



International Tax Updates

1. The OECD's review results on the "substantial activities" standard for no or only nominal tax jurisdictions

On 23 July 2019, the OECD released the results of its review of the domestic laws on the new "substantial activities" standard for 12 no or nominal tax jurisdictions. The 12 no or nominal tax jurisdictions identified by the OECD Forum on Harmful Tax Practices ("FHTP") are: Anguilla, Bahamas, Bahrain, Barbados, Bermuda, BVI, Cayman Islands, Guernsey, Isle of Man, Jersey, Turks and Caicos Islands, United Arab Emirates.

The FHTP concluded that, except for the UAE, the domestic legal framework of the other 11 jurisdictions are in line with the standard and therefore "not harmful". For the UAE, the FHTP concluded that its legal framework was in line with the standard but with one technical point outstanding. In this respect, the UAE committed to make further legislative changes and the law is now "in the process of being amended".

This round of review focused on the legislative framework. In 2020, the FHTP will start an annual monitoring process for the effectiveness of the jurisdictions' mechanisms to ensure compliance with the standard in practice.

In addition to the review results of the "substantial activity" standard for no or nominal tax jurisdictions, the OECD also released the results of its latest round of review of the various preferential tax regimes of the members of the Inclusive Framework on BEPS. During its June 2019 meeting, the FHTP made new and updated decisions on 56 regimes.

For more details and the review results, please refer to this [<link>](#) to the OECD's website.

2. The OECD released international exchange framework for CRS-related mandatory disclosure rules



On 27 June 2019, the OECD released the international administrative and operational framework for the automatic exchange of information collected under the mandatory disclosure rules on Common Reporting Standard (“CRS”) avoidance arrangements and opaque offshore structures.

The information exchanges will be based on a multilateral competent authority agreement (“MCAA”). The MCAA will enable a jurisdiction that receives information about a CRS avoidance arrangement or opaque offshore structure under the mandatory disclosure rules to exchange such information with all jurisdictions of tax residence of the concerned taxpayers.

This will allow tax authorities of such jurisdictions to use such information to carry out compliance activities with respect to both the taxpayers and the intermediaries involved in the arrangements disclosed.

The OECD also released the updated XML schemas and user guides for the exchange of tax information under the CRS, country-by-country reports and tax rulings on 27 June 2019.

For more details, please refer to this [link](#) to the OECD’s website.

3. The Cayman Islands issued an industry advisory for an update on economic substance

On 26 July 2019, the Ministry of Finance Services of Cayman Islands issued an industry advisory to provide an update on economic substance. Below is a summary of the key points of the industry advisory:

- the Cayman Islands’ legislative framework for economic substance was regarded by the OECD as in line with the standard and therefore "not harmful";
- legislation changes are currently in progress in order for Cayman Islands to be considered as having a fully equipped monitoring mechanism;



- Economic Substance Guidance v3.0 is currently being drafted and will include sector-specific guidance for each relevant activity as well as for investment funds;
- consulting meetings with the industry on the draft sector-specific guidance are expected to be held by the end of August and the revised guidance will be published following the consultation process; and
- a list of FAQs on the economic substance regime have been published on the website of the Department for International Tax Cooperation (“DITC”).

For a copy of the industry advisory, please refer to this [<link>](#) to the website of the DITC. For the list of FAQs published, please refer to this [<link>](#).

4. The UK published draft legislation and policy paper on the new digital services tax

On 11 July 2019, the UK Government published the draft legislation and policy paper i.e. (draft guidance) on the new digital services tax (“DST”) for public consultation till 5 September 2019. The legislation on the DST is introduced in the Finance Bill 2019-20.

The 2% DST will apply from 1 April 2020 to businesses that provide a social media platform, search engine or an online marketplace when the group’s worldwide revenues from these digital activities are more than GBP500 million and more than GBP25 million of these revenues are derived from UK users.

For more details and a copy of the draft guidance, please refer to this [<link>](#) to the website of the UK Government.