Council of the European Union

Brussels, 15 March 2019
(OR. en)

7546/19

FISC 192

OUTCOME OF PROCEEDINGS

From:	General Secretariat of the Council
To:	Code of Conduct Group (Business Taxation)
Subject:	Saint Lucia's Free Trade Zones regime (LC003) – Final description and assessment

ROLLBACK REVIEW PROCESS (JANUARY 2019)

The regime has been amended by Act No 11 of 11 December 2018: see ADD 1.

	1a	**1b**	**2a**	**2b**	**3**	**4**	**5**
St. Lucia – Free Trade Zones	X	?	X	?	X	X	X

V = harmful

X = not harmful

Explanation

Criterion 1 & 2

The regime is open to all entities regardless of whether they are foreign or domestic and regardless of whether their income is foreign or domestic.

There are no statistics available to assess criterion 1 b) and 2 b).

Criterion 3

The proposed amended act introduces provisions on requirements for staffing, investment and capital which is commensurate with the activities carried out in order to benefit from the regime (Section 10.1 A and B).

Criterion 4

The provisions of the general Income Tax Act (Section 15A) apply to Free Zones with regards to transfer pricing and anti-abuse.

Criterion 5

There are public provisions in the act on the conditions from setting up a Free Zone and for being approved to benefit from the regime (Sections 10 and 10A).

Overall assessment

In light of the assessment made under all Code criteria, the regime is considered as not harmful from a Code of Conduct point of view.

The Code of Conduct Group meeting of 30 January 2019 approved the rollback of the regime. This conclusion was endorsed by the ECOFIN Council on 12 March 2019.

Annex 1: Assessment of the old LC003regime in 2017 (standstill review)

Assessment of the old LC003 regime in 2017 (standstill)

a. Description

Free Trade Zones (FTZ) may be created in St. Lucia under the Free Zones Act, where investors may establish business and conduct trade and commerce outside of national customs territory or entirely in the Free Trade Zone and they are granted a 5 year income tax holiday.

b. Assessment:

	1a	1b	2a	2b	3	4	5
St. Lucia – Free Trade Zones	?	?	V	V	V	?	V

V = harmful

X = not harmful

Explanation

Criterion 1 –

There is not sufficient information to make an assessment under criterion 1.

Criterion 2 – Ring-fencing:

advantages are ring-fenced from the domestic market, so they do not affect the national tax base

Criterion 3 – Substance:

advantages are granted even without any real economic activity and substantial economic presence

Criterion 4 – Internationally accepted principles:

It is not known from the limited information available whether the rules for profit determination in respect of activities within a multinational group of companies departs from internationally accepted principles,

Criterion 5 – Transparency:

tax measures lack transparency

Overall assessment

In light of the assessment made under all Code criteria, the regime is considered as overall harmful from a Code of Conduct point of view.