

UPDATE

Cayman economic substance update

Update prepared by Sara Galletly (Partner, Cayman Islands)

The Cayman Islands' Department for International Tax Co-operation (DITC) has issued an industry advisory update regarding economic substance

DITC update

The DITC's [update](#) provides additional information regarding the economic substance (ES) regime, including in relation to reporting forms, the reporting portal and reporting deadlines.

Reporting forms

The update provides links to a number of sample ES reporting forms, including:

- A [sample ES Return](#) for entities conducting a relevant activity other than holding company business.
- A [sample ES Return](#) for entities conducting holding company business.
- An updated [sample ES Form](#) for entities which would otherwise be in scope of the ES regime and required to file an ES Return, but which are out of scope because they are tax resident in a jurisdiction outside the Cayman Islands. The DITC has issued [Notes](#) to assist with the completion of this form.

The DITC has also issued [Notes](#) providing background and an overview of the data that entities must report via an ES Return.

Reporting portal

ES reporting may only be completed via the DITC Portal, which is currently open only for CRS and FATCA purposes. It is anticipated that the ES element of the DITC Portal will open early in December 2020. We will issue a further Update when this development occurs.

An ES Portal user guide will be issued by the DITC in due course.

Reporting deadlines

For the first year only, the ES reporting deadlines have been extended as follows:

- For ES Returns¹ other than ES Returns relating to intellectual property business: **28 February 2021**.
- For ES returns relating to intellectual property business: **31 January 2021**.

For all subsequent reporting periods, reporting will be required within 12 months of the end of the applicable financial year.

¹ Including the ES Form required to be submitted for entities which are tax resident outside the Cayman Islands.

It is important to submit ES Returns before the deadline. The ES legislation imposes a late filing penalty of US\$6,098 and an additional penalty of US\$610 for each day during which the failure to file continues.

Next steps

For further information, or for assistance with the preparation and submission of any ES Return or ES Form, please contact your usual Mourant contact or get in touch with one of the contacts named below.

Contacts



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