

# Private Mergers and Acquisitions in Qatar: Overview

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Q&A guide to private mergers and acquisitions law in Qatar.

The Q&A gives a high-level overview of key issues including corporate entities and acquisition methods, preliminary agreements, due diligence, acquisition agreements and main documents, warranties and indemnities, acquisition financing, signing and closing, tax, employees, pensions, regulatory approvals, and environmental issues.

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## Corporate Entities

1. What are the main corporate entities commonly involved in private acquisitions?

Companies are governed primarily by [Law No. 11 of 2015 Promulgating the Commercial Companies Law](#) (in Arabic), as amended by [Law No. 8 of 2021](#) (in Arabic) (Commercial Companies Law). For more information on the key corporate features of different trading vehicles in Qatar, see [Practice Note, Trading Vehicles: Overview \(Qatar\)](#).

Corporate entities commonly involved in private M&A are those incorporated either:

- In the mainland, under the [Ministry of Commerce and Industry](#) (MOCI). The mainland corporate entities commonly involved in private acquisitions are:
  - limited liability companies (LLCs) (with sole or multiple shareholders); and
  - private joint stock companies (private shareholding company). The provisions for public joint stock companies in the Commercial Companies Law also apply to private joint stock companies, with the exception of those provisions relating to listing.
- In a free zone. Free zone entities are specially designated to attract foreign investment by encouraging companies to set up business and place their operations in Qatar. The free zones are:
  - [Qatar Financial Centre](#) (QFC);
  - [Qatar Science & Technology Park](#);
  - [Media City Qatar](#); and

- the [Qatar Free Zones](#).

Each of the free zones has its own administration, regulation, and licensing authority responsible for issuing business licenses and registering companies. M&A activity in free zone entities is less frequent, with most private acquisitions involving QFC LLCs. (The QFC does not have private joint stock companies, rather there are other corporate forms.)

## Ways to Acquire a Private Company

### 2. How are private acquisitions commonly structured and what factors apply to the choice of structure?

Private companies are usually acquired through share or asset purchases. An asset purchase is typically less favourable when a share purchase is possible, as asset purchases entail additional:

- Tax exposure (depending on the asset, for example, real estate (see [Question 25](#))).
- Time and cost for transferring employees, agreements, licences, and property.

The transfer of assets may result in the transfer of liabilities and this should be assessed on a case-by-case basis.

Mergers are less common than acquisitions in Qatar; since many businesses are government or family owned and operate with a preference for control and maintaining a centralised decision-making structure.

For a toolkit providing an overview of cross-border acquisition structures, see [Acquisition Structures Toolkit \(International\)](#).

## Share Purchases and Asset Purchases

### 3. What are the main advantages and disadvantages of a share purchase (compared to an asset purchase)?

## Transfer of Assets/Liabilities

In a share purchase, employees remain with the target entity, whose shares are transferred to the buyer. In an asset purchase, the target company may be required to pay the relevant employees an end-of-service payment and other entitlements, which may impact the purchase price (see [Question 31](#)).

In a share purchase, the business' assets and liabilities are assumed by the buyer as they are part of the acquired shares. The buyer must depend on contractual safeguards, usually provided through warranties and indemnities (see [Question 11](#)). In contrast, in an asset sale, specific assets and liabilities can be omitted. The buyer has the flexibility to select which assets and liabilities to acquire, allowing for the mitigation of some potential hidden liabilities.

## Complexity of the Transaction

A share purchase is considerably simpler and the process is straightforward. The target company and its assets remain unchanged, with ownership simply shifting to the new buyer. There is no need to transfer the company's underlying assets and liabilities to the buyer. However, third-party (for example, clients, suppliers, landlords, debtors, service providers, licensors, or banks) consents or governmental bodies and authorities' approvals may be required.

In addition to any agreements and documents agreed on between the transaction parties, a short form share transfer agreement (STA) is required. This is a standard form provided by the [Ministry of Justice](#) (MoJ). The STA must be approved by:

- The [General Tax Authority](#).
- The [Ministry of Labour](#).
- The MOCI.
- The MoJ.

In addition to the STA, the seller and the buyer typically enter into a more detailed share purchase agreement.

The acquisition of assets typically entails a greater degree of complexity. Each asset being transferred must be clearly identified and may require separate approvals and formalities. Assets including real estate, licences, commercial contracts, loans, and employees must be individually transferred and there are governmental fees for doing so. Additionally, separate agreements between the buyer and seller may be needed to ensure smooth business operations.

## Tax Considerations

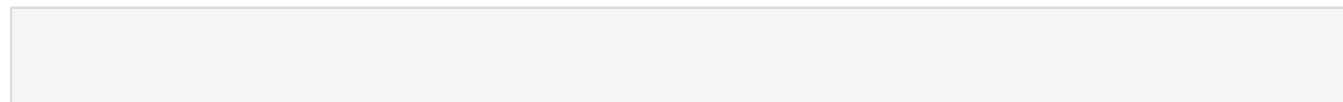
Taxable income is subject to corporate income tax. A QFC entity is taxed a flat rate of its taxable profit. However, a different rate may apply to taxpayers carrying out activities under agreements with the government or those engaged in the oil and gas sector.

Capital gains tax is also applicable to the sale of shares and assets.

## Other Factors

A share purchase is more advantageous for companies with business licences which are non-transferable. An asset purchase requires the buyer to have a similar licence to own the asset and undertake its activities.

## Auctions



4. Are sales of companies by auction common? What is the typical procedure and what regulations (if any) apply?

Auction sales of private companies are not common. However, the Commercial Companies Law includes provisions regarding the conditions and procedures for conducting share sales by auction that involve unpaid share instalments by shareholders, creditor actions against a debtor's shares, and the sale of assets or real estate during the liquidation process.

## Foreign Ownership Restrictions

5. Are there any restrictions on acquisitions by foreign buyers?

Mainland entities are typically required to have a Qatari shareholder (either an individual or a wholly Qatari-owned entity) owning at least 51% of the shares in the capital of the company. [Law No. 1 of 2019 Regulating the Investment of Non-Qatari Capital in Economic Activity](#) (in Arabic) (Foreign Investment Law) does permit foreign investors to hold up to 100% of the share capital of a company (Article 2). To own more than 49% of the share capital of a mainland entity, a foreign investor is required to obtain a non-Qatari investment licence from the MOCI. This licence is only available for entities undertaking certain activities listed by the MOCI, as amended from time to time. Certain sectors and activities are specifically excluded from 100% foreign ownership, including:

- Banks and insurance companies, except those exempted by a resolution of the Council of Ministers and published in the Gazette.
- Commercial agencies.
- Any other areas determined by a resolution of the Council of Ministers.

Free zone entities can be 100% owned by non-Qatari nationals. However, entities incorporated in some free entities are only permitted to conduct business in certain designated areas, for example, their free zone, or are unable to undertake certain activities that requires Qatari ownership. Entities incorporated in the QFC can conduct business in any location.

## Preliminary Agreements

6. What preliminary agreements are commonly made between the buyer and the seller before negotiating or executing the primary acquisition documents?

## Letters of Intent

Letters of intent (also known as heads of terms or memoranda of understanding) are typically entered into to outline the key commercial terms of a proposed sale and purchase. These terms often include:

- The consideration.
- The assets or shares to be acquired.
- Any conditions precedent or subsequent.
- The proposed due diligence process.
- Relevant timeframes.

While letters of intent are usually non-binding, they do include certain legally binding provisions, for example, confidentiality, exclusivity, and governing law. It is crucial to clearly specify which terms are intended to be binding and which are not. Occasionally, parties enter legally binding letters of intent.

## Exclusivity Agreements

Exclusivity agreements are commonly used when a buyer seeks to guarantee that the seller will not negotiate with other potential buyers while the buyer conducts due diligence on the target. If the seller breaches the exclusivity provision, the buyer can seek an order for specific performance from the court, claim damages for breach of contract, or both.

## Non-Disclosure Agreements

In a share or asset sale, the seller typically provides the buyer with sensitive information about the target and its business to facilitate the buyer's due diligence process. To protect this information from being disclosed or misused, especially if the buyer is a competitor or if it may be shared with third parties, the seller will want to ensure strict confidentiality.

A non-disclosure or confidentiality agreement is often used, requiring the buyer and any parties who may have access to the confidential information to safeguard it, refrain from disclosing it to others, and use it solely for the purpose of evaluating the target.

Breaches of non-disclosure agreements can be punishable under [Law No. 11 of 2004](#) (Penal Code). An individual who, due to their profession, craft, or situation is entrusted with confidential information, and discloses it in cases other than those permitted by law, commits an offence if they use it for their own advantage or another person's advantage, except where the owner of the confidential information has consented to the disclosure or use. This offence is punishable with fines of up to QAR5,000, imprisonment for up to two years, or both. (Article 332, Penal Code.)

For a toolkit providing an overview of the main documents entered into in early stages of an international acquisition, see [Practice Note, Preliminary Agreements \(Private Company Acquisitions\): Overview \(International\)](#).

## Due Diligence

7. How is due diligence typically carried out and what main areas does it usually cover?

Buyers conduct legal and financial due diligence on the target company. Depending on the industry or sector, they may also carry out additional due diligence, for example, commercial, insurance, or specialised assessments such as environmental evaluations.

For legal due diligence, the process often involves a thorough review of several critical areas, which typically include:

- Corporate governance.
- Regulatory and licensing requirements.
- Employment contracts.
- Insurance.
- Real estate.
- Movable assets.
- Environment.
- Tax.
- Disputes.
- Banking and finance.
- Intellectual property.
- Information technology and data protection.
- Material agreements.

In an asset sale, due diligence is often more focused and specific to the particular assets or the business being acquired, which may result in a narrower scope of review.

For a toolkit of global resources providing practical guidance on due diligence issues in corporate M&A transactions and joint ventures, see [Due Diligence in M&A Transactions and Joint Ventures Toolkit \(International\)](#).

## Consents and Approvals

8. What are the main consents and approvals typically required for an acquisition?

## Corporate Approvals

In both share and asset transactions, the buyer and the seller will typically require approval from:

- The board of directors.
- The board of managers.
- The general manager (or the relevant authorised person holding a management power of attorney).

The memorandum of association will dictate which approvals are required.

Individuals signing the local transfer documents (STA or asset sale agreement) must be authorised through a notarised power of attorney accepted by the Qatari governmental authorities.

## Shareholder Approval

The shareholders of LLCs have a statutory pre-emption right on a transfer of shares (Article 238, Commercial Companies Law). The memorandum of association of an LLC and a private joint stock company can explicitly waive the pre-emption right of its shareholders. Shareholders typically approve acquisitions by way of resolution. The memorandum of association and shareholders' agreement will determine the majority required to pass the resolution. Any drag-along or tag-along rights are included in the shareholders' agreement and can be waived by the relevant shareholder on a case-by-case basis. There is no MOCI system that permits the buyer to issue new shares directly (capital increase) without first being an existing shareholder in the company.

## Contractual Consents

Notification and consent requirements for an asset sale are determined by the specific terms of the contracts between the seller and relevant third parties. Depending on the terms of key contracts, third-party consents, for example, change-of-control provisions in contracts with key customers and suppliers or banks, may also be necessary in a share sale. If assets are secured as collateral for bank financing, obtaining the bank's consent is typically required.

## Regulatory Approval

A share transfer is not completed until the company's updated commercial licence is issued by the relevant licensing authority (the MOCI or the relevant free zone authority, for example, the QFCA for QFC entities). As part of the process for issuing a new commercial licence, additional regulatory approvals may be needed from the competent authorities.

Should the transaction be subject to the [Qatar Financial Markets Authority's Merger & Acquisitions Rules](#), notification, approval, and disclosure in respect of the transaction is required.

Parties must also consider on a case-by-case basis whether a notification to the [Protection of Competition and Prevention of Monopolistic Practices' Committee](#) (PCPMP Committee) affiliated with the MOCI is required (see [Question 33](#)). If so, this must be included as a condition precedent.

## Main Documents

9. What are the main documents in an acquisition and who generally prepares the first draft?

For the sale of shares, the documents required vary depending on the nature of the transaction or its parties. Typically, the following documents are required:

- A letter of intent usually drafted by the buyer.
- A board or shareholders' resolution drafted by each party.
- Power of attorneys drafted by each party.
- A non-disclosure agreement usually drafted by the seller.
- Disclosures usually drafted by the seller.
- The share sale and purchase agreement usually drafted by the buyer.
- The STA usually drafted by the buyer.
- An amendment to the target's memorandum of association drafted by the target or buyer.
- A shareholders' agreement usually drafted by the majority shareholder.

In an asset deal, the asset purchase agreement is usually prepared by the buyer. Additional agreements will also be required for most assets, for example:

- Novation agreements for key contracts.
- New employment contracts for any transferring employees.

The ancillary documents set out above, the letter of intent, resolutions, power of attorneys, non-disclosure agreement, and disclosures will also be required.

## Acquisition Agreements



10. What are the main substantive clauses in an acquisition agreement?

The main common clauses in a share purchase agreement are:

- Sale and purchase of the shares.
- Consideration and any adjustment mechanisms.
- Conditions precedent.
- Conditions subsequent and post-closing actions.
- Completion mechanics.
- Confidentiality.
- Warranties and indemnities.
- Restrictive covenants.
- Governing law and jurisdiction.
- Other boilerplate provisions.

For asset sales, in addition to the above provisions, the following are typically included in the asset purchase agreement:

- Assets which are the subject of the transaction.
- Title and risk.
- Apportionments prior to and post completion.
- Collection and retention of debts.

For an overview of the key provisions in a share purchase agreement and related documents on the cross-border acquisition of a private company, see [Share Acquisition Documents Toolkit \(International\)](#).

## Warranties and Indemnities

11. Are seller warranties/indemnities typically included in acquisition agreements and what main areas do they cover?

Warranties and indemnities are typically included in acquisition agreements. The scope of warranties is subject to negotiation between the parties. A full scope of warranties in a share sale usually includes warranties relating to:

- The seller's ownership of the shares or assets and their authority to enter into the relevant transaction documents.
- Licences, financial statements, and accounts.
- Business records.
- Assets (moveable and real estate).
- Debts and guarantees.
- Insurance.
- Material agreements (usually subject to certain thresholds).
- Legal compliance, including adherence to international sanctions and anti-money laundering regulations.
- Ongoing or potential litigation and investigations.
- Insolvency status.
- Intellectual property and information technology.
- Employee matters.
- Data protection compliance.
- Anti-bribery and anti-corruption policies.
- Tax compliance.
- Environmental matters.

The scope of warranties in an asset sale is likely to be more limited, with a focus on the specific assets and liabilities that are subject to the transaction.

## 12. What are the main limitations on warranties?

### Limitations on Warranties

Limitations on warranties typically include:

- Matters fairly disclosed in the disclosure letter.
- A minimum threshold for claims for breach of warranty.

- A minimum aggregate value that all warranty claims must reach before a buyer can make a claim against the seller.
- A cap on overall liability.
- Time limits for when claims must be made.

## Qualifying Warranties by Disclosure

Disclosure is a common method used by sellers to limit their liability to the buyer by qualifying the warranties provided. This includes issues that are fairly disclosed in the disclosure letter, meaning that the seller has provided sufficient details to the buyer so that it can fully understand and assess the impact of the disclosed matter on the business. Once disclosed in this manner, these issues cannot be later claimed as a breach of warranty.

13. What are the remedies for breach of a warranty? What are the time limits for bringing claims under warranties?

## Remedies

If a party provides a warranty that is later found to be false (resulting in a breach of warranty), the other party may have the right to pursue a contractual claim for damages to cover any resulting losses.

The calculation of contractual damages is determined on a case-by-case basis, with competent courts exercising broad discretion in their decisions. In assessing the damages, the courts will consider whether the loss was foreseeable at the time the contract was entered into.

Subject to any exclusions contained in the acquisition agreement, the claimant may be entitled to recover actual losses, loss of profit, moral damages, and any loss of opportunity that resulted from the breach. Additionally, the claimant may also seek specific performance of the contract as a remedy for the breach.

## Time Limits for Claims Under Warranties

Claims under agreements governed by Qatar civil law must be brought within 15 years from the date of the breach (Article 219, [Law No. 22 of 2004 Promulgating the Civil Code](#) (Civil Code)).

For agreements governed by English law or the [QFC Regulations](#), the limitation period is six years. For English law agreements executed as deeds, the limitation period is 12 years (Article 108, Part 11: Remedies, [Contract Regulations 2005](#), QFC Regulations).

Parties can agree shorter limitation periods for bringing claims. For a sale and purchase of shares or assets, time limits on warranty claims are usually about 12 to 24 months.

## Signing and Closing

### Conditions Precedent

14. What common conditions precedent are typically included in a private acquisition agreement?

Acquisitions typically involve a split between exchange and completion, as various regulatory consents and approvals are often necessary. The most common conditions precedent for a sale of shares in mainland companies include:

- Filing a capital gains tax return with the General Tax Authority.
- Obtaining a Non-Objection Certificate from the General Tax Authority.
- Obtaining the approval of the Ministry of Labour, General Tax Authority, MOCI, and MoJ of the STA.
- Depending on the nature of the target's business, approval from other relevant authorities. For example, obtaining the MOCI's approval for foreign shareholders holding more than 49% of the target's share capital.

Other conditions may be necessary or desirable, depending on the transaction. For example, obtaining third party consents in relation to certain key contracts or carrying out a pre-sale reorganisation. Parties must also consider on a case-by-case basis whether notification to the PCPMP Committee is required (see [Question 33](#)).

### Main Steps at Signing and Closing

15. What are the main steps at signing and closing in a private share sale and asset sale? What main documents are commonly produced and executed?

### Signing

The common documents required are:

- The shareholders' and board's resolutions approving the signing and the transaction.
- The power of attorney issued to the signatory.

- The sale and purchase agreement.

For a share sale the following documents are also required:

- The STA.
- The parties' constitutional documents including their commercial register and current memorandum of association.
- The new amended memorandum of association.

For an asset sale, the asset's title deed is presented.

Split exchange and completion are typical due to the various regulatory approvals which are required. The buyer usually requests assurance from the seller that the target will continue to operate in the normal course of business, consistent with previous practices. The buyer may also seek restrictions on, or require the seller's approval for, specific business decisions during this interim period, for example, the payment of dividends or capital expenditures above a set limit. Depending on each party's bargaining power, more robust buyer protections, for example, the right to terminate the agreement in the event of a material adverse change or a breach of warranties are often included.

The parties typically require the satisfaction of certain conditions precedent before a longstop date, after which a party may decide to extend the longstop date or terminate the transaction.

## Closing

On closing a share sale of a mainland LLC, both the STA and the target's amended memorandum of association, must be in Arabic (or bilingual with an Arabic version) and must be approved by and signed before the MoJ. The new shareholding of the target is then reflected in its commercial register by submitting the required application form and ultimate beneficial owner declarations.

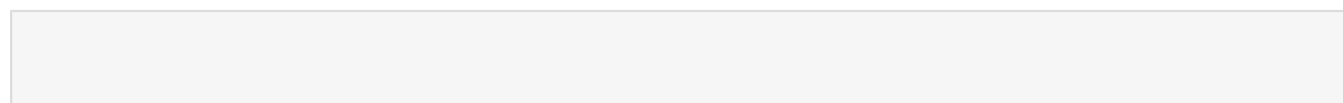
The procedures for transferring shares in free zone companies differ across each of the free zones. Generally, shareholder resolutions and application forms must be submitted to the appropriate authority in the relevant free zone along with the signed share purchase agreement.

Additional documents may also be signed at closing, depending on the transaction, including a shareholders' agreement and services agreements.

In an asset sale, various documents are required depending on the nature of the asset. For example, on the sale of property, the transfer title deed may require registration, while an employee transfer will require a number of agreements (termination of employment and new employment contracts) and forms (transfer of sponsorship applications and non-objection certificates).

For an overview of the mechanics of signing and closing and key provisions of opinion letters in cross-border acquisitions, see [Signing, Closing, and Opinions Toolkit \(International\)](#).

## Execution of Documents



16. How are documents executed by companies in your jurisdiction? Are there specific formalities to execute certain types of documents?

Certain documents relating to mainland companies must be in Arabic, including the STA and the company's memorandum of association. While these documents are often provided in both Arabic and English, the Arabic version takes precedence in the event of any discrepancies.

The STA must be approved by:

- The General Tax Authority.
- The Ministry of Labour.
- The MOCI.
- The MoJ.

It must be signed before the MoJ. The amended memorandum of association also requires the approval of the MOCI and the MoJ before being signed before the MoJ.

Proof of authorisation for the signatory to sign the documents is required for the transfer of shares or assets and provided by a power of attorney. Further guidance is available at [Hukoomi Qatar E-Government: Services, Apply for Authenticating Commercial Licence Shares Sale Contract](#).

If a document required for the transfer of shares or an asset is to be executed outside Qatar, then the document must be notarised by a notary public in that jurisdiction and attested by the Qatari embassy in that jurisdiction. It must then be authenticated before the [Ministry of Foreign Affairs](#) in Qatar and translated into Arabic by a certified translator (if not already in Arabic).

## Transferring Title to Shares

17. What formalities are required to transfer title to shares in a private company?

For mainland LLCs, the filing and payment of the applicable capital gains tax is required, followed by obtaining the General Tax Authority's Non-Objection Certificate on the share sale. Afterwards, the STA must be approved by the General Tax Authority, Ministry of Labour, MOCI, and MoJ and signed before the MoJ. The amended memorandum of association also requires the approval of the MOCI and MoJ before being signed before the MoJ.

The Companies Regulations 2005 of the QFC require share transfers to be completed in accordance with the target's articles of association. A QFC LLC must enter a share purchase agreement and pay the purchase price before registering the share transfer with the [Companies Registration Office](#) (CRO) and paying the prescribed fee within 21 days of the share transfer.

## Seller's Title and Liability

18. Are there any terms implied by law as to the seller's title to the shares in a share sale? Is any specific wording necessary and do buyers normally impose a higher standard than is implied by law?

Under Qatari law, there are no assumptions regarding the seller's ownership of shares in a share sale. Typically, a buyer seeks explicit warranties and representations from the seller concerning their title and ability to sell the shares. These may include affirmations that the seller is both the legal and beneficial owner of the shares and that the shares are not subject to any encumbrances.

19. Can a seller and its advisers be liable for pre-contractual misrepresentation, misleading statements, or similar matters?

## Seller

A seller can be liable for pre-contractual misrepresentation or misleading statements. Misrepresentation occurs when one party deceives the other through intentional trickery, whether by words or actions, causing the deceived party to agree to something they would not have accepted otherwise (Article 134, Civil Code). Misrepresentation does not encompass statements made innocently or out of negligence. It necessitates a conscious action, which may involve intentional silence or omission. Additionally, the burden of proof in these cases can be quite substantial.

## Advisers

Article 134 of the Civil Code is applicable only to the parties involved in a contract. However, this does not exempt an adviser from possible liability. Article 199 of the Civil Code provides that any individual, including an adviser, who inflicts harm or damage on another person may be held responsible for compensating the affected party.

## Governing Law and Arbitration

20. Can a share purchase agreement provide for a foreign governing law? Is an arbitration provision usually included in private M&A documents?

## Choice of Law

For the share purchase agreement concluded between the seller and the buyer, the parties tend to choose English law but are free to choose any governing law, noting that any mandatory provisions of Qatari law will still apply. For mainland entities, the STA must be governed by the Qatari law, approved by the relevant authorities, and notarised by the MoJ.

The QFC allows the parties the freedom to choose the governing law and jurisdiction of any contract they enter into.

## Arbitration

It is fairly common for M&A-related disputes to be resolved by way of arbitration. It is market practice for an arbitration provision to be included in private M&A documents. Non-Qatari parties tend to prefer arbitration due to the relative ease of enforcing an arbitral award, and the fact that they are more confidential than typical litigation proceedings. [Law No. 2 of 2017 Promulgating the Arbitration Law in Civil and Commercial Matters](#) (in Arabic) (Arbitration Law) is applicable to the parties' agreement but does not apply to disputes that:

- Cannot be settled by arbitration under any other law.
- Can only be submitted to arbitration in accordance with arbitration provisions which differ from the Arbitration Law, for example, the [QFC Arbitration Regulations 2005](#).

The parties can also agree that the [Qatar International Court](#) (that is, the QFC court) is the competent court for purposes of the Arbitration Law, regardless of whether any of the parties are QFC entities.

For arbitration proceedings within the QFC, the tribunal can rule on its own jurisdiction, including any objections in relation to the existence or validity of the arbitration agreement (QFC Arbitration Regulations 2005). Qatar generally honours the principle of kompetenz-kompetenz whereby an arbitral tribunal or court has the competence or jurisdiction to rule as to the extent of its own competence on an issue before it.

Qatar has ratified the [New York Convention](#) and acceded to it without reservations. Therefore, recognition and enforcement can only be refused on the limited grounds set out in Article 5, including the parties' incapacity and where enforcement would be contrary to domestic public policy.

For further information, see [Practice Note, Enforcing Arbitration Awards: Overview \(Qatar\)](#).

## Consideration and Acquisition Financing

### Forms of Consideration



21. What forms of consideration are commonly offered in a share sale?

## Forms of Consideration

Cash is the main form of consideration in share sales.

## Factors in Choice of Consideration

The choice of consideration is influenced by the negotiating power of the parties involved and the prevailing market conditions.

For an overview of the main issues to consider when structuring consideration and finance (debt and or equity or a combination of the two) for a cross-border acquisition, see [Consideration and Acquisition Finance Toolkit \(International\)](#).

## Price Adjustments and Deferred Consideration

22. How is the price typically assessed and agreed? Is the price commonly adjusted?

The common methods for valuing a target company or its assets include discounted cash flow, dividend yield, market multiples, and net assets.

For price adjustments, both locked box and completion accounts are frequently used, along with earn-outs. The parties' negotiating power and prevailing market conditions influence the decision on whether and when these mechanisms are applied in a transaction.

For an overview of certain key features of earn-outs, locked box pricing mechanisms, and purchase price retention arrangements to be considered in a cross-border private company acquisition, see [Earn-Out, Locked Box, and Retention Toolkit \(International\)](#).

23. Do buyers typically pay the price in full on closing, or is deferred consideration common?

The purchase price is typically paid in full on completion. However, this does depend on the negotiating power of the parties, market conditions, and the specific details of the transaction.

For larger transactions, escrow arrangements can be employed when price adjustments or deferred consideration are involved but they are rarely used in smaller transactions.

## Financial Assistance

24. Can a company give financial assistance to a potential buyer of shares in that company?

QFC LLCs are prohibited from offering financial assistance to prospective share purchasers unless:

- The financial assistance does not significantly impair the LLC's ability to meet its obligations and liabilities as they fall due.
- The assistance is approved by shareholders who collectively hold at least 90% of the nominal value of the shares.
- Providing financial assistance is part of the LLC's regular business activities and the assistance is given in the ordinary course of business and on ordinary commercial terms.

(Article 33, QFC Companies Regulations 2005.)

## Tax

### Transfer Tax

25. What transfer taxes are payable on a share sale and an asset sale?

### Share Sale

Transfer tax is not generally payable on transfers of shares in mainland or free zone companies. However, certain charges may apply as follows:

- Real estate transfer fees apply when the target possesses or has rights to real estate assets. Transferring ownership of the target's shares is considered a transfer of the associated real estate interests (for both mainland and free zone targets). Consequently, the payment of transfer fees may be required to the appropriate land department.
- Capital gains tax, if applicable, is required to be paid prior to concluding the STA. Capital gains tax returns must be submitted within 30 days from the sale of the shares or concluding the STA, whichever is earlier.
- Notarisation fees must be paid in respect of the STA and the amendment of the target's memorandum of association.

The relevant free zone authority typically charges a relatively small or nominal administrative fee to update the target's shareholder in their register and the amended memorandum of association.

## Asset Sale

Transferring a real estate asset or interest requires the payment of a transfer fee to the appropriate land department. Capital gains tax, if applicable, must be paid and returns must be submitted within 30 days from the sale of the asset or concluding the contract (whichever is earlier).

26. What are the main transfer tax exemptions and reliefs in a share sale and an asset sale? Are there any common ways used to mitigate transfer tax liability?

To the extent the shares are being transferred or asset sold to an affiliate or subsidiary, and the parties can show common shareholders between them, it may be possible to seek an exemption or proportionate reduction of the transfer fees from the relevant land department.

Capital gains tax on the disposal of real estate and securities derived by the individual are exempt from taxation provided the real estate and securities are not part of the assets of a taxable activity.

## Corporate Taxes

27. What corporate taxes are payable on a share sale and an asset sale?

See [Question 25](#)

28. What are the main corporate tax exemptions and reliefs in a share sale and an asset sale? Are there any common ways used to mitigate corporate tax liability?

See [Question 26](#)

## Other Taxes

29. Are other taxes potentially payable on a share sale and an asset sale?

There are no other taxes potentially payable.

## Employees

### Information and Consultation

30. Are there obligations to inform or consult employees or their representatives or obtain employee consent to a share sale or asset sale?

There is no obligation under Qatari law to inform or consult employees or their representatives or to obtain employee consent to a share or an asset sale. Employment agreements for senior managerial staff can include clauses obliging the seller to inform them of any change of control of their employer or company.

In an asset sale that includes employees, the employees will need to enter into new employment contracts with the buyer on completion.

### Transfer in a Business Sale and Other Protections

31. Are employees automatically transferred to the buyer in a business sale? What other protection do employees have against dismissal in the context of a share sale or asset sale?

## Transfer on a Business Sale

Employees do not automatically transfer to a buyer in a business sale.

## Other Protections

**Asset sale.** If the buyer wishes to acquire the seller's employees, the seller must first terminate the employment relationship with the employees in accordance with the terms of their employment contracts and [Law No. 14 of 2004 Promulgating the Labour Law](#) (Labour Law) or applicable free zone regulations. The buyer will re-employ the employees.

On termination by the seller, the employees will be entitled to any contractual entitlements that are applicable plus any additional entitlements prescribed by the Labour Law or applicable free zone regulations. Under Article 54 of the Labour Law, employees of mainland companies who have been employed for at least 12 months will be entitled to the following from the seller:

- Accrued but untaken annual leave.
- Accrued salary.
- Accrued allowances.
- Payment in lieu of notice.
- End-of-service gratuity. Any employee who works for a mainland entity for one year or more is entitled to end-of-service gratuity. Unless the employment contract provides for more, the employee is entitled to three weeks basic salary (excluding allowances, for example, food, housing, and transport) for each year of service, pro-rated. If an employer enrolls an employee in a private pension scheme or a similar scheme that offers greater value than the end-of-service gratuity, the employer is not obliged to pay it. (Articles 54 and 56, Labour Law.)

An end-of-service gratuity is not provided for in the [QFC's Employment Regulations](#) but can be included as a contractual benefit in the employment contract should a QFC entity wish to offer the right to all or some of its employees.

**Share sale.** In a share sale, the employees' employment contracts remain in place and unchanged, unless the parties agree otherwise. However, should the buyer wish to terminate an employment contract, the employer must follow the prescribed procedure (Article 52 bis, Labour Law) or applicable free zone regulations and the employment agreement. This employee must be:

- Served the termination notice period.
- Paid an end-of-service gratuity (if applicable) and the other contractual and statutory entitlements under Article 54 of the Labour Law.

## Pensions

32. Do employees commonly participate in private pension schemes established by their employer? If an employee is transferred as part of a business acquisition, is the transferee obliged to honour existing pension rights or provide equivalent rights?

## Private Pension Schemes

Employees who are Qatari nationals are subject to the state pension and social security schemes unless they are enrolled in a more favourable private pension scheme or a similar scheme. It is common for companies to provide a private pension scheme to nationals and foreign employees.

### Pensions on a Business Transfer

If a transferring employee is enrolled in a private pension scheme with the selling company, they must negotiate the continuation of this benefit with the buyer as part of their new employment contract. Similarly, any end-of-service gratuity (see [Question 31, Other Protections](#)) entitlement is typically settled by the seller on the employee's termination before they are rehired by the buyer. However, in practice, the parties often negotiate to maintain continuity of service for employees, including a rollover of their end-of-service gratuity entitlements.

## Competition/Anti-Trust Issues

33. Do private acquisitions have to be notified to a competition law regulator in certain circumstances?

## Notification and Regulatory Authorities

[Law No. 19 of 2006 Concerning the Protection of Competition and the Prevention of Monopoly Practices](#) (Competition Law) as supplemented by [Minister of Economy and Trade Resolution No. 61 of 2008 implementing the Executive Regulations of Competition Law](#) (in Arabic) (Competition Law ER) apply to economic activities both in and outside Qatar that affect competition in the Qatari market. Foreign-to-foreign transactions are subject to Qatari merger control if they influence the Qatari market.

The competition regime in Qatar is of a suspensory nature. Transactions that are subject to the application of the Competition Law must submit a notification to the PCPMP Committee and obtain its clearance prior to the transaction implementation.

The Competition Law exempts Qatar's sovereign actions as well as institutions, bodies, companies, and entities subject to the direction and under the supervision of the State of Qatar.

Mergers or acquisitions deemed by the PCPMP to contribute to economic development in a way that may compensate for their prejudice to competition in the Qatari market do not require PCPMP Committee approval.

## Substantive Test

The PCPMP Committee must be notified prior to implementation when any natural or juristic persons or any other legal entity, in any form, which carries out an economic or commercial activity in a way that leads to control or domination in the relevant market in Qatar:

- Acquires assets, ownership rights, or usufructs.
- Purchases stocks or shares.
- Creates consortiums, merges, or combines the management of two or more corporate persons.

(Article (10), Competition Law.)

The PCPMP Committee has 90 days to review the transaction and determine whether it will negatively affect competition, or if its positive economic impact would outweigh any negative effect on competition.

The PCPMP Committee has wide discretion to conduct its subjective analysis of how a specific transaction can affect the Qatar market on a case-by-case basis.

For the purposes of this test, Article 1 of the Competition Law defines "control or domination" as the ability of a person, or group of persons working together, to control the market of products to affect prices or quantities without competitors having the ability to limit this effect.

## Environment

34. Who is liable for clean-up of contaminated land? In what circumstances can a buyer inherit and a seller retain liability in an asset sale and a share sale?

*Law No. 30 of 2002* Promulgating the Law of Environment Protection (Environment Law), is the primary legislation governing environmental protection in Qatar. It establishes the framework for liability in cases of environmental damage. Any individual or entity that intentionally or negligently causes environmental harm by violating the law's provisions is held responsible for the costs associated with the treatment or removal of the damage. Generally, the party responsible for the harm is liable for cleaning up contaminated land.

However, this does not automatically relieve a buyer of potential liability. A buyer may still inherit responsibility for environmental issues that predate the purchase.

In asset sales, buyers can protect themselves from assuming environmental liability by excluding real estate from the acquisition agreement. In contrast, in share sales, it is more challenging to avoid inheriting liability unless:

- It is explicitly addressed before the transaction is completed.
- The seller provides the buyer with indemnity or other protections against environmental risks.

When acquiring real estate, buyers should secure appropriate warranties and indemnities related to environmental liability. These protections offer a course of action if the warranties prove to be false. Additionally, buyers can purchase insurance to mitigate potential environmental risks. Buyers are encouraged to conduct thorough due diligence on the land before finalising the acquisition to identify and address any environmental concerns.

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