Council of the European Union

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OUTCOME OF PROCEEDINGS

From:	General Secretariat of the Council
To:	Code of Conduct Group (Business Taxation)
Subject:	Saint Vincent and the Grenadines' International Business Companies - IBC regime (VC001) – Final description and assessment

ROLLBACK REVIEW PROCESS (JANUARY 2019)

The regime was abolished through the International Business Companies (Amendment and Consolidation) (Amendment) Act, 2018 (Act No 36 of 31 December 2018: see ADD 1), with a grandfathering until 30/06/2021.

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 VC001 regime in 2017 (standstill review)

Assessment of the old VC001 regime in 2017 (standstill)

Category:

Exempt and Offshore Companies

a. Description

According to the International Business Companies Act, International Business Companies

- must have a registered agent in SVG,
- are registered in the Register of IBCs
- are not allowed to do business with residents of SVG,
- are exempt from paying taxes except if they elect to be taxed at a rate of 1%,
- are entitled to own real estate if they have an Alien Land Holding License,
- have to provide information on its shareholders and directors only to its registered agent,
- are allowed to do
  - banking business
  - insurance business
  - mutual funds business

  if they were granted a license to do so.

Source: IBFD, International Business Companies Act 2007, OECD Peer Review Report

b. Preferential:

Yes, either exempt from tax or taxed at a rate of 1%.

c. Possible concern:

ring-fencing because the regime only applies to companies that, in the ordinary course of business, do not make its goods or services available to resident persons.

d. Assessment :

	1a	1b	2a	2b	3	4	5
St. Vincent and the Grenadines – IBCs (VC001)	V	V	V	V	V	?	V

V = harmful

X = not harmful

Explanation

Gateway criterion - Significantly lower level of or no taxation:

IBCs may elect upon registration to be tax exempt or to be liable to corporate tax on the chargeable income of an IBC at a rate of 1%.

Therefore the level of taxation is significantly lower.

Criterion 1 – Targeting non-residents (de jure and de facto):

IBCs which are tax exempt or elect to pay tax at a rate of 1% may not do business in St. Vincent and the Grenadines or carry on business with persons resident in St Vincent and the Grenadines or own immovable property in St. Vincent and the Grenadines except if they have the above mentioned license.

Criterion 2 – Ring-fencing:

The regime only applies to companies that, in the ordinary course of business, do not make its goods or services available to resident persons

Criterion 3 – Substance:

In reference to the above IBCs are isolated from the domestic market and attract profits which do not reflect real economic activities.

Criterion 4 – Internationally accepted principles:

There are anti-abuse provisions concerning money laundering

Criterion 5 - Transparency:

Tax regulations are not publicly available.

Overall assessment

This regime appears to be harmful under the Code criteria.