



Will the EU blacklist Cayman?

Cayman has prepared legislation to require its companies to submit reports to its Tax Information Authority in order to judge their levels of substance. But in comparison with the Crown Dependencies its effort to accommodate the EU's blacklist threat have been half-hearted, at best. It may not be enough to avoid falling foul of the EU.

In theory that could happen as early as the end of 2018. But it is probably more likely that the EU will give Cayman another year to see what sort of impact its proposed legislation has on levels of economic substance in the jurisdiction. That is the problem; simply passing the legislation won't be sufficient. That is because what is proposed in the legislation is unlikely to make a significant difference to substance levels in Cayman (unlike what is about to happen in the Crown Dependencies).

In October the Cayman Islands Government released consultation drafts of the European Union Tax Co-Operation (Economic Substance) Bill and the Companies (Amendment) (No.2) Bill (together the "Draft Bills") for industry consultation and feedback. It was forced to do this by the EU which claims that Cayman houses structures which attract profits without real economic activity. *Continued on page 13 >>*

Crown Dependencies look safe

Guernsey, Jersey and the Isle of Man have worked in close collaboration to fend off the EU's substance challenge. The EU has no alternative other than to white list these jurisdictions.

But ADI understands that this decision will not actually be made until the very end of the year at the earliest and that the Crown Dependencies won't know what the outcome is for sure until January or even February 2019. (It had been expected that the decision would be made in early December.)

The EU can have no complaints over the approach that has been taken by the Crown Dependencies to its blacklist threat. They have long ago met any reporting requirements that were asked of them. Substance requirements, until mid June, was the big unknown as the EU had failed to make its intentions clear here even though it had given an end of year deadline for the blacklist.

But once the EU's Code of Conduct Group's requirements became known this summer the Crown Dependencies, unlike the BOTs, jumped to attention and sprung into action. *Continued on page 15 >>*

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