



MINISTRY OF
FINANCIAL SERVICES
& HOME AFFAIRS
CAYMAN ISLANDS GOVERNMENT

INDUSTRY ADVISORY

Date: Friday, 26 July 2019
Contact: Matthew Yates
Direct line: (345) 244-2261
Tel: (345) 926-8310 • Fax: (345) 949-6374
E-mail address: matthew.yates@gov.ky
Web: www.caymanfinance.gov.ky

Update on Economic Substance

The Department for International Tax Cooperation (DITC) advises industry of the following:

Legislative Assessment – OECD Forum on Harmful Tax Practices (FHTP)

As previously advised, a Ministry delegation attended the June meeting of the FHTP, where the Economic Substance Legal Framework of no or only nominal tax jurisdictions (NTJ), including the Cayman Islands, was reviewed.

On 23rd July 2019, the OECD Inclusive Framework on BEPS published the results of the FHTP Peer Reviews. The Cayman Islands' legislative framework for economic substance was judged to be in line with the standard and therefore "not harmful".

This is a positive outcome and the results of this review are now publicly available - <http://www.oecd.org/tax/beps/harmful-tax-practices-peer-review-results-on-preferential-regimes.pdf>

The FHTP also provided an initial review of the no or only nominal tax jurisdictions that wish to be considered as having a fully equipped monitoring mechanism. Following this review, legislation changes are required and are currently in progress. These draft amendments are expected to be issued for consultation in August.

In terms of next steps, from 2020, the FHTP will start an annual monitoring process for the effectiveness of jurisdictions' mechanisms to ensure compliance with the standard in practice.

Economic Substance Guidance Update

Economic Substance Guidance v3.0 is currently being drafted by the DITC; this version will include sector specific guidance. The DITC intend to publish sector specific guidance for each relevant activity as well as guidance for Investment Funds.

The DITC will shortly be contacting industry to arrange working groups for each sector to review the draft sector specific guidance. The timing for the working group meetings is expected to be the end of August.

Economic Substance Guidance v3.0 will be published following this consultation process.

XML Schema Update

An XML Schema for NTJs to exchange information with partner jurisdictions in accordance with the international standard has been developed by the OECD technical working group and is still going through the OECD approval process. Once this has been released, the DITC will make it available on its website and will communicate this to industry.

FAQs Published

Economic Substance FAQs are now published on our [website](#).

If you would like to suggest additional FAQs, please email the DITC at DITC.Compliance@gov.ky.

-end-

© 2019 Cayman Islands Ministry of Financial Services and Home Affairs. All rights reserved.