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European Union

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OUTCOME OF PROCEEDINGS

From: General Secretariat of the Council

To: Delegations

Subject: The EU list of non-cooperative jurisdictions for tax purposes

- Compilation of commitment letters received from jurisdictions
- = Bahrain
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مملكة البحرين
بروكسل

Ref. 2/6/100-1

8 January 2018

Fabrizia Lapecorella
Chair of the Code of Conduct Group (Business Taxation)
General Secretariat of the Council
Unit DG G 2B – Tax Policy, Export Credits and Regional Policy
European Council
Rue de la Loi 175
B-1048 Brussels

Dear Ms. Lapecorella,

With reference to your letter of 22 December 2017 regarding the EU list of non-cooperative jurisdictions for tax purposes, I would like to attach for your attention a copy of the letter addressed from H.E. Shaikh Ahmed bin Mohammed Al Khalifa, the Minister of Finance of the Kingdom of Bahrain, to H.E. Mr. Jeppe Tranholm-Mikkelsen, Secretary-General of the Council of the European Union.

We look forward to cooperating with the Code of Conduct Group to ensure that Bahrain is removed from the list of non-cooperative tax jurisdictions.

Yours sincerely,

Dr. Bahiya Jawad Aljishi
Ambassador of the Kingdom of Bahrain

Ambassade du Royaume de Bahreïn - Bruxelles: Avenue Louis 250, 1050 Bruxelles, Belgique
Tel: +32 [REDACTED], Fax: +32 26472274, +32 [REDACTED], E-mail: [REDACTED]



MO/ 03 /2018
4 January 2018

Mr. Jeppe Tranholm-Mikkelsen
Secretary-General
General Secretariat of the Council of the European Union
Rue de la Loi 175
B-1048 Brussels
Belgium

Incoming Mail
Serial n°: 2/6/100-1
Date: 08/01/2018

From: Ministry of finance
of the Kingdom of
Bahrain

Dear Secretary-General Tranholm-Mikkelsen,

Re: EU List of Non-Cooperative Jurisdictions for Tax Purposes

On 5th of December 2017, after a very short round of final consultations, the Kingdom of Bahrain was named by the European Union (EU) as a non-cooperative jurisdiction for tax purposes. Subsequently, on the 22nd of December 2017 we received a letter from the Chair of the Code of Conduct Group on business taxation (COCG) confirming the criteria for which Bahrain was listed.

The Government of the Kingdom of Bahrain was surprised and disappointed to be included by the European Union in a list of non-compliant tax jurisdictions as Bahrain is fully committed to maintaining the highest international transparency standards of financial oversight and tax regulation.

The Kingdom continues to work with our international partners and international organisations, such as the OECD and the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum), to meet this commitment. In this spirit, we welcome the opportunity to cooperate with our EU partners to discuss and address any deficiencies identified by the EU so that Bahrain is recognised as an internationally compliant partner.

Tel : (+973) [redacted] : هاتف
Fax: (+973) [redacted] : فاكس
P.O. Box: 333, Manama,
Kingdom of Bahrain
Website: www.mof.gov.bh
E-mail: [redacted]
ISO 9001 : 2008



With regards to COCG Criteria 1.1 and 1.3, Bahrain has committed to undertake its first automatic exchanges of financial information under the Common Reporting Standard (CRS) by September 2018. It has introduced domestic legislation, obliging financial institutions in Bahrain to collect information on all non-residents; signed both the OECD Convention on Mutual Administrative Assistance in Tax Matters (MAC) and the Multilateral Competent Authority Agreement (MCAA) on 29th of June 2017; and has commenced their ratification in accordance with the Bahrain Constitution, which involves approval of the MAC and MCAA by Bahrain's legislature, a democratic process which we hope to be completed within the first quarter of 2018. Further, as part of the continuing CRS initiative Bahrain has already communicated to the Global Forum an intention to exchange financial information automatically with all EU member states. Before the end of the first quarter of 2018 Bahrain will send a notification to the OECD Coordinating body on the list of Bahrain's intended exchange partners which will cover all EU Member States for the purpose of automatic exchange of information.

As for Criterion 2.2, Bahrain would like to clarify immediately with the COCG, with an aim to addressing by the end of 2018, any concerns that Bahrain facilitates offshore structures and arrangements aimed at attracting profits without real economic substance.

Finally, as for Criterion 3, Bahrain has always welcomed the Base Erosion and Profit Shifting (BEPS) initiative and now we are ready to join the BEPS Inclusive Framework (IF). We will write to the OECD on this shortly with a view to joining the IF in early 2018.

Thank you for your continued consideration and understanding in this matter and I look forward to working with you so that Bahrain is swiftly removed from this list.

Yours sincerely,



Ahmed bin Mohammed Al Khalifa
Minister of Finance



سفارة مملكة البحرين
بروكسل

Ref. 2/6/100-72

1 February 2018

URGENT

Fabrizia Lapecorella
Chair of the Code of Conduct Group (Business Taxation)
General Secretariat of the Council
Unit DG G 2B – Tax Policy, Export Credits and Regional Policy
European Council
Rue de la Loi 175
B-1048 Brussels

Dear Ms. Lapecorella,

With reference to our letter of 8 January 2018 regarding the EU list of non-cooperative jurisdictions for tax purposes, I would like to attach for your attention a new commitment letter addressed from H.E. Shaikh Ahmed bin Mohammed Al Khalifa, the Minister of Finance of the Kingdom of Bahrain, to H.E. Mr. Jeppe Tranholm-Mikkelsen, Secretary-General of the Council of the European Union, concerning criterion 2.2.

We thank you in advance for your cooperation and given this new commitment look towards Bahrain's removal from the list of non-cooperative tax jurisdictions at the earliest possible opportunity.

Yours sincerely,

Bahiya Jawad Aljishi
Ambassador of the Kingdom of Bahrain

Ambassade du Royaume de Bahrein - Bruxelles: Avenue Louis 250, 1050 Bruxelles, Belgique
Tel: +32 [REDACTED], Fax: +32 [REDACTED], +32 [REDACTED] E-mail: [REDACTED]



MO/23/2018
31 January 2018

Mr. Jeppe Tranholm-Mikkelsen
Secretary-General
General Secretariat of the Council of the European Union
Rue de la Loi 175
B-1048 Brussels
Belgium

Dear Secretary-General Tranholm-Mikkelsen,

Re: EU List of Non-Cooperative Jurisdictions for Tax Purposes

The Government of Bahrain notes that it has been decided not to remove Bahrain from Annex 1 of the EU List of Non-Cooperative Jurisdictions for Tax Purposes despite our commitment letter dated 4th January 2018.

Further, we note that the EU requires a clearer commitment from Bahrain regarding Criterion 2.2 and that our commitment on the other three Criteria have been accepted.

Accordingly, we unequivocally confirm: that Bahrain is fully prepared to cooperate with the EU in order to be removed from Annex 1; and that legislation will be in place by 31st December 2018 to ensure that businesses have sufficient economic substance in line with the COCG Chair's letter and terms of reference attached thereto dated the 6th of November 2017.

Given this clarification of our commitment, we would like to receive confirmation from the EU that Bahrain will be removed from Annex I at the earliest opportunity.

Thank you for your continued consideration and understanding in this matter.

Yours sincerely,

Ahmed bin Mohammed Al Khalifa
Minister of Finance

Tel : (+973) [REDACTED] : هاتف
Fax: (+973) [REDACTED] : فاكس
P.O. Box: 333, Manama,
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E-mail: [REDACTED]
ISO 9001 : 2008

