

Legal Changes In Qatar **Companies Law and the Wage Protection System**

The latest legal developments in Qatar, especially various changes of existing laws have made headlines recently. These changes affect not only Qatari companies but also their employees. Being aware and complying with the new laws and regulations is essential to maintain a sustainable and legitimate business in Qatar. The most important changes are the introduction of the:

1. Commercial Companies Law No. 11 of 2015 (the “Commercial Companies Law”; “CCL Qatar”); which is replacing the old commercial companies law; as well as
2. Law No. 1 of 2015; which introduces the Wage Protection System (WPS) and amends the Labour Law No. 14 of 2004 of Qatar (the “Labour Law Qatar”; “LL Qatar”).

Below you will find a brief summary on the changes, and the steps that need to be undertaken throughout the transitional period.

A. Qatari Commercial Companies Law

The Qatari Commercial Companies Law has been published on July 08, 2015 and is due to come into effect within 30 days from the date of its publication in the Official Gazette, i.e. August 07, 2015. This law is not an amendment, but will be entirely replacing the old commercial companies law (Qatari Law No. 5 of 2002).

The Commercial Companies Law introduces important changes especially in relation to limited liability companies, which are still the preferred legal form of company for any foreign investment, which will affect the day to day business of such limited liability companies.

1. What has changed?

Similar to the new commercial companies law incorporated in the UAE (Federal Law No. 2 of 2015), the Commercial Companies Law in Qatar has changed the previously required minimum number of at least two persons being a shareholder when establishing a limited liability company. As per Article 228 CCL Qatar, a limited liability company may now be established by a single person. Furthermore, the minimum share capital requirement of 200,000 QAR has also been removed as per Article 234 CCL Qatar. The share capital of the LLC is now to be “determined by the partners of the company” and the profit and loss shall be allocated equally unless specified in the company’s memorandum and articles of association.

Furthermore, the Ministry of Economy and Commerce (“Ministry”) will now have to respond to an application to register a limited liability company within 15 days from the application being presented as

per Article 233 CCL Qatar; this signifies an obligation on the Ministry which did not exist previously. Furthermore, the shareholding requirement for a general assembly to be held has also been reduced to shareholders holding at least 20% of the share capital, as opposed to 25% (Art. 250 CCL Qatar). The Ministry further has the power to call the general assembly, in the event it was not called within the time-period prescribed by law.

Article 19 CCL Qatar has also specified that the Minister of Economy and Commerce shall now determine the relevant procedures for the issuance of licenses which shall guarantee completing the registration and licensing process quickly and efficiently, including a “one stop shop” system. This attempts to guarantee the efficiency of obtaining a commercial license from the authorities, yet its implementation remains to be seen.

In addition, holding companies must now ensure safe-keeping of all financial records by its subsidiaries. Furthermore, all holding companies have to prepare consolidated profit and loss accounts and cash flows for themselves and their subsidiaries. Such statements must be submitted to the general assembly along with the data and clarifications as required by the standard accounting rules (Art. 269 CCL Qatar).

With regards to dissolution of companies incorporated under the Commercial Companies Law, according to Article 291 CCL Qatar, the company shall be dissolved in the event the shares are transferred to a number of partners or shareholders below the minimum legal limit, unless the company converts to another type of legal entity within a period of 6 months from the date of transfer, or the number of shareholders increases to the minimum.

2. Transitional Period

Companies incorporated in Qatar have a 6 month period from the time the Commercial Companies Law comes into force to comply with all its provisions. In the event the companies fail to comply by the Commercial Companies Law, the Ministry may, after notifying and investigating the offence, either issue a warning, prevent the offender from acting in their capacity as manager or board member (either permanently or for a specific period of time), impose a fine of 10 000 QAR daily, and/or a fine of 1 000 000 QAR.

Based on all the above, it is imperative for all companies incorporated and registered in Qatar to review their corporate documents, namely, their memorandum and articles of association, to ensure its compliance with the new Commercial Companies Law.

B. Wage Protection System

The UAE has been one of the first few countries in the Gulf Region to introduce the Wage Protection System (“WPS”). WPS makes it mandatory for all employers to pay the salaries of employees through financial institutions located in the country. Once the employer instructs the salary payments the employer’s bank or the Qatari Central Bank will compare the submitted data with regards to the employees and their salaries with the records of the Ministry of Labour. Main purpose of WPS is to regulate salaries and to ensure employees are paid and on-time.

Qatari Law No. 1 of 2015 (the “Amendment”) has been issued as an amendment to the Labour Law Qatar, for the purposes of introducing the Wage Protection System. This amendment has been welcomed by civil rights activists groups after repeated reports of migrant workers in Qatar being allegedly deprived of basic human rights including not being paid for their work over extensive periods of time.

According to the Amendment, it is now compulsory for employers to transfer the employee’s wages to the employees’ bank accounts. Article 66 LL Qatar has been amended and states that wages and other benefits payable to the employees must be paid in Qatari currency, and the transfer must be made to the employees’ bank accounts at one of the financial institutions operating in Qatar, permitting the employee access to his/her wages on time. Article 66 LL Qatar also states that employees recruited with an annual or monthly salary should be paid at least once a month, and all other workers must be paid at least once every two weeks.

1. Transitional Period

This Amendment has come into force in May 2015, and companies have a 6 month period to implement the Amendment. Violators of this provision will be punished by imprisonment for a period not exceeding one month, or a fine of no less than 2,000 QAR and no more than 6,000 QAR, or both.

Ministerial Decision No. 19 of 2014 further stipulates that the Ministry of Labour shall collect the necessary data in order to clarify the position of employers concerning the payment of their employees’ wages for any period as it deems necessary, and it shall prepare the reports on the employers who breach the WPS and suggest necessary recommendations thereon.

Therefore, it is imperative for all companies having a presence in Qatar to contact the authorities and local banks to ensure that all the requirements of the WPS are complied with to avoid any hefty penalties.

The legal consultants of SCHLÜTER GRAF Rechtsanwälte will gladly assist you with any queries or compliance matters regarding the above mentioned new laws and regulations.

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