Cayman Islands, Panama and the Seychelles on the EU's blacklist

5 March 2020 - **The European Union has added the Cayman Islands, Panama, the Seychelles as well as Palau to its blacklist of 'non-cooperative jurisdictions for tax purposes'.**

The four jurisdictions had previously been on the so-called 'grey list' (formally Annex II) of jurisdictions that were assessed by the EU as unsatisfactory in the last major update of the list in March 2019, but had committed to reform their business tax regimes by February 2020.

The list includes jurisdictions that have either not engaged in a constructive dialogue with the EU on tax governance or failed to deliver on their commitments to implement reforms to comply with the EU's criteria on time.

The Cayman Islands is the first UK territory to be added to the list, while Turkey, which is currently on the grey list, was not moved to the blacklist despite concerns about its information sharing with some EU member states.

For more information, please click here: www.consilium.europa.eu/en/press/press-releases/2020/02/18/taxation-council-revises-its-eu-list-of-non-cooperative-jurisdictions/.

Beyond the mere stigma of being added to the EU blacklist, the only direct EU impact of being on the list involves denial of EU financing from the European Fund for Sustainable Development, though further measures may be added in the future.

However, the list will become relevant to the disclosure of cross-border tax planning arrangements under the DAC 6. In particular, inclusion of a jurisdiction on the EU list of non-cooperative jurisdictions will be relevant to the question whether the category C hallmark arrangements apply (cross-border transactions).

In addition, from a tax perspective, the EU encourages Member States themselves to apply either reinforced measuring of transactions involving blacklisted jurisdictions and/or increased audit risks for taxpayers benefiting from regimes in these jurisdictions or using structures involving these jurisdictions. In addition, Member States are encouraged to introduce other defensive measures such as withholding taxes, Controlled Foreign Corporation (CFC) rules and further administrative measures targeted at such transactions involving such jurisdictions.

Cyprus is currently considering to either deny deduction of costs and payments made to blacklisted jurisdictions and to introduce withholding tax on payments made to entities registered in those non-cooperative jurisdictions at the applicable rates being:

- 30% on interest;

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- 17% on dividends; and
- 10% on royalties.

As always, the Taxation Department of Costas Tsielepis & Co Ltd is at your disposal should you require any further information or clarifications on this or any other tax-related matter.