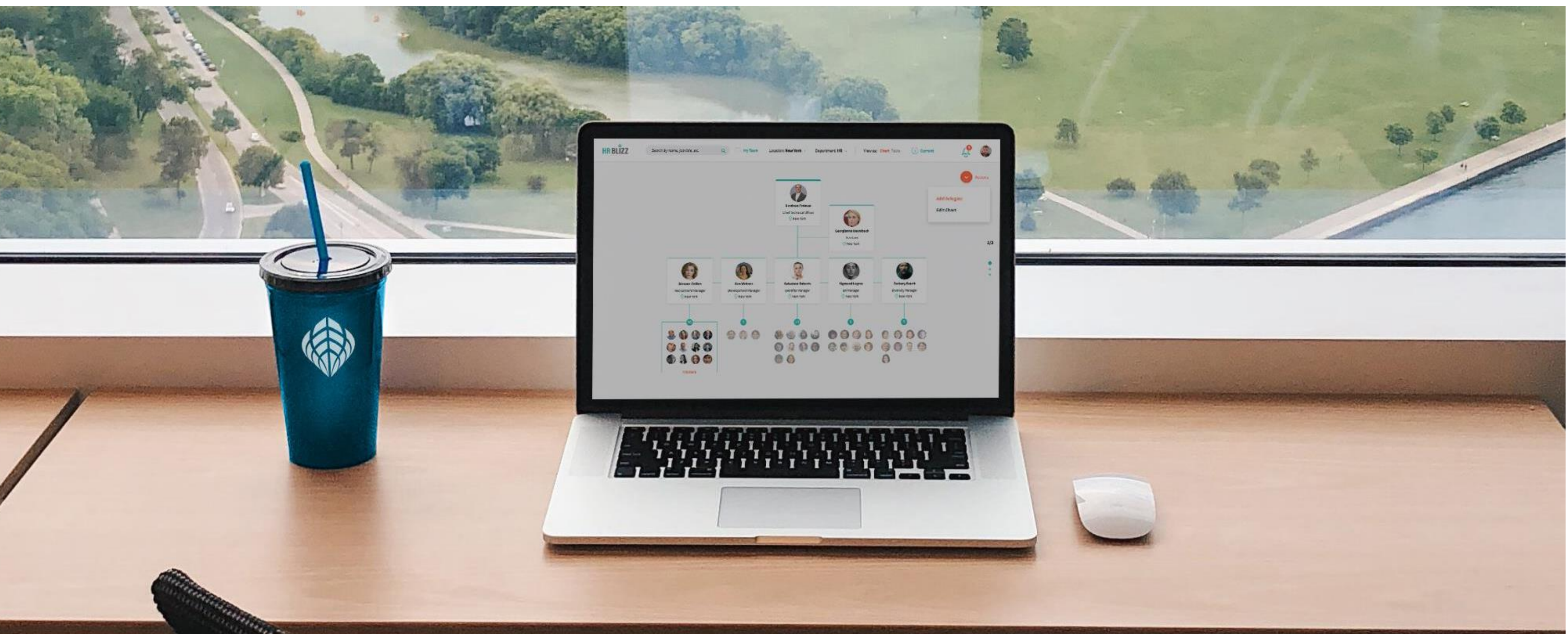
Simplifying Employment
Tasks Worldwide

# Payroll & Tax Highlights

## 2020 Global Payroll Country Guide for Qatar



**STATE OF QATAR**

April 12, 2020

# We help you achieve your global ambitions

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**Global Payroll Solutions – Boost your HR brand and employee satisfaction**
Rationalize your HR budgets, monitor your data, and optimize your global payroll tasks in real-time. Systematize processes and streamline HRM lifecycles with HR Blizz™, our unified SaaS platform, to ensure your employees are paid accurately and on time.

**PEO/GEO Services – Easily hire, deploy and manage your workforce abroad**
A reliable Professional Employer Organization (PEO), Mercans is your trusted employer of record to globally select, engage, and manage highly-qualified personnel on your behalf, through integrated Global Employment Outsourcing (GEO).

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Mercans supports you in designing/deploying long-term HR strategies and processing full-cycle recruitment. Our ATS Suite Mesaar™ and our hiring experts help to screen, select, attract the right candidates for your organization, and populate your pipeline of prequalified talents.

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Concentrate on the essentials: outsource non-primary activities and your front- and back-office functions to Mercans. Save the time, money, and energy needed to refine the value chain engagement of your customers and suppliers, and increase revenue.

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Centralize your HR function on an all-in-one user-friendly and self-service platform. Combined with the expertise of our consultants, the Mesaar SaaS offers a built-in applicant tracking system and easy-integration features to improve internal processes.

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Mercans seasoned HR advisory team are compliance experts specialized in local cultures, business protocols, and tax and legal specificities. They are committed to ensure quick go-to-market abroad and achieve a compliant global expansion, risk-free from A to Z.

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# Mercans at a Glance

| | | |
|---|---|---|
| **140+** Countries | **20** Years of Success | **500+** Specialists |
| **5k+** Customers Worldwide | **97%** Client Retention Rate | **1.5X** Annual Revenue Growth |
| **25k+** Largest Single Payroll | **2.5M+** Pay Slips per Annum | **0** Security Breaches |

**Number one** for outsourced payroll services, we are endorsed by international authorities.

gpa Global Payroll Association FIN PRO GPMI

**Mercans has the highest industry quality and IT security certifications.**

CERTIFIED ISO 9001:2008 COMPANY International Organization for Standardization ISO 20000 ISO ISO/IEC 27001:2013 OWASP Open Web Application Security Project

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# Qatar – Overview of the Economic Environment

With its ambitious 2030 vision encompassing human, social, economic and environmental development, the State of Qatar remains one of the fastest-growing economies in the world and presents a wide variety of investment opportunities.

The main economic sectors in Qatar are oil, gas and related industries. Qatar's liquefied natural gas (LNG) industry has attracted tens of billions of dollars in foreign investment. Although oil and gas are the main contributors and components of the GDP, Qatar encourages investment in different sectors, such as petrochemical industries, and the financial, real estate, franchising, education, health and industrial sectors.

While the government is heavily involved in Qatar's economy, it strongly encourages international investment and promotes innovation, free trade, open competition and access to the resources that will continue to bring long-term economic development to Qatar and much needed energy to the world's growing economies.
Government initiatives to attract the flow of foreign capital into the state can be attributed to various investment incentives, and the open market policy adopted by the government grants investors the opportunity to make good profits and the benefit of the freedom of unrestricted travel and movement of funds.

In winning the bid and the right to host and stage one of the world's most prestigious and iconic sports event brings a new dawn of opportunities and benefits for Qatar, the Arabian Gulf region, and, indeed, the whole Middle East.

Despite being a diminutive nation in the Middle East, FIFA has given Qatar the trust and confidence of a once-in-a-lifetime chance to prove its resolve to the world that it has the means, capability and the resources to hold this phenomenal sporting episode despite all the criticisms it has received.

"Qatar's winning the bid to host the FIFA 2022 World Cup soccer will also boost the infrastructure projects happening in the country, estimated to be worth more than $100bn, based on public-private partnerships model... The guide focuses on infrastructure projects, excluding oil, gas and petrochemical sectors. The report reveals the present value of major infrastructure projects that are now under construction…, which amounts to more than $55bn, around half of the estimated

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# Doing Business in Qatar

## Entity Registration & Incorporation Requirements

On January 7, 2019, H.H. the Emir of the State of Qatar enacted law No. 1 of 2019 on the Investment of Non-Qatari Capital in Economic Activity (the Foreign Investment Law), which repeals and replaces the previous foreign investment law No. 13 of 2000.

The Foreign Investment Law allows foreign investment “in all economic sectors,” except banking and insurance (unless authorized by a decision of the Council of Ministers) and commercial agency. The Council of Ministers may exclude other sectors or activities by way of resolutions to that effect.

The general rule is that non-Qatari investors can, subject to certain prohibitions and exceptions, conduct business in Qatar provided that such investors have one or more Qatari partners1 whose share is not less than 51% of the share capital of a company incorporated in Qatar.

As an exception to the general rule described above and subject to certain requirements, foreign investors may, pursuant to a decision of the Competent Department at the Ministry of Commerce and Industry (CDMCI), hold more than 49% (and up to 100%) of the share capital of a Qatari company.

At this time, a foreign investor may lodge an application to own more than 49% of the share capital of a non-listed company by filing the relevant application form with the CDMCI together with the required supporting documentation and paying the applicable official fees at the time of filing.

Once the application is complete, the CDMCI has 15 days to issue a decision. In the event of an express rejection, we understand that the CDMCI will provide the reasoning for its decision. Silence of the CDMCI is otherwise deemed a rejection. If the application is rejected, the investor may re-apply and/or appeal before the Minister of Commerce and Industry (Minister).

Additional details regarding the implementation of the Foreign Investment Law and the CDMCI’s decision-making process will be set forth in upcoming executive regulations (ER).

Pending the issuance of the ER and an established practice of the CDMCI, we understand that preference will likely be given to projects with a long-term strategy, that may potentially achieve optimum utilization of local raw materials, industries set up for the export of products, introducing new products or employing new technologies, as well as projects aiming to localize worldwide leaders in industry or those that will provide training and qualifications for Qatari nationals.

Finally, the Foreign Investment Law provides for incentives such as potential exemptions from income tax, allocation of land through rent or usufruct, and exemption from custom duties for equipment, machinery and raw materials required for the relevant activity.

## Establishing a Legal Presence in Qatar

To lawfully conduct business in Qatar on a regular basis, foreign investors are required to establish a legal presence in the state through one of the available options. Below is some key information that prospective investors should be aware of when considering doing business in Qatar. This includes the vehicles available to foreign investors and general legal considerations.

The available establishment vehicles may be classified as follows:

Incorporating a local entity under the Commercial Companies Law No. 11 of the Year 2015 (Companies Law)2

Establishing a foreign branch pursuant to Article 5 of the Foreign Investment Law (foreign branch)

Establishing a presence under Ministerial Resolution No. 396 of 2017 on the Regulations and Procedures for Licensing the Opening of Commercial Representative Offices

Incorporating in the Financial and Technology Zones (QFC and QSTP)

## Incorporating Under the Companies Law

Companies with foreign participation incorporated as local Qatari entities must be established under the Companies Law. Investors participating in local companies should abide by the following restrictions on foreign investment placed by the Foreign Investment Law:

Percentage of ownership – By default, the Foreign Investment Law restricts foreign ownership to a maximum of 49% of a company's capital. However, a higher percentage of up to 100% foreign ownership may be granted (as aforementioned).

Projected activities – A foreign investor may not act as commercial agent under Law No. 8 of the Year 2002 and may not invest in real estate businesses except in some designated areas. Approval from the Council of Ministers is required for foreign investors to invest in banking and insurance sectors.

The Commercial Companies Law provides for the following eight types of legal entities:

- General partnership
- Limited partnership
- Partnership limited by shares
- Unincorporated joint venture (particular partnership)
- Public or private joint stock companies (shareholding companies)
- Limited liability company (LLC)
- Single person company
- Holding company

The customary business structure used by foreign investors is the LLC. Entering into a shareholding company (a Qatari Shareholding Company, or QSC, as described on the next page) is also a viable option for investors, depending on the type of their projected commercial activity. A special type of company is also available under Article 207 of the Commercial Companies Law (Article 207 QSC).

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## Limited Liability Company ("LLC")

The LLC is the most prevalent business structure. The key features of an LLC are as follows:

- No minimum paid up capital requirement3
- Minimum of one shareholder but no more than 50
- 51% Qatari equity ownership versus 49% foreign participation unless otherwise exempted
- Liability of the shareholders is limited to the amount of their respective percentage ownership in the LLC's capital
- Incorporation in the form of LLC is allowed in almost all sectors of the economy, excluding banking, insurance and funds investment activities

An LLC may not raise capital by public subscription and may not issue freely transferable shares. Existing shareholders enjoy pre-emptive rights to purchase any shares offered for sale unless the right is expressly waived.

The corporate name of an LLC must derive from its objects and must be followed by "Limited Liability Company (LLC)."

Notwithstanding the 49% foreign shareholding cap, under regular circumstances, the foreign shareholder may preserve significant control over the management and operations of the LLC.

An LLC is established by virtue of a memorandum of association (MOA) setting forth its terms of governance and related matters. The MOA must be drawn up in Arabic, with or without a parallel English version, approved by the Ministry of Commerce and Industry (MoCI) and legalized before the Ministry of Justice.

To carry on its business in Qatar once the MOA is signed and legalized, the new LLC must register with the Qatar Chamber of Commerce and Industry and obtain a commercial registration from the MoCI, a municipal license (also known as a trade license) from the Municipality and an immigration card (also known as company ID) from the Ministry of Interior. The establishment process is fairly straight forward. However, in certain circumstances, depending on the nature of the proposed activity, pre-approval(s) may be required from the relevant authorities in Qatar.

## Qatari Shareholding Company

The Qatari Shareholding Company (QSC) is the corporate vehicle used for large-scale business enterprises, investment projects, and insurance and banking. A QSC is established by a ministerial resolution issued by the Minister, between at least five shareholders. It is a company whose capital is divided into transferable shares of equal value. Shareholders of a QSC are not liable for the company's obligations except for the amount of nominal value of the shares for which they subscribe. The company's name must be followed by "Qatari Public Joint Stock Company" (public QSC) or by "Qatar Private Joint Stock Company" (private QSC) and its business shall be conducted by a board of directors. The Companies Law recognizes the following different variants of the QSC:

A public QSC, whose shares can be traded on the Qatar Exchange with a minimum capital requirement of QAR 10 million. Foreign investors may own up to 49% of companies listed on the Qatar Stock Exchange, subject to the approval of the MoCI. The Council of Ministers may allow a foreign investor to exceed 49% ownership upon recommendation of the Minister. The government, other public authorities and corporations or companies in which the state holds at least 51% of the shares (or less with the prior approval of the Council of Ministers) can establish public QSCs. This can be either individually or jointly with one or more founders, whether such founders are Qatari nationals or foreigners, or natural, public or private legal persons. Such “government” QSCs are exempted from the minimum requirement of five founders applicable to the establishment of a “classic” public QSC.

## The Foreign Branch

As an exception to Qatar’s Foreign Investment Law, a foreign company can conduct business in Qatar without the requirement of having a Qatari partner, and without being regulated by the Companies Law, through the establishment of a foreign branch.

In order to establish a foreign branch, the company should be awarded a contract with a “ministry, a government authority, a public body or institution or a company or institution in which the state owns an interest.” The foreign branch should technically be registered after the award of the relevant contract, but before the signing of the same.4

The approval process for the opening of a foreign branch rests with the CDMCI.

The foreign branch’s scope of activity is technically limited to carrying out the specific contract approved by the CDMCI, with further approval required for each additional contract or for registration of the renewed contract. The registration of the foreign branch is valid for the term of the contract for which it was granted approval. The foreign branch is subject to the Qatari Income Tax Law unless it is granted a special tax exemption.

## The Representative Trade Office (RTO)

The RTO is another exception to the general foreign investment rules recalled above. The RTO is regulated by Ministerial Resolution No. 396 of 20175 on the Regulations and Procedures for Licensing the Opening of Commercial Representative Offices (the RTO Law). Foreign companies in good standing can apply to the CDMCI to open a RTO in Qatar. The CDMCI reviews RTO applications on a case-by-case basis6. Once the application file is complete, the CDMCI has 30 days to issue a decision. Silence of the CDMCI past this time is deemed a rejection.

The RTO is a platform to promote its parent company in Qatar and provide a “shop window” to source business for its parent company.

The RTO’s activities are limited to marketing and administrative functions. The RTO is not a commercial entity and does not have an independent legal personality. The parent company remains liable for all undertakings of the RTO in Qatar. The RTO, however, can hire and sponsor employees locally.

The RTO is not allowed to conduct any commercial activity; as a result, it has no derivable profit and should not, in principle, be subject to taxation. However, the RTO must be registered with the tax authorities. The RTO's registration is renewable on a yearly basis.

## Accounting and Reporting

**Tax Year**: The tax year is generally the same as the calendar year, and a taxpayer must use this accounting period unless approval is obtained for a different year-end (in exceptional cases only). The first accounting period may be more or less than 12 months, but it should not be less than six months or more than 18 months.

**Accounting Standards** : The Commercial Law No. 5 of 2002 requires all listed companies to prepare consolidated and separate company financial statements "in accordance with the accounting principles approved internationally". Regulations of the Qatar Financial Markets Authority have defined this to mean IFRS Standards.

**Accounting Regulation Bodies** : Qatar Financial Markets Authority (QFMA)
Ministry of Economy and Commerce Qatar Exchange

**Accounting Reports**: The annual report has to include a balance sheet, a profit and loss account and a cash flow statement.

**Publication Requirements**: In general, all companies must file tax declarations within four months after the end of the accounting period. The due date may be extended at the discretion of the QTD, but the length of the extension may not exceed four months.
All accounting books, registers, and documents relating to activity in Qatar are required to be retained in Qatar for a ten-year period.

The Commercial Companies' Law 11/2015 requires public shareholding companies to submit financial statements, in compliance with IFRS and IAS, to the Ministry of Economy and Commerce. Publicly listed companies should also publish financial statements 15 days before their annual general meeting, in two local newspapers (in Arabic and English) and on the company's website. All companies are required to keep accounting records (including PSC, LLC and LPC), prepared according to standards promulgated by the International Accounting Standards Board (IASB).

**Professional Accountancy Bodies** : Qatar Institute of Certified Public Accountants Gulf Cooperation Council Accounting and Auditing Organization (GCCAAO)

**Certification and Auditing**: A company's CIT return is required to be accompanied by audited financial statements if the company's capital or profit exceeds QAR 100,000 or the head office is situated outside Qatar. The tax declaration must be certified by an accountant in practice in Qatar who is registered with the Ministry of Finance. If this requirement is not satisfied, the Qatar Tax Department (QTD) rejects the tax declaration. The tax declaration and supporting audited financial statements must be denominated in QAR.

# Financial and Banking System

Qatar Central Bank is the bank of government and the monetary authority of Qatar's banking and financial system. It is responsible for formulating and implementing policies that are primarily concerned with the stability of the economy and the avoidance of financial imbalances.

As the Qatari economy has witnessed huge progress in recent decades – supported by the government policy based on the free market principle – Qatar has developed an extremely efficient, robust, and secure banking and financial system to protect the interests of the country. Despite growing at a fast pace, in terms of the volume of the market, the Qatar banking system is still small compared to other countries.

Banks play a central role in supporting economic development, by providing loans and financial services. In addition, Qatari authorities support domestic banks with direct investments, where necessary.

Banks are generally from Sunday to Thursday 7.30am – 1pm. Hours vary significantly during the holy month of Ramadan to accommodate breaking the fast.

## Working Week

The Labor Law ordinarily provides for a working week of 48 hours per week over a six-day week with eight working hours allotted to each day.

The working week in Qatar is generally from Sunday to Thursday, with Friday and Saturday being off. However, most businesses are open on Friday, with just half-a-day on Thursday. Offices usually work in two shifts, from 7.30am to 12pm and from 3.30pm to 7.30pm.

In Ramadan, working hours are reduced by two hours each day with 36 hours being the most that can be worked in any given week.

The working hour's related regulations have been summarized below:

| Area | Regular Employee | Shift Employee | Female Employee |
|---|---|---|---|
| **Workdays (1)** | Saturday – Thursday (Friday is the only official weekend day). | | Workdays (1) |
| **Weekly Regular Working Hours (1)** | Daily Criterion – 8 hours/day | Weekly Regular Working Hours (1) | Daily Criterion – 8 hours/day |
| **Breaks** | Min 60 minutes every 5 hours (not part of the working hours i.e. unpaid – employee may not be required to stay at their workplace) (4) | Min 60 minutes every 5 hours (not part of the working hours i.e. unpaid – employee may not be required to stay at their workplace) (4) | 1 hour for nursing mothers (paid break) |
| **Max Stay at the Workplace** | 10 hours per day | 10 hours per day | |

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| | | | |
|---|---|---|---|
| **Ramadan Working Hours (1)** | Daily Criterion – 6 hours/day | Ramadan Working Hours (1) | Daily Criterion – 6 hours/day |
| **Total Maximum Working Hours (Regular + Overtime)** | 10 hours per day | Total Maximum Working Hours (Regular + Overtime) | 10 hours per day |
| **Public Holidays (5)** | 3 days – Eid Al-Fitr | Public Holidays (1) | 3 days – Eid Al-Adha |

## Basic Facts

| | |
|---|---|
| **Official State Name** | State of Qatar |
| **Population** | 2.88 million |
| **Capital** | Doha |
| **Major Languages** | Arabic |
| **Currency** | Qatari Rial (QAR) |
| **Main Industries** | Crude Oil Production and refining |
| **GDP Growth** | 0.5% (2019) |
| **Internet Domain** | .qa |
| **International Dialing Code** | +974 |
| **Dates & Numbers** | Dates are usually written in the dd/mm/yyyy format. |

# Tax & Social Security

## Overview

Taxation in Qatar is regulated by Income Tax Law No. 24 of 2018 (Income Tax Law). Those individuals employed in Qatar pay no tax on income arising from their employment. However, foreign businesses in Qatar are subject to corporate income tax.

In general, a Qatari LLC or registered branch pays tax on its taxable profits at a flat rate of 10%. Taxable profits are profits derived from sources in Qatar, calculated in accordance with the law, and exclude profits attributable to the profit share of Qatari nationals tax resident in Qatar. There are various exceptions to the 10% rate, notably that petroleum companies engaged in oil and gas operations are taxed at the rate specified in their development agreements, provided the rate is at least 35%.

There is also a withholding tax. As described in this guide, in order to conduct any business in Qatar, a legal presence is usually required, such as the incorporation of a company or the registration of a branch. However, to the extent that it is permissible to do any business in Qatar through a non-resident entity without a legal presence, any payments made to the non-resident entity in respect of activities performed wholly or partially in Qatar are subject to withholding tax. A single 5% withholding tax rate applies to payments made to non-resident entities for royalties (which includes royalties for the use of intellectual property, and for the use of industrial, commercial or scientific equipment or information) and for services performed in Qatar without a legal presence.

Companies incorporated in free zones are subject to different tax regimes. In general, companies within the QFC are subject to a 10% corporation tax on taxable profits that arise in or derive from Qatar. Companies within the QSTP are exempt from tax.

As in any jurisdiction, the rules relating to tax are not straightforward. Please see our separate guide on taxation in Qatar for more information.

## Corporate Income Tax

The current tax rules in the State of Qatar are governed by Law No. 21 of 2009, which came into force with effect from January 1, 2010. The executive regulations, effective from July 1, 2011, contain the detailed rules related to the administration of the tax regime. The QTD also issues circulars from time to time to provide guidance on the interpretation of provisions in the Qatar tax law and its application in practice.

An entity that is wholly or partially foreign owned and that derives income from sources in Qatar is taxable in Qatar. Its profits attributable to non-Qatar nationals are generally subject to income tax at a flat rate of 10%. A different tax rate may apply to entities with oil and gas operations or where the activities are carried out under an agreement with the government.

No corporate income tax is levied on a corporate entity that is wholly owned by Qatari and Gulf Cooperation Council (GCC) nationals.
The provisions of the tax law do not apply to the following:

- Private associations and foundations and private foundations of public interest
- Not-for-profit bodies
- Salaries, wages and allowances
- Gross income from legacies and inheritances.

Withholding tax compliance obligation is the only exception to this, which applies to all bodies other than those registered in the QFC.

## Permanent Establishment (PE)

The definition of a PE in Qatar's tax law is close to the terms of the definition in the Organization for Economic Cooperation and Development (OECD) Model Convention; in essence, "a fixed place of business through which the business of the taxpayer is wholly or partially carried on, including for instance a branch, office, factory, workshop, mine, oil or gas well, quarry, building site, assembly project or place of exploration, extraction or exploitation of natural resources". The activity in Qatar of a "dependent agent", i.e. a person (other than an independent agent) "acting on behalf of" the taxpayer or in its interest" may also create a PE in Qatar. However, Qatar tax law has not established any list of auxiliary or preparatory activities which would provide exemption from creation of a PE. Companies that have a permanent establishment in the country should be subject to corporate income tax in Qatar.
While a PE could previously file a tax return even if the PE was not registered in the commercial register, it was in contravention of the Foreign Investment Law. Following the introduction of the electronic tax administration system (TAS), a commercial registration number must be provided when filing a return online. This means any unregistered PE will be required to have a legal presence in Qatar and obtain commercial registration in order to be able to file on TAS.

## Withholding tax

The tax law introduced a requirement for all entities registered in Qatar or with a permanent establishment in Qatar to withhold a percentage of certain payments made to non-residents. This means that although the withholding tax liability falls on the non-resident with activities in Qatar without a permanent establishment, the withholding tax compliance requirement is borne by the Qatar entity.
The applicable withholding tax rates are as follows:

- 5% of the gross amount of royalties and technical fees; and
- 7% of the gross amount of interest (some exclusions apply), commissions, brokerage fees, director's fees, attendance fees, and any other payments for services carried out wholly or partly in the state.

There is no withholding tax on dividends.

A company that makes the payment to its foreign supplier is required to withhold the tax and remit to the tax department the funds that were withheld by the 16th day of the following
month. It is also required to file a withholding tax statement to the QTD within the same deadline. In the event that the company does not make a tax payment or does not file a withholding tax statement to the tax department within the deadline, the company will be liable for a penalty equal to the amount of unpaid tax due, in addition to the withholding tax.

Circular No. 3/2011 dated 19 June 2011 confirmed that the requirement to withhold applies to all entities registered in the state of Qatar including government bodies, public authorities and corporations. The circular also includes an instruction for such entities to refrain from including conditions relating to exemption from income tax or the bearing of its burden by them (e.g. gross-up clauses) unless written approval from the Ministry of Economy and Finance is obtained.

Entities registered in the QFC do not have to withhold.

Qatar has a growing network with almost 60 treaties in force at the time of writing which may allow a foreign company to reclaim withholding tax it has suffered. The treaty network is one of the most extensive in the GCC.

# Personal Taxation

Qatar does not impose personal income taxation, only income from a business in Qatar is taxable, at a rate of 10% of taxable income.

# Social Security

In Qatar, the Social Security Rate is a tax related with labour income charged to employees. Revenues from the Social Security Rate are an important source of income for the government of Qatar because they help to pay for many social programs including welfare, health care and many other benefits.

Social security contributions are made monthly as follows: 5% is paid by the employee and 10% is paid by the employer. If a GCC national moves from their original country to any other GCC country, their social security contributions will still be deducted regardless of their original country.

## Wage Protection System (WPS)

In accordance with the Labor Law, all salary payments for employees must be processed through the Wage Protection System (WPS) monthly. Using the WPS means that all salary payments must now be transferred electronically and directly from an employer's local Qatari bank account into a Qatari account in the name of the employee. The salary payment must be made in Qatari riyals.

In response to the criticism of the Kafala System, Law No. 1 of 2015 was adopted on 18 February 2015 in an attempt to better regulate and protect employee payments by amending, in particular, Article 66 of Labor Law No. 14 of 2004. The law orders that employers pay the salaries of their employees through direct bank transfers made from the employer's local Qatari account, in Qatari currency, to a Qatari account in the name of the employee.

The new system intends to address previous problems of late or missing payments by requiring companies to register their employee's details with the state's banking regulator, Qatar Central Bank, and to pay employees at least once per month. Employers who violate the new amendment may be sentenced to a one-month prison sentence, a fine of between QAR2,000 and QAR6,000, or both. Although the impact of its implementation remains to be seen, this may be the first of several steps to fulfill Qatar's promise to enhance the rights and conditions of foreign workers.

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# Payroll

The government of Qatar takes great care to protect the interests not just of business owners but of employees no matter where they are from. There are numerous payroll and wage protection system in place to make sure that both the business environment and the working environment in Qatar are healthy, thriving, and safe.

Just as all of the employers in Qatar are required to submit complete documentation when it comes to processing salaries and proper wages, employees must also dutifully do their part in making sure that all documentation is accurate and complete. For instance, the Employment Contract must be properly signed, kept, and attested. The Qatar Labor Law governs all employee-employer relationships, and as such, the law states that employee contracts must be in the official Arabic language. It should be in writing and with clear definitions of all end-of-service benefits, as well as the limitations on working hours, appropriate salaries, and the like.

## Sample Payslip

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**PAYSLIP**

| | |
|---|---|
| Employer | [redacted] |
| Employer address | |
| Country | Qatar |
| Pay Period | March 2020 |

**Net Pay:**

QAR 176,902.46

| | | | |
|---|---|---|---|
| Employee name | [redacted] | Email | [redacted] |
| Employee ID | 15212 | Hire date | 2017-07-14 |
| Employee Position | Programme Manager | Payment Method | Bank |

**Summary**

| Pay currency | Entitlements | Deductions | Net pay |
|---|---|---|---|
| QAR | 177,095.84 | 1,846.60 | 176,902.46 |

**Details**

| Entitlements | Amount | Currency |
|---|---|---|
| 62100 - Base Salary | 70,079.17 | QAR |
| 62110 - Bonus | 84,100.00 | QAR |
| 62400 - Housing allowance | 15,416.67 | QAR |
| 62570 - Additional Allowance | 5,833.33 | QAR |
| 62610 - Health Care Allowance | 1,666.67 | QAR |

| Deductions | Amount | Currency |
|---|---|---|
| 21670 - Medical EE | 193.38 | QAR |
| 23670 - Medical ER | 1,653.22 | QAR |

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# Employment Law

Employment in Qatar is generally regulated by the Qatari Labor Law No. 14 of the Year 2004, as amended, which imposes certain minimum standards on employees' rights, safety standards, workers collective committees and termination of employment. The implementation of the Labor Law is heavily connected with the Immigration Law. Employees excluded from the application of the Labor Law are those employed by ministries, other public institutions and bodies and those who are subject to special employment regulations, such as the employees of Qatar Petroleum. The QFC has its own employment regulations and is not subject to the Qatari Labor Law.

On February 18, 2015, Qatar's Emir issued Law No. 1 of 2015, amending Article 66 of the Labor Law, which now requires employers to transfer the salaries of their employees to employee bank accounts in Qatar in order to ensure proper and timely payment of the employees' salaries. In accord with this amendment the Qatar Ministry of Labor launched the Wage Protection System (WPS) to ensure compliance with this law.

## Employment Contract

Employer-employee relationships are regulated by the Qatar Labor Law which states that the Arabic language must be the language used in employment contracts (Labor Law No. 14, 2004); however, a secondary language may be used for the benefit of non-Arabic speakers with the understanding that the Arabic version is the only legally valid document. Article 38 of Labor Law No. 14 of the year 2004 mandates that the contract must be written and should consist of three copies: one for each party and the third for the Labor Ministry.

Employment contracts can range from a limited period to an indefinite one with a maximum term duration of no more than five years. If any stipulations arise that are proven to go against the Qatar Labor Law, then these shall be considered void unless said stipulations are for the benefit of the employee.

The contract must specify the terms of the labor relationship between its two parties and all of the relevant details including:

- The name and place of work of the employer
- Worker identification including qualifications, nationality, profession and residence
- The period of the contract, including the exact date of commencement and date of conclusion
- The nature of work, type of work and the place of contracting
- The agreed wage, payment method and the date of recurring payment

## Leaves

The statutory leaves for Qatar have been summarized in the below table:

| Leave Type | Eligibility | Compensation | Leave Duration |
|---|---|---|---|
| **Annual Leave** | • Completion of probationary period<br>• Employer approval required – 30 days advance notice<br>• No carry-forward by employee; max grace period for the employer 60 days | Paid | Year 1-5 – 3 weeks<br>Year 5+ - 4 weeks |
| **Sick Leave** | • Doctor's notice | Paid/Partially-paid/Unpaid | First 2 weeks – fully paid<br>Following next 4 weeks – 50% paid<br>Following anything - unpaid |
| **Bereavement Leave** | • Death of direct family member | Paid | 7 days |
| **Marriage Leave** | • Marriage | Paid | 15 days ( true copy of Marriage certificate ) |
| **Childbirth Leave for Male Employees** | • Birth of a child | Paid | 3 - 5 days |
| **Haji Leave** | • Once during service period | Unpaid | 2 weeks |
| **Maternity Leave** | • Completion of the probation period | Service Period: Employed atleast 1 year | Before Delivery - 15 days<br>After Delivery – 35 days |
| **Unpaid Leave** | • Employer prior approval | Unpaid | Max durations is defined by the employer. |

## Termination, Resignation or Retirement

In accordance with Labor Law Articles 49, 50, 51, 52, 53, 54, 55 & 56, If the service contract is of an indefinite duration any of the two parties thereto may terminate it without giving the reasons for the termination. In this case the party intending to terminate the contract shall notify the other party in writing as follows:

I. In respect of the workers who receive their wages annually or monthly, the notification shall be given not less than one month prior to the date of the termination if the period of service is five years or less. If the period of service is more than five years, the notification period shall be at least two months prior to the date of termination.

II. In all other cases the notification shall be given in accordance with the following periods:
- If the period of service is less than one year the notification period shall be at least one week.
- If the period of service is more than one year and less than five years, the notification period shall be at least two weeks.
- If the service period is more than five years the notification period shall be at least one month. If the contract is terminated without observing these periods, the party terminating the contract shall be obligated to compensate the other party for an amount equivalent to the wage for the notice period or the remaining part thereof.

The employer shall pay the worker his wage in full for the notice period provided for in the preceding article, if the worker performs his work in the usual manner during the said period.

The employer shall give permission to the Qatari worker to absent himself from work for reasonable times to enable him to register his name in the register of the Department in order that the worker can avail himself of new employment. The worker shall notify the employer of the new employment immediately on obtaining there of and shall continue with the work thereafter till the expiry of the notification period.

The worker may terminate the service contract before its expiry date if the contract is of a definite duration and without giving reasons for the termination if the contract is of an indefinite duration and retains his full right to obtain the end of service gratuity in the following cases:

- If the employer commits a breach of his obligations under the service contract or the provisions of this law.
- If the employer or his responsible manager commits a physical assault or immoral act upon the worker or any of his family member.
- If the employer or his representative has misled the worker at the time of entering into the service contract as to the terms and conditions of the work.
- If continuance with the work endangers the safety and health of the worker provided that the employer is aware of the danger and does not take the necessary steps to remove it.

The service contract shall not terminate in any of the following two cases:

- Death of the employer, unless the contract has been concluded for consideration related to the person or professional activities of the employer which cease upon his death.
- The merger of the enterprise with another enterprise or transfer of its ownership or the right in its management to a person other than the employer for any reason. The successor shall be jointly liable with the former employer for the payment of the workers entitlements accruing from the latter.

The employer shall upon expiry of the service contract:

- Give the worker upon his demand, free of charge, a service certificate indicating the date of his engagement in the employment, the date of expiry of his employment, the type of work he was performing and the amount of wage he was receiving.
- Return to the worker the certificates, documents etc. which the worker deposited with the employer.

In addition to any sums to which the worker is entitled to upon the expiry of his service, the employer shall pay the end of service gratuity to the worker who has completed employment of one year or more. This gratuity shall be agreed upon by the two parties, provided that it is not less than a three-week wage for every year of employment. The worker shall be entitled to gratuity for the fractions of the year in proportion to the duration of employment. The worker's service shall be considered continuous if it is terminated in cases other than those stipulated in article (61) of this Law and is returned to service within two months of its termination. The last basic wage shall be the base for the calculation of the gratuity. The employer is entitled to deduct from the service gratuity the amount due to him by the worker.

If the worker dies during the employment for whatsoever causes, the employer shall within a period not exceeding fifteen days from the date of death deposit with the court any wages or entitlements due to the worker in addition to the gratuity. The depositing record shall contain a detailed report indicating the method of calculating the sums referred to and a copy of the record shall be delivered to the Department. The court shall distribute the deposited sums amongst the heirs of the deceased worker in accordance with the provisions of the Islamic Shari a or the personal law applicable in the country of the deceased and if three years lapse from the date of depositing without the person entitled to the deposited sums being known the court shall transfer the said sums to the public fund of the State.

The employer who maintains a retirement system or a similar system which secures for the worker a greater benefit than the end of service gratuity to which the worker is entitled under the provisions of Article (54) of this law shall not be obligated to pay to the worker the end of service gratuity in addition to the benefit available to the worker under the said system. If the net benefit accruing to the worker under the said system is less than the end of service gratuity the employer shall pay to the worker the end of service gratuity and return to him any sum whereby the worker may have contributed to the said system. The worker may choose to receive either the end of service gratuity or the pension accruing to him under the said system.

# Immigration

The Qatar workforce is largely comprised of expatriates. Foreigners working, living and visiting Qatar are subject to Law No. 21 of 2015 Regulating the Entry, Exit and Residency of Expatriates, as amended (Sponsorship Law). All expatriate employees must be sponsored by the employers who are responsible for them during the term of their employment relationship.

Under the Sponsorship Law, if an expatriate employee wishes to travel outside Qatar for any reason or to permanently exit the country prior to the expiration or termination of their employment contract, the expatriate employee must first notify the employer in accordance with the terms of their employment contract. If the employer or competent authority in the Ministry of Interior objects to the departure, the expatriate employee may appeal to the Exit Grievance Committee, which will make a decision on the appeal within three business days. Expatriate employees who wish to move to a new employer before the end of their employment contract will need to obtain a "no objection letter" (NOC) from their current employers. However, expatriate employees will be able to transfer to another employer immediately after the expiry of their fixed-term contract or after the expiry of five
years in service if their employment contract is of indefinite duration.

The QFC has its own immigration rules and regulations providing other benefits to expatriates employed by entities established under the QFC.

## Qatarization Plan

The Qatarization Plan is a part of the state's vision for 2030.

This initiative was undertaken by the industrial and oil and gas sectors in an effort to increase the number of Qatari nationals in the public workforce. Current policy is to extend this initiative into the private sector. While Qatarization is not mandatory for the private sector, the Qatari Labor Law No. 14 of the Year 2004 incorporates the principle of Qatarization7. The government's aim is to increase the proportion of Qataris in the industrial sector to 50% by 2020.

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