

Update of EU blacklist of non-cooperative jurisdictions

Key points

- The British Virgin Islands, Costa Rica, and the Marshall Islands have been **removed** from the EU list of non-cooperative countries.
- Belize, Seychelles and Antigua & Barbuda have been **added** on the EU list of non-cooperative countries.
- **Effect:** Payments from EU companies (e.g. Cyprus) to jurisdictions included on this EU 'blacklist' shall be subject to withholding tax at source.

The EU decision

On the 17th of October 2023, the European Council resolved to **include** Belize, Seychelles, and Antigua & Barbuda on the EU list of non-cooperative countries for tax purposes.

At the same time, three other jurisdictions, the British Virgin Islands (BVI), Costa Rica, and the Marshall Islands have been **removed** from this list.

For more information regarding the decision by the EU Council you may [click here](#).

Removal of BVI, Marshall Islands, Costa Rica

- The British Virgin Islands was taken off the list after it amended its framework for exchanging information upon request. It is

being reminded that the BVI was included on the list for the [first time on the 14th February 2023](#).

- Marshall Islands was delisted due to major advancements in the implementation of economic substance standards.
- Costa Rica was delisted because it modified the detrimental parts of its foreign source income exemption system.

The British Virgin Islands was taken off the list

Updated list of non-cooperative countries as at 17 October 2023

- American Samoa
- Antigua and Barbuda
- Anguilla
- Bahamas
- Belize
- Fiji
- Guam
- Palau
- Panama
- Russia
- Samoa
- Seychelles
- Trinidad and Tobago
- Turks and Caicos Islands
- US Virgin Islands
- Vanuatu

Important Cyprus tax implications

While Cyprus does not generally impose withholding taxes on payments to non-Cypriot residents, certain payments to companies in jurisdictions included on the EU list of non-cooperative jurisdictions are subject to withholding tax; specifically, 17% on payments of dividends by non-quoted companies, 30% on payments of interest (excluding payments by individuals) and 10% on payments of royalties (excluding payments by individuals).

The removal of certain jurisdictions from the list effectively means that **payments of dividends, interest and royalties** from companies in EU countries (including Cyprus) to these jurisdictions should now be effected without tax being withheld at source.

On the other hand, such payments to any jurisdiction included on the EU 'blacklist' shall be subject to withholding tax at the aforementioned rates.

For cases that are adversely affected by this development, it may be considered to either halt the actual payment (e.g. until there is a positive development) and/ or to change the jurisdiction of the beneficial shareholder of the Cypriot company to an alternative jurisdiction, for example via redomiciliation or via transfer of shares.

Important DAC6 implications

The revision of the list may have DAC6 reporting implications, specifically with regards to the Hallmark concerning deductible cross-border payments, where the recipient is tax resident in a jurisdiction included on this EU list. Cypriot entities engaged in activities with any of the newly-listed jurisdictions would be well-advised to consider potential DAC6 reporting implications ([click here](#) for more details).

Brief Background

The EU Council set of criteria were established back in 2017 and are used to evaluate jurisdictions on fair taxes, tax transparency, and the application of international norms intended to prevent profit shifting and erosion of the tax base. When appropriate, the EU Head of the Code of Conduct group engages in procedural and political discussions with relevant international organizations and authorities.

The countries listed in this EU list of non-cooperative tax jurisdictions are those that have either not participated in a productive discussion with the EU over tax governance or have not fulfilled their obligations to carry out the required changes.

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