

UPDATE

The BVI and the EU

The British Virgin Islands (BVI) has recently been added to the European Union's (EU) state of play document identifying cooperative jurisdictions which have made further improvements to their tax policies or related cooperation (Annex II). This Update considers the reasons for the BVI's inclusion on Annex II and the measures in place to facilitate removal at the next review.

On 24 February 2022, the Council of the European Union (the EU Council) updated Annex II, adding several jurisdictions including, amongst others, the BVI, the Bahamas and Bermuda. Annex II, which is reviewed and updated on a semi-annual basis by the EU Council, reflects the EU's ongoing cooperation with its international partners and the commitments of these jurisdictions to reform their legislation to adhere to agreed tax good governance standards.

The EU process

The BVI has been placed on Annex II under Criterion 3.2 which relates to country-by-country reporting under Action 13 of the Inclusive Framework on Base Erosion Profit Shifting (BEPS). Under BEPS Action 13, all large multinational enterprises (MNEs) are required to prepare a country-by-country (CbC) report with aggregate data on the global allocation of income, profit, taxes paid and economic activity among tax jurisdictions in which the MNE operates. This CbC report is shared with the relevant jurisdictions' tax administrations for high level transfer pricing and BEPS risk assessments.

Since 2019, the BVI has been assessed as compliant with Action 13 by the Organization for Economic Co-operation and Development (OECD) and rated '*Implemented with two recommendations for improvement*'.

Practical consequences

The inclusion of a country on Annex II does not trigger material sanctions or interventions by EU member states or any other jurisdiction. The EU's stated aim is to encourage positive change through cooperation. The EU will monitor the BVI's progress in addressing the recommendations by the 2023 deadline. Once the recommendations are assessed to have been sufficiently met, the BVI will be removed from Annex II at the next review date.

Any questions?

Please get in touch with your usual Mourant contact if you have any questions. If you would like to know more about recent regulatory changes in the BVI, please see our [Caribbean Regulatory Update](#).

Contacts



Paul Christopher
Managing Partner | Mourant Ozannes
Hong Kong
+852 3995 5700
paul.christopher@mourant.com



Ian Montgomery
Partner | Mourant Ozannes
British Virgin Islands
+1 284 852 1730
ian.montgomery@mourant.com



Sara Galletly
Partner
Mourant Ozannes (Cayman) LLP
+1 345 814 9233
sara.galletly@mourant.com

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