Economic Substance Requirements in No or Nominal Tax Jurisdictions
Following the release of the "**Resumption of Application of Substantial Activities Factor to No or only Nominal Tax Jurisdictions**" by the Organisation for Economic Co-operation and Development (OECD) in November 2018 as follow-up work under Action 5 of the Base Erosion and Profit Shifting Action Plan on countering harmful tax practices, a number of no or nominal tax jurisdictions such as Bermuda, the BVI and the Cayman Islands have enacted domestic economic substance legislation <u>effective from 1 January 2019</u>. Sanctions for non-compliance include monetary penalties, entity strike-off and spontaneous exchange of information with tax authorities of other jurisdictions. As it is common for Hong Kong corporate groups to use entities in tax neutral jurisdictions for investment holding and other purposes, this new development will have significant impact on the business community in Hong Kong. In this seminar, PwC professionals will share an overview of the OECD's paper as well as the economic substance legislation enacted by some of the tax neutral jurisdictions, and issues that should be taken into account by corporate groups in evaluating the potential impact on their structures and considering ways to deal with such impact.