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*D. M. Blatter,*

#### GOVERNMENT LEGAL STATEMENT – AMENDMENT

Further to my predecessor, the Rt Hon Jack Straw MP's letter of 3 December 2009, I have great pleasure in providing you with an amended Government Legal Statement which clarifies and enhances the UK Government's support to staging a successful World Cup in 2018 or 2022 and makes clear our commitment to the bid.

The amendments are to Part Two of the Government Legal Statement addressing the concerns expressed to the Bid Company in feedback from your legal team specifically relating to tax, security and visas.

KENNETH CLARKE

## **GOVERNMENT LEGAL STATEMENT: PART TWO – CONFIRMATION OF THE GOVERNMENT DECLARATION AND THE GOVERNMENT GUARANTEES**

**Amended 13 October 2010**

On behalf of the Government of the United Kingdom I, Kenneth Clarke, Lord Chancellor and Secretary of State for Justice, hereby confirm, guarantee, warrant and represent that:

- The Government Declaration and Government Guarantees should be read in conjunction with this Government Legal Statement, including Annexes, which sets out the applicable legal regime in the United Kingdom, the legislation the UK Government proposes to introduce if awarded the right to stage the FIFA 2018 or 2022 World Cup and clarifies how some aspects of the guarantees will be implemented and delivered.
- The Government Declaration and the Government Guarantees as provided to FIFA are fully legally binding and enforceable, subject to the clarifications as to how they will be implemented and delivered, set out below.
- The UK constitution provides that the Secretary of State of a Government Department gives formal expression to the will of the Government by affixing his signature to documents and orders. Although formally made in the name of the Department or Office, they act as agents of the Crown. A corporate stamp or seal is not a legal requirement to give formal Government documentation legal effect. The substance of the Government Declaration and Guarantees confirm that those documents are executed irrevocably and unconditionally and that they are legally and constitutionally valid and enforceable.
- Where the implementation of the Government Declaration and the Government Guarantees requires the introduction of new legislation, this has been identified in Part Three of this Government Legal Statement.
- This Government Legal Statement and the Government Guarantees themselves are signed under a general expectation that they are intended to support the successful delivery of the Competitions and Events and not to enable acts which could otherwise be construed as being illegal, such as illegal immigration, tax evasion or money laundering.

### **Government Guarantee No 2**

We are satisfied that there is sufficient flexibility in the Working Time Regulations 1998 to allow individuals to perform their Competitions and/ or Events related duties as required by Government Guarantee No.2 ("Work Permits"). In particular, regulation 3 of those Regulations allows employers and employees to agree that the maximum working time of 48 hours for each seven days shall not apply to their employment relationship. However, where, as here, the regulations derive from a supra-national obligation, for example those requirements imposed on the UK pursuant to its membership of the European Union, the UK is often not entitled to suspend or disapply those requirements. Therefore the UK is unable to suspend the limitations on working hours provided for in UK law.

### **Government Guarantees No 1, 2 and 4**

Guarantees No. 1, 2 and 4 should be read in conjunction with Annex A to this document, and Chapter 13 of the Bid Book, the Safety and Security Concept, which set out the approach the UK will take on the matters covered by these Guarantees. This approach is consistent with existing well-established and respected practices. Certain matters dealt with in Guarantees 1, 2 and 4 are also subject to further exchanges between FIFA, the UK Government and the FA.

### **Government Guarantee No 3**

EU law as it relates to harmonised taxes such as VAT and the ability of member states to offer targeted tax exemptions that might impact on intra EU trade and competition, means that we are agreeing to Guarantee No. 3. insofar as it is compliant with the UK's EU and international legal obligations. The UK Government will work constructively with England 2018 and FIFA to implement the Guarantee within those constraints. At Annex B we have prepared a Technical note which clarifies how the UK would deliver Guarantee No.3.

### **Government Guarantee No 5**

The UK is not entitled to suspend or disapply requirements imposed on the UK as a member of the EU to intervene in transactions where, for example, there is the possibility of money laundering or a breach of financial sanctions. We are satisfied, however, that Guarantee No. 5 extends only to lawful activities necessary for the staging, organisation, preparation or winding up of the Competitions and does not require the relaxation of any restrictions on foreign exchange transactions required to combat money laundering or to give effect to financial sanctions.

Further, Guarantee No. 5 does not require that the Government actively facilitate the banking arrangements of, or particular transactions entered into by, parties covered by Government Guarantee No. 5. Those parties are free to make their own banking arrangements subject to the laws of contract and relevant EC laws. On this basis, we are content to sign Guarantee No. 5.

### **Government Guarantee No 7**

With respect to Guarantee No.7, the UK telecommunications and information technologies infrastructure is amongst the most advanced in the world, delivered by a large competitive market with Government regulation for reliability, rather than direct Government ownership and control. Core networks have been enhanced through investments in "Next Generation" networks. These give capacity for broadband and data-over-mobile ahead of the European average, and the resilience of multiple suppliers. Further major investment is expected before 2018. In addition, the Government maintains two secure communications services for back-up in emergencies.

## Annex A - The approach to be taken by the UK Government to the matters covered by Guarantees 1, 2 and 4

1. The UK Government is committed to supporting the FA bid for the 2018 and 2022 FIFA World Cups™. The UK has a unique footballing heritage and passion for the world's game; and our world-leading security and immigration systems will ensure a safe, straightforward and enjoyable experience for the world football family in England. We will ensure that spectators, visitors and the public have a hugely enjoyable experience in the safest possible environment which will enhance the reputation of the competition.

2. The Government has signed Guarantees 1, 2 and 4 subject to: (i) the approach described in this annex; (ii) the contents of Chapter 13 of the bid book (Safety and Security); and (iii) further exchanges between the UK Government, FIFA and The FA to ensure those Guarantees are applied in an operationally feasible way. In the event of any conflict between the terms of Guarantees 1, 2 and 4 and the documents and exchanges referred to in (i) to (iii), the latter shall take precedence.

### Safety and Security

3. The UK is proud of its tested, proven and responsive arrangements for delivering safe and secure sporting and entertainment events, which rely on authorities such as event organisers, transport operators, police and Government working together in accordance with distinct legal and financial responsibilities. These arrangements will be applied in 2018 or 2022 to ensure that:

(i) Host Cities, on behalf of the Local Organising Committee (LOC), provide and meet the costs of security at venues and FIFA Fan Fests™; and

(ii) UK authorities provide and meet, in connection with existing funding arrangements, the costs of all necessary policing and wider security beyond FIFA Fan Fests™ and venues, as well as costs for in-venue policing (i.e. physical police presence at venues).

4. As set out in Chapter 13 of the bid book, we will develop a comprehensive safety and security strategy that will safeguard and ensure the peaceful celebration of the FIFA World Cup™. Befitting the status and prestige of the competition, our activities to manage risks and potential threats will be more extensive than equivalent arrangements for regular domestic and international games. This will mean higher thresholds and responsibilities for Host Cities / the LOC at venues and for Government authorities beyond FIFA Fan Fests™ and venues. The final arrangements that the UK Government, FIFA and The FA would reach to safeguard the FIFA World Cup™ would be based on the division of responsibilities set out in paragraph 3. Such arrangements would be wholly exceptional to the unique experience of safeguarding the FIFA World Cup™ in England.

### Border Security

5. The UK border is one of the most secure in the world, protecting UK residents and facilitating the efficient movement of legitimate visitors and goods across the border. The UK Border Agency has great experience in handling large numbers of visitors and supporting major sporting events. Legitimate visitors in 2018 or 2022,

including the FIFA football family, will benefit from our systems and heavy investment in border security and enjoy quick and easy passage into and out of the UK.

6. The following key principles, which will protect and safeguard FIFA World Cup™ spectators and visitors to the UK, will apply:

- (i) for all categories of visitor, and for persons needing to work in connection with the FIFA World Cup™, entry to the UK will be based on entitlement under existing legislation (as set out in part 1 of this statement – summary of laws);
- (ii) normal biographic and biometric checks that are in existence, or will be introduced, will apply to all persons covered by the Guarantees;
- (iii) full exemption from visa fees will be restricted to the agreed persons/categories around the competition period, as set out in Guarantee 1, with the provision of free visas to hospitality customers and ticketed spectators being subject to the matters detailed in the exchange of letters between the Home Secretary and the Acting Chairman of the FA dated 21 June and 23 September 2010;
- (iv) standard and, where necessary, enhanced checks will be carried out to prevent the entry of individuals who are subject to international Travel Bans, who fail to meet the requirements of the Immigration Rules or who may otherwise be a threat to the peaceful celebration of the FIFA World Cup™;
- (v) the decision to refuse a person entry to the UK in connection with the FIFA World Cup™ will be taken by the UK Border Agency; and
- (vi) during the competition period, and where agreed in advance, we will work with private sector partners to provide FIFA staff and associates with prompt service through UK entry and exit controls.

7. Separately, the UK Government is satisfied that there is sufficient flexibility in the Working Time Regulations 1998 to allow individuals to perform their Competition and/or Event-related duties as required by Guarantee 2.

8. Delivering Guarantees 1 and 2 as set out in paragraphs 6 and 7 will help ensure that the competition, its participants, spectators and UK residents receive the greatest possible protection.

## **Annex B: Technical Note setting out proposed application of FIFA Guarantee No.3 for the 2018 and 2022 World Cups under the UK tax regime**

1. The UK Government is committed to supporting The FA bid for the 2018 and 2022 FIFA World Cups™. The UK Government has agreed to Guarantee no 3 to the extent that it is compatible with its obligations under international and EU law. This note sets out how the provisions of FIFA Guarantee No3, as clarified following discussions between The FA and FIFA, and signed by the Chancellor of the Exchequer on 4 December 2009 could be achieved under the UK tax regime, in a way that is compatible with the Treasury's responsibility to Parliament to safeguard the integrity of that regime and its revenues and its obligations under international and EU law.

2. Guarantees are provided in respect of the full range of taxes, duties and levies for which the UK Government is responsible. Certain individuals and entities may be liable for tax to non-UK authorities; the UK can make no undertaking with regard to tax of States and authorities outside the UK's jurisdiction. Nor can exemptions go beyond what the UK's EU and wider international legal obligations allow.

3. Tax exemptions shall apply to the four circles of protected parties as set out by FIFA in an advisory note circulated in September 2009: FIFA and its subsidiaries, the "FIFA Family", FIFA contractors and specific individuals as set out in parts B – E below.

4. The UK Government intends to apply Guarantee No. 3 so that these exemptions will apply to any type of UK taxes or other Government levies on Event-Related Activity. "Event-Related Activity" means activities necessary for the staging, organisation, preparation or winding up of the Competitions and other events held for the purposes of the Competitions. Competitions are defined in the FIFA Guarantee as the FIFA Confederations Cup 2017/2021 and the 2018/2022 FIFA World Cup™.

### **B: Full Tax Exemption of FIFA and FIFA subsidiaries**

#### *Corporation Tax and withholding tax*

5. FIFA and FIFA non-UK resident subsidiaries shall not be treated as having a permanent establishment in the UK, or otherwise be treated as UK resident, by virtue of their presence in the UK to carry on activities in accordance with FIFA Statutes in relation to, in connection with, or for the purposes of, the Events for the duration of the Hosting Agreement.

6. Income paid from a UK source to FIFA and FIFA non-UK resident subsidiaries shall not be subject to withholding tax to the extent that such income is attributable to activities carried on in accordance with FIFA Statutes in relation to, in connection with, or for the purposes of, the Events during the period of the Hosting Agreement.

### *Customs Duties*

7. Customs duties are governed by directly applicable EU legislation, which provides for relief or suspension of these duties, subject to conditions, for goods and equipment for sporting events like the World Cup. It is expected that existing reliefs for Customs Duty will be sufficient to provide for the level of exemption required for the relevant named organisations. Goods imported for purely commercial purposes in connection with the event would not be entitled to any relief.

### *Other taxes (current and future)*

8. A comprehensive exemption from VAT as requested by FIFA is not possible according to UK or EU law. Normal VAT rules will apply to all transactions and this will include an obligation to register for VAT in respect of any relevant taxable supplies that FIFA or its subsidiaries engage in, although it is anticipated that this may be possible via a UK-based fiscal agent. Any VAT costs that are incurred that can be attributed to taxable supplies will be recovered in the normal way. In respect of other, normally irrecoverable, VAT costs, and VAT accounted for by FIFA (or its fiscal agent) in respect of ticketing income, an alternative refund mechanism will be established which will provide FIFA and its non-UK resident subsidiaries with equivalent VAT-free treatment.

9. Excise duties and other non-specified taxes and duties: to the extent that they represent a demonstrable burden to FIFA and its non-UK resident subsidiaries, resulting from carrying on activities in accordance with FIFA Statutes in relation to, in connection with, or for the purposes of, the Events for the duration of the Hosting Agreement, an exemption or a refund mechanism providing equivalent tax-free treatment, will be provided in so far as it is consistent with the UK's obligations under EU and international law.

### *C: Events related Full Tax Exemption of LOC, FIFA Confederations, FIFA Member Associations, FIFA Host Broadcaster, FIFA Service Providers*

#### *Corporation Tax and withholding tax*

10. The Local Organising Committee (LOC) identified in the Tax Guarantee at section C point 1 a) shall be granted exemption from UK corporation tax. Income paid to the LOC from a UK source shall not be subject to withholding tax. The exemptions shall not be time limited.

11. An at least 80% LOC owned subsidiary shall be granted exemption from UK corporation tax. Income paid to the subsidiary from a UK source shall not be subject to withholding tax. These exemptions shall apply to the extent that a subsidiary is carrying on functions of the LOC. The exemptions shall not be time limited.

12. A non-UK resident entity included in the Tax Guarantee at section C point 1 b) to e) shall not be treated as having a permanent establishment in the UK, or otherwise be treated as UK tax resident, by virtue of its temporary presence in the UK to carry on an Event-Related Activity. The exemption shall not be time limited.

13. Income paid from a UK source to a non-UK resident entity identified in the Tax Guarantee as section C point 1 b) to e) shall not be subject to withholding tax to the extent that such income is directly attributable to an Event-Related Activity. The exemption shall not be time limited.

*Other taxes (current and future)*

14. VAT – A VAT refund mechanism will be established to provide the LOC and its subsidiaries, FIFA confederations and non-resident FIFA Member Associations with VAT recovery where this is not possible through the normal application of VAT law. For those engaged in business activities it is anticipated that the normal VAT rules can be applied.

15. Excise duties and other non-specified taxes and duties: to the extent that these represent a demonstrable burden to the LOC and any at least 80% LOC owned subsidiaries carrying on functions of the LOC, FIFA confederations and non-resident FIFA Member Associations, resulting from Event-Related Activity, an exemption or a refund mechanism providing equivalent tax-free treatment, will be provided in so far as it is consistent with the UK's obligations under EU and international law.

*D: Limited Tax Exemption of FIFA contractors*

*Corporation Tax and withholding tax*

16. A non-UK resident FIFA contractor will not be treated as having a permanent establishment in the UK, or otherwise be treated as UK tax resident, by virtue of its temporary presence in the UK to carry on an Event-Related Activity. The exemption shall not be time limited.

*Other taxes (current and future)*

17. VAT – the normal VAT rules will apply in respect of third-party contractors.

18. Excise duties and other non-specified taxes and duties – normal rules will apply in respect of third-party contractors.

*E: Individuals Tax Exemptions*

*Personal Tax*

19. The Guarantee as expressed in part E will exempt income, emoluments and chargeable gains arising to specified individuals from Event-Related Activity only. This exemption relates to UK income tax and UK capital gains tax only.

20. For personal tax, the term non-UK resident means those who are not resident or ordinarily resident in the UK in the period that the exempt income or gain is taxable. For UK capital gains tax purposes non-UK resident does not include individuals who are resident outside the UK for a temporary period of less than five tax years including the tax year in which the competition falls. For these purposes,



those who immediately prior to the Competitions are resident elsewhere, and become resident or ordinarily resident in the UK as a result of Event Related Activity, will also qualify for the exemptions provided to non-UK residents described in this section (subject to meeting the UK's EU and wider international legal obligations).

#### *E1*

21. This exemption is provided to non-UK resident individuals who are employees of (or self employed individuals contracted by) the bodies identified in FIFA Guarantee No3 at section E point 1.

22. Employees include players and officials of participating nations.

23. Endorsement income for non-UK resident footballers will be exempt where it is directly connected to an Event Related Activity, provided the contract was signed prior to the competitions and not subsequent to the individual's performance.

24. This exemption will apply provided the payments are made by a payer who is not resident in the UK, and which is not used to facilitate payments that would otherwise have been made by a UK payer.

25. These exemptions relate to payments, reimbursements and any other sort of compensation received until December 31st of the second year following the year of the competitions.

#### *E2*

26. This exemption is provided to those non-UK resident individuals who are FIFA listed individuals (provided those individuals are reported to HMRC) who enter and leave the UK within the '60 day window.

27. The 60 day window refers to two time periods: 60 days preceding the first match in the 2018 or 2022 FIFA World Cup™ and 60 days after the final match in that competition, and 60 days preceding the first match in the 2017 or 2021 FIFA Confederations Cup and 60 days after the final match in that competition.

28. This exemption will only apply if the payments are made by a payer not resident in the UK, and which is not used to facilitate payments that would otherwise have been made by a UK payer.

29. The exemption extends only to income and gains arising exclusively from participation in an Event-Related Activity carried out within the 60 day window.

#### *E3*

30. Volunteers will (by definition) not receive taxable income or gains and by this token will not be subjected to tax from voluntary activities.

#### *E4*

31. Non-residents employed by foreign companies will not normally be chargeable for National Insurance Contributions. This is also true of non-residents who are normally self-employed abroad and who come to the UK only temporarily for the World Cup.

#### *Other taxes (current and future)*

32. VAT - In respect of named individuals who have their expenses paid for by 1) FIFA or its non-UK resident subsidiaries, 2) FIFA Confederations, or 3) non-UK resident FIFA Member Associations, VAT will be refunded via the relevant organisations, as at section B above.

#### *F: Miscellaneous*

33. FIFA is to be asked by the LOC to notify in writing the UK tax authorities of all entities envisaged to be benefiting from specified exemptions with notice to be given in advance of all exemptions being relied upon.

34. Provision of tax information: there are no obligations to file in the UK details of exempt income (however HMRC reserves the right to enquiry, for compliance purposes, into whether income was genuinely exempt).