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Subject:	Revision of the geographical scope of the EU listing exercise

Delegations will find attached the declassified version of the above document.

The text of this document is identical to the previous version.



Council of the
European Union

Brussels, 4 July 2018
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NOTE

From: Commission Services

To: Code of Conduct Group (Business Taxation)

Subject: Revision of the geographical scope of the EU listing exercise

Delegations will find attached a document in view of the meeting of the Code of Conduct subgroup on third countries on 10 July 2018.

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REVISION OF THE GEOGRAPHICAL SCOPE OF THE EU LISTING EXERCISE

Member States held a first exchange views on the revision of the geographical scope at the May Subgroup meeting. The Bulgarian Presidency proposed the following conclusions after this meeting:

- Ask the Commission services to propose an approach at the next meeting of the Code of Conduct Subgroup that would take into account the need to wait until the list stabilises, that would focus more on the economic ties with the EU, being for the jurisdictions in tables III or IV of the Scoreboard, and that would take into account the jurisdictions within the AMLD scope but without automaticity.
- In the meantime agree to screen, starting from 2019, the G20 countries that have not yet been covered by the EU listing exercise, considering their economic importance.

This paper intends to propose a way forward on the basis of those conclusions.

Proposed selection methodology

For jurisdictions featuring in Table III of the Scoreboard, data are available for almost all of them. It is therefore possible to use a selection methodology that relies on objective data and indicators. In order to select only the most relevant jurisdictions, it is proposed to apply a lower threshold (less than 15) for the indicators representing the economic ties with the EU and the importance of the economic sector. The stability of the jurisdiction cannot however be ignored; it is therefore proposed to exclude all selected jurisdictions that score higher than 90 in terms of stability.

- A jurisdiction is selected if it scores below 15 in at least one of the first two categories (economic ties and financial sector).
- A selected jurisdiction would however not be retained if, despite scoring below 15 for the first two categories, it would rank above 90 for the stability.

This would result in the following jurisdictions being selected: Argentina, Azerbaijan, Guyana, Kazakhstan, Kuwait, Lebanon, Mexico, Moldova, New Zealand, Russia and Ukraine.

As this methodology would result in only 11 jurisdictions being selected, the workload would be manageable. In addition it includes the three G20 countries that were not screened in 2017 on the basis of a rational selection methodology.

The methodology described above is not applicable for jurisdictions featuring in Table IV of the Scoreboard, as these include mostly very small jurisdictions, some of which are (almost) uninhabited, with the exception of Puerto Rico. Although no data is available for this jurisdiction, the island might be relevant from an economic and financial point of view. In addition Puerto Rico can be considered as interesting from a taxation point of view. For these reasons it could be selected.

Overall this would result in a new screening of 12 jurisdictions.

Proposed screening methodology

On the basis of the 2017 screening exercise, the following steps could be followed:

- December 2018: sending letters informing the jurisdictions of the start of the screening in January 2019.
- January – March 2019: preliminary analysis conducted by the Commission Services on the basis of publicly available information and report of the conclusions to the Code of Conduct Group
- April 2019: sending targeted questionnaires on the basis of the templates used in 2017 and on the basis of the preliminary analysis
- June 2019: response to the questionnaire from the jurisdictions
- July – August 2019: follow-up questions and clarifications and debrief of the Code of Conduct Group

- September 2019: Draft assessments prepared by the Commission Services to be discussed in the Code of Conduct Group
- October – November 2019: letters of commitments

Question to delegations

What are your views on the elements provided above?

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