

Concessionary Statement of Practice

QFC Entities Carrying on Security and Defence-Related Contracts

The QFC Tax Regulations and Rules do not provide for a concessionary treatment that is specific for defence and security contracts with the Ministry of Defence (MoD), the Ministry of Interior (MoI) or other security or defence agencies in the State.

Therefore, QFC entities carrying on defence and security activities under these contracts will generally be subject to tax at 10% under the standard rules, whereas their counterparts operating in the State are eligible for an exemption from tax under Law 6 of 1991 on the Exemption of Certain Dealings of Foreign Companies with the Ministries of Defence and Interior.

The purpose of this Concessionary Statement of Practice is to extend the exemption treatment to defence and security contracts carried out by QFC Entities for the benefit of the Ministry of Defence , the Ministry of Interior or any other defence or security agencies in the State in order to ensure a parity of treatment between the State and the QFC.

1. Concessionary Treatment

Under Article 101(6) of the QFC Tax Regulations, the Tax Department may, at any time, of their own accord or on request from a QFC Entity, issue a Concessionary Statement of Practice stating that they will treat persons as if they were entitled to:

- a) a reduction in a liability to tax; or
- b) any other concession relating to tax,

to which they are not, or may not be, entitled in accordance with the Tax Regulations.

By virtue of Article 101(6), the QFC Tax Department decide the following:

- 1.1. Income derived from defence and security contracts that have a strategic and/or confidential nature carried out for the benefit of the Ministry of Defence, the Ministry of Interior or any other defence or security agencies in the State shall be exempt from income tax.
- 1.2. The exemption provided for in section 1.1. shall apply only if the requirements set out in section 2. are met.

2. Conditions for the concessionary treatment

- 2.1. The QFC Tax Department will provide the treatment described in section 2. above to the extent that the eligible entity (hereinafter referred to as "the Entity") meets the following requirements:

- i. the Entity is a validly established QFC entity that operates within the terms of its license and does not undertake regulated activities without appropriate authorization from QFCRA;
- ii. the Entity presents a letter from the Ministry of Defence, the Ministry of Interior or any other defence or security agencies in the State confirming that: (a) the Entity has a contract for the benefit of the mentioned ministries or agencies and (b) the said contract has a strategic and/or confidential nature.
- iii. the Core Income Generating Activities of the contract are carried on in Qatar;
- iv. the Entity employs on a full-time basis an adequate number of qualified employees that are resident in Qatar, provided that this number is not less than five;
- v. the Entity incurs an adequate amount of operating expenses, which shall not be less than USD 1,000,000 per Accounting Period;
- vi. the Entity applies for, and the QFC Tax Department grants, an advance ruling under Article 105 of the Tax Regulations confirming the exempt status of the Entity;
- vii. the Entity's accounts are audited and reported on by an external auditor;
- viii. the sole or main purpose of the Entity is not the avoidance of Tax; and
- ix. the QFC Tax Department is satisfied that granting the exemption is not in breach of international tax principles, including the BEPS Project minimum standards.

2.2. The QFC Tax Department shall monitor the compliance with these requirements and withdraw the exemption where one or more of them is not met.

The present Concessionary Statement of Practice shall apply to Accounting Periods starting on or after 1 January 2021 and shall be effective as of the date of its publication.

QFC Tax Department