date of incorporation, its management method, a list of authorized signatories and their responsibilities, the beginning and end dates of the company's financial year, and how profits and losses will be distributed.

Unless specifically permitted by the company's memorandum of incorporation or with the consent of all partners, shares in a joint liability company may not be transferred. Upon joining the company, a partner becomes jointly liable in all his property for all of the company's debts, whether such debts were incurred before or after he joined the company, and any agreement between partners preventing such action does not have any probative effect against third parties.

It is the responsibility of all partners to manage the company unless otherwise provided in its memorandum of incorporation. According to the balance sheet and profit and loss account of the company, the profits and losses and the share of each partner are determined at the end of the financial year of the company.

## Limited Liability Companies (LLC) (also known as With Limited Liability WLL)

There must be between one and fifty partners in a limited liability company. If a company is 51% Qatari owned, there are no minimum share capital requirements (the previous requirement of a minimum share capital of QAR 200,000 has been removed since 2015).

Under a Ministerial Exemption, the MCI usually requires a limited liability company owned 100% by a foreign entity to have a minimum capital of QAR 3,000,000-4,000,000.

The memorandum of incorporation provides the following details: trade name, members, head office, objects, names nationalities place of residence and addresses of each of the partners, capital amount, share of each partner, number and classes of shares, transfer of shares conditions, the company's duration, names and nationalities of managers, names of the control board if any, duration of the company, methods of distribution of profits and losses, conditions for assigning shares, and the form of notifications sent to partners by the company.

The control board must consist of at least three members if the number of members exceeds twenty. The appointment of an auditor is also required.

Keeping a register of partners is required by law as it includes information about each partner's name, domicile, nationality, profession, number and value of shares owned by each partner, the date and reason for the disposal of shares, the names and signatures of the acquiring parties, and the total number of shares held by each partner following the disposal.

A partner's liability is limited to the nominal value of their share in the registered capital.

One or more managers are responsible for managing the company, who may or may not be partners.

A company's memorandum of incorporation determines the extent of their authority. The liability of managers in a shareholding company is governed by the same rules that govern the liability of directors.

## Limited Partnership Companies

Limited partnerships are companies in which there are two types of partners. A company's acting partners (who are natural persons) are responsible for managing the company on a day-to-day basis and are jointly liable for its obligations up to the full extent of their assets.

Partners who are dormant or silent do not participate in the management of the partnership or permit their names to be used in the company's trade name, but contribute to the company's capital without being liable for the company's obligations except to the extent of the capital contribution.

A company's memorandum of incorporation must include the names of acting and dormant partners.



## Joint Venture Companies (Special Partnership)

It is important to note that a special partnership company is an unregistered entity that cannot be used against third parties and is not a corporate entity. In addition, it does not have to comply with any of the declaration procedures that are required of other businesses.

The contract of the company outlines the objectives of the company, the rights and obligations of the partners, and the method of distributing profits and losses among them.

In the event that the memorandum of incorporation does not specify otherwise, each partner is the owner of the share that he has committed to contribute. An entity organized as a special partnership cannot practice any business prohibited by applicable laws to be practiced by non-Qataris, if there are any non-Qatari partners among the partners.

## Public Shareholding Companies / Qatari Shareholding Companies

In accordance with the provisions of the Commercial Companies Law, the company must have a minimum capital of QAR 10,000,000.

In the context of public shareholding companies, the capital is divided equally into equal shares that have a nominal value of no less than QAR 1 each and no more than QAR 100 each and may be traded.

Shareholders are limited in liability to the value of their respective contribution towards the company's capital. In general, a company with public shares has a name that identifies its purpose, and it may not be named after a natural person except if it is investing in patents registered in his or her name.

The memorandum and articles of association of a public shareholding company specify the duration of the company, which can be extended by a resolution adopted by the extraordinary general assembly of shareholders.

When the company is formed solely for the purposes of engaging in certain business activities, it expires at the end of those activities.

Incorporating the company requires authorisation by MCI decree, which must be published in the

official gazette along with the memorandum and articles of association.

There must be at least five founders of a public shareholding company, and the company must list its shares via public offering within 60 days of incorporation. Upon failure to offer its shares within such period, the company will expire, unless the founders amend the company's memorandum and articles of

association within 30 days of expiration and convert the company into any other form of company permitted under the Commercial Company's Law (subject to any penalties and fees imposed by the MCI).

The State of Qatar does not require the establishment of a minimum of five shareholders in public shareholding companies that are owned or



A public shareholding company, is required to have both memorandum and articles of association which include the following: name of the company and its main office, its objectives, name, nationality, each of the founders' place of residence and profession, as well as how many shares they have subscribed to, the company's authorised and issued share capital, shares, their nominal values, and the amount paid based on those values, the term of the company, a statement stating each non-cash share and the name of the provider thereof, together with all conditions associated with the provision thereof, as well as any in-kind rights resulting from such shares, and an approximate statement on expenses, salaries and costs paid or payable by the company for the purposes of incorporation.

A bank certificate demonstrating that the founders have subscribed to at least 20 percent and at most 60 percent of the capital must be submitted to the MCI prior to any invitation to public subscription. Company management is delegated to a board of directors consisting of five to eleven members who are each appointed for a three-year term.

For a period of one to three years, the board elects a





chairman and a vice chairman. Chairman of the board represents the company to third parties and before courts and may transact business on its behalf.

Implementation of board resolutions is the responsibility of the chairman. By law and by the articles of association, the authority of the board is limited. There must be at least one auditor appointed by the company.

If the chairman and directors commit fraud, misappropriate authority, fail to comply with the articles of association and the law, or engage in any other type of malpractice, they are jointly responsible to the company, its shareholders, and third parties.

### **Private Shareholding Companies**

The stock of a private shareholding company must be owned by at least five founders and cannot be offered for subscription to the general public.

It is required that the company have a minimum capital of QAR 2,000,000. As far as the Commercial Companies Law applies to public shareholding companies, so do the provisions relating to public offerings and the trading of shares of private shareholding companies.

A private shareholding company may be incorporated by the Government or other public authorities and corporations and companies in which the State of Qatar contributes a minimum of 51% of its capital (or a lesser percentage as approved by the Cabinet).

The company may be organized on its own or with the assistance of other natural or corporate persons, public or private founders, whether domestic or foreign in nature.

According to article 207 of the Commercial Companies Law, these companies are incorporated pursuant to which any provisions in their articles of association that conflict with the applicable provision of the Commercial Companies Law will prevail. The New Foreign Investment Law does not apply to such companies.

### **Partnerships Limited by Shares**

There are two types of partners in a partnership limited by shares -

(i) active partners who are natural persons who are jointly liable for the company's debts to the full extent of their assets, and

(ii) non-active partners whom are only liable for the company's debts up to the value of their capital contribution.

Names of active partners are included in the name of the company. However, non-active partners' names are not included otherwise these non-active partners would be considered to be partners in the eyes of third parties. As a general rule, the capital of a partnership limited by shares is divided into equal indivisible negotiable nominal shares and cannot be less than QAR 1,000,000.

To subscribe to shares of a partnership limited by shares, one must comply with the provisions for public shareholding company subscription. Articles of association and memorandum of association must be signed by all founding partners.

Acting partners' names, places of residence, nationalities, and names of managers are included in the articles of association. An active partner is responsible for managing the company's day-to-day operations.

It is prohibited for the non-active partner to interfere with the management of the company in relation to third parties, regardless of whether the non-active partner has been authorised to do so. The articles of association of the company specify the limitations to which a non-active partner may participate in its internal management.

Generally, a partnership limited by shares is governed by a control board of at least three members who are elected by the non-active partners in accordance with the articles of association. There must be at least one auditor in the company.





## Holding Companies

A “holding company” can also be a shareholding company or a limited liability company that is financially and administratively controlled by virtue of owning at least 51% of the issued share capital of such companies under the Commercial Companies Law. It is prohibited for such holding companies to hold shares in joint liability companies or partnership companies.

The minimum required share capital of such a holding company is QAR 10,000,000. Such companies participate in the management of affiliated companies, investment of its funds in stocks, bonds and securities, supporting its affiliated companies. Additionally, it includes owning intellectual property rights, using and licensing such rights to its affiliated companies or other companies, whether in Qatar or abroad, as well as owning movable and immovable property in accordance with the law necessary for carrying out its activities.

## Temporary Branch Offices and Representative Trade Offices

It is possible for a foreign company to establish a temporary branch office of its own in Qatar if it is performing a specific contract for the Qatar government or another government agency. This type of office is only permitted to perform the specific contract for which it has been registered, and a Qatari partner is not required. The registration will expire upon completion of the contract. It is possible to extend a Branch exemption if either the original contract is extended in time or a new contract is entered into.

Whenever the project facilitates the performance of a public service or utility, authorization must be obtained from the MCI. The Branch will be subject to the usual rates of taxation unless it is granted a special exemption under the foreign investment regime.

There are specific regulations that apply to branch offices of foreign engineering companies and consulting firms. A representative trade office may not contract to do business in Qatar; rather, it is tasked with promoting foreign companies in Qatar and introducing them to Qatari companies and projects. Whenever such exposure results in a contract, that contract can only be performed by the foreign company outside the country or by an authorized subsidiary within Qatar (i.e. with a Qatari shareholding).

## Qatar Financial Centre (“QFC”)

Several professional and financial services can be provided by Qatar Financial Centre to domestic and international firms. Due to the fact that the QFC is not a separate geographic zone, all entities within the QFC are able to operate on a fully onshore basis with access to the local market. Foreign companies may establish 100% foreign-owned companies or branches in Qatar under the Qatar Financial Centre Law [Law No. 7 of 2005].

Under the umbrella of the QFC, the client may undertake regulated activities (financial services); or nonregulated activities such as: ship broking and agencies; classification services; professional services (advisory/consulting, auditing, HR consultancy, information services, legal, loss adjustments, public relations, tax consultancy, third party administration, other services); business services of company headquarters, management operations, treasury operations and other related functions for all kinds of business and the administration of companies generally; business activities of holding companies and the provision, formation, operation and administrations of trusts and similar arrangements of all kinds including special purpose companies; holding companies; trust services; and single family offices; business of provision, formation, operations and administrations of companies; and IT support and a range of consultancy services in real estate, recruitment, sports and events management and environment.

QFC companies are, however, subject to some operational limitations due to the types of activities they are permitted to engage in. Moreover, entities established under the QFC are not permitted to import or export merchandise or to hire blue-collar workers (other than minor support staff).





## **Qatar Science And Technology Park (“QSTP”)**

The QSTP offers investors a variety of incentives: According to the QSTP Law [Law No. 36 of 2005], a free zone has been established to promote and support scientific, applied, and technological research, as well as to undertake investments. If foreign companies intend to engage in certain permitted activities such as technology (product development and/or process) development, research & development, low volume, high value-added specialty manufacturing, education, training, consulting services related to technology, and the creation or development of new businesses, the QSTP permits foreign companies to establish companies or branches in Qatar with 100% foreign ownership.

Licenses are issued by the QSTP in three categories:

1. A licence granted to a company or a branch of a foreign company that, for example, proposes to engage in research or commercialization. This licence enjoys all the benefits of the QSTP free zone.
2. Licences restricted to individuals or entities performing specific functions, such as medical research, research and development functions for Qatari government agencies, and enjoying certain Free Zone benefits designated by QSTP.
3. Entities that provide services to licensees, such as catering firms and banks, may be granted a service license; however, such service providers do not receive the benefits provided by the QSTP free zone. A QSTP entity can only engage in activities that are specified in its license. In order to qualify for a QSTP license, the licensee must be physically located within the QSTP free zone. The lease term varies depending on the type of lease signed in the free zone. Should the QSTP revoke the licence, the lease will automatically terminate. Apart from being

able to have a company with 100 percent foreign ownership, the QSTP license also permits duty-free imports and exports of goods and capital equipment, as well as repatriation of profits. For a company to be established within the QSTP free zone, a minimum capital requirement of QAR 200,000 is required. In the QSTP free zone, corporations are not subject to corporation taxes. A QSTP entity is expected to devote half of its time to research and development.

## **The Qatar Free Zones**

The permitted activities presently under the FZA are clustered into the following groups namely, (i) industrial products and services, (ii) pharmaceuticals, life sciences and medical services, (iii) automotive and transport equipment, (iv) aerospace and aviation activities, (v) energy and environmental technologies, (vi) construction and real estate, (vii) food and beverages, (viii) consumer goods, (ix) marine activities and services, (x) logistics and warehousing, (xi) information and communications technologies, (xii) media and design services (xiii) financial services and insurance, (xiv) professional business services, (xv) leisure and hospitality, and (xvi) retail trade. The list is not exhaustive, investors are encouraged to approach the FZA to discuss their proposed business with the FZA.

A Free Zone entity must be physically located within the Free Zone and is granted a lease of property for a defined period. A revocation of the licence by the FZA automatically terminates the lease. In addition to the ability to own a 100% foreign-owned company, being licensed by the FZA has the following advantages: it allows full repatriation of profits, tax holidays, and no import duties; however, exports outside of the Free Zone would be subject to customs duties, and no minimum share capital is required for the company to be established.





## Dissolution of Business Entities

Dissolution of the business entities discussed above may occur in the following circumstances:

(i) In the event that the specified duration of this agreement expires without renewal, as specified in the company's articles of association or memorandum of association,

(ii) expiration or impossibility of achieving the sole purpose for which the company has been formed,

(iii) If, within six months of the date of alienation, the company changes into another type of company or if the number of partners or shareholders exceeds the minimum prescribed under the Commercial Companies Law, the company may alienate all shares to a number of shareholders or partners that are below that minimum.

(iv) Depreciation of the whole or most of the company's property so that it is impossible to invest the remainder thereof,

(v) If the company's memorandum does not stipulate that it may be dissolved pursuant to a certain majority, or if it does not stipulate a dissolution prior to its expiration, then the dissolution must be unanimously agreed to by all partners,

(vi) merger of the company with another company. It is possible to dissolve a joint liability company, a limited partnership company, or a joint venture company on the following grounds:

(i) When a partner requests a dissolution, if the court finds that there are serious reasons for such dissolution, and any conditions that prohibit that partner from exercising such right shall be null and void; furthermore, the company may be dissolved by a court at the request of any of the partners if they are unable to fulfill their obligations.

(ii) When a partner dies or is insolvent, the company may continue with the surviving partners; provided, however, that if stipulated in the memorandum of the company, the company will continue with the surviving partners. Even if they are minors; provided that the company's memorandum does not stipulate the consequences upon death, etc. After the death of one of the partners, the remaining partners may unanimously decide to continue the company within 60 days of the date when the death occurred. The board of directors of a shareholding company is required to call a general meeting of shareholders in the event the company loses at least 50% of its capi-

tal in order to dissolve the company or to take any other action deemed necessary. If the board of directors does not call a general meeting, or the general meeting cannot take a decision in the matter, any member of the company may petition the courts for the dissolution of the company. It is possible for a shareholding company to become a limited liability company if its shareholders decrease below the minimum number outlined in the Commercial Companies Law, in which the remaining shareholders will be liable for the company's debts within the limits of the assets of the company. An application for dissolution of the company may be submitted to the competent court after one year has passed after the number of shareholders has decreased below the prescribed minimum.

It is not possible for a limited liability company to be dissolved through the withdrawal or death of one of its partners, or by the issuance of a judgment interdicting the partner or declaring the partner bankrupt or insolvent, unless otherwise specified in its memorandum. If a limited liability company suffers losses of more than 50 percent of its capital, the directors must propose to the general assembly within 30 days of such a loss that the capital be covered or that the company be dissolved. If the managers fail to hold such a general meeting, or if the partners do not reach a consensus, the managers and partners, respectively, are jointly and severally liable for the company's obligations. As soon as such a meeting is called, the shareholders are liable for the debt unless they agree to contribute more capital or liquidate the company.

A partnership limited by shares shall dissolve under the same conditions as a shareholding company. The dissolution of a partnership limited by shares is triggered by the death of any of the active partners or by their interdiction, bankruptcy declaration, insolvency, or withdrawal from the company (unless its articles of association provide otherwise). There is a requirement for an extraordinary general meeting of the partners to decide on whether to continue the partnership if the articles of association do not contain any provision regarding the dissolution of the company in the event of any of the aforementioned events. All active members of the company will be dissolved in the event of withdrawal, death, interdiction, bankruptcy, or insolvency, unless the articles of association permit it to be transformed into another type of entity. The transfer of all shares to one of the partners who is an active partner will result in that partner being responsible for the debts of the company to the extent of his own assets.





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# ABOUT US

## A Qatari law firm with a regional reach and a global outlook

Over the course of its twenty-year history, Al Sulaiti Law Firm has built a reputation as one of Qatar's most prominent and reputable firms. As a result of our broad range of experience, our clients benefit from not only the geographical and substantive diversity of our work, but also the broad range of industries we serve. Providing a wide range of services from simple legal services to more complex, multijurisdictional matters, we are dedicated to protecting and serving the interests of our clients.

Al Sulaiti Law Firm prides itself on having one of the largest litigation and dispute resolution departments in Qatar. Our industry expertise includes but is not limited to: Civil Litigation, Criminal Litigation, ADR, Construction, Energy, Corporate, Intellectual Property, Sports, Media and Telecommunications, Employment, Banking and Finance and Tax. We handle a range of high-value and complex disputes representing high end and prominent clients, one of our primary objectives is to resolve our clients' disputes in a timely and efficient manner with as little disruption to their business as possible. In addition to the benefits and cost efficiency of our services, we provide tailored advice to meet the requirements and challenges of each of our clients. We ensure that the right team is involved to offer reliable insights and advice. Our firm understands that the importance of a good relationship based on trust cannot be overstated for a successful outcome.

Our diverse, multilingual, multicultural, and qualified lawyers are able to bridge linguistic and cultural differences between clients and their legal needs. The team consists of lawyers and consultants from Qatar, Egypt, France, Italy, and the United Kingdom. We offer our services in French, English, Arabic, and Italian and are therefore able to provide a level of service that exceeds local expectations. Our business involves becoming intimately familiar with the markets, industries, and organizations of our clients. This level of knowledge and understanding enables us to work through a solution-oriented approach, we strive to provide excellent customer service. Due to our highly experienced, innovative team of attorneys who adhere to the highest standards of professional integrity, we are able to provide the highest level of legal services.







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Keep integrity, professionalism, cooperate as a team, and uphold the reputation of the firm.

Respect the rule of law, one another, support one another, and embrace diversity.



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