

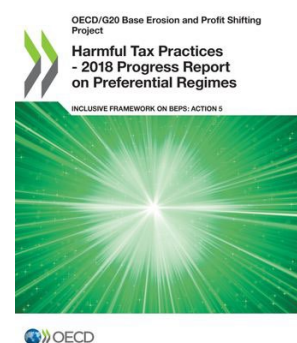
Harmful Tax Practices – Peer Review Results

INCLUSIVE FRAMEWORK ON BEPS: ACTION 5

Update (as of July 2022)

Original report available at:

<http://www.oecd.org/ctp/harmful-tax-practices-2018-progress-report-on-preferential-regimes-9789264311480-en.htm>



Introduction

At its April 2022 meeting, the FHTP updated conclusions for 12 preferential tax regimes. In addition, the FHTP concluded its first annual monitoring process for the effectiveness in practice of the substantial activities requirements in no or only nominal tax jurisdictions. The Inclusive Framework on BEPS approved these results on 7 June 2022. A summary of the new results provided below.

New regime results – FHTP April 2022 meeting

The below table presents the new results on preferential regimes from the FHTP meeting in April 2022.

	Jurisdiction	Regime	Status	Comments
1.	Armenia	Free economic zones	Potentially harmful	Ring-fencing implicated and lack of substantial activities requirements.
2.	Armenia	Information technology projects	Potentially harmful	Ring-fencing implicated and lack of substantial activities requirements.
3.	Cabo Verde	Maio special economic zone	Under review	Regime under review by FHTP.
4.	Costa Rica	Free trade zone	Not harmful (amended)	Substance requirements (non-IP) in place. No grandfathering provided.
5.	Eswatini	Special economic zones	In the process of being amended	Potentially harmful features will be addressed.
6.	Greece	Tax patent incentives	Not harmful (amended)	Substance requirements (nexus approach) in place. No grandfathering provided.
7.	Honduras	Free zones (ZOLI)	In the process of being eliminated/amended	Potentially harmful features will be addressed.
8.	Honduras	Employment and economic development zones (ZEDE)	In the process of being eliminated/amended	Potentially harmful features will be addressed.
9.	Italy	Taxation of income from intangible assets	Abolished	No grandfathering provided.
10.	Kazakhstan	Astana international financial centre	Not harmful (amended)	Substance requirements (non-IP) in place. No grandfathering provided.
11.	Kazakhstan	Special economic zones	Not harmful (amended)	Substance requirements (nexus approach and non-IP) in place.

12.	Pakistan	Export regime on IT	Potentially harmful	No grandfathering provided. Ring-fencing implicated and lack of substantial activities requirements.
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A consolidated update of the regimes reported in *Harmful Tax Practices – 2018 Progress Report on Preferential Regimes* can be found [here](#).

Results on the review of the substantial activities factor for no or only nominal tax jurisdictions

The below table presents the FHTP's conclusions from the first annual monitoring process of the effectiveness in practice of the substantial activities requirements in no or only nominal tax jurisdictions.

	Jurisdiction	Status	Legal framework	Effectiveness in practice for the year 2021 ¹
1.	Anguilla	Not harmful	Economic substance requirements were introduced taking effect from 1 January 2019. Domestic legal framework meets all aspects of the standard.	Areas that need to be substantially improved by the next annual monitoring: (i) substance returns / IT systems, (ii) compliance actions, (iii) statistical data and (iv) exchanges of information.
2.	Bahamas	Not harmful	Economic substance requirements were introduced taking effect from 1 January 2019. Domestic legal framework meets all aspects of the standard.	Areas that need to be substantially improved by the next annual monitoring: (i) compliance actions and (ii) exchanges of information.
3.	Bahrain	Not harmful	Economic substance requirements were introduced taking effect from 1 January 2019. Domestic legal framework meets all aspects of the standard.	Focused monitoring with respect to statistical data.
4.	Barbados	Not harmful	Economic substance requirements were introduced taking effect from 1 January 2019. Domestic legal framework meets all aspects of the standard.	Areas that need to be substantially improved by the next annual monitoring: (i) compliance actions and (ii) exchanges of information.
5.	Bermuda	Not harmful	Economic substance requirements were introduced taking effect from 1 January 2019. Domestic legal framework meets all aspects of the standard.	Focused monitoring with respect to (i) IT systems and (ii) compliance actions.
6.	British Virgin Islands	Not harmful	Economic substance requirements were introduced taking effect from 1 January 2019. Domestic legal framework meets all aspects of the standard.	Focused monitoring with respect to (i) compliance actions and (ii) statistical data.
7.	Cayman Islands	Not harmful	Economic substance requirements were introduced taking effect from 1 January 2019. Domestic legal framework meets all aspects of the standard.	Focused monitoring with respect to compliance actions.
8.	Guernsey	Not harmful	Economic substance requirements were introduced taking effect from 1 January 2019. Domestic legal framework meets all aspects of the standard.	No issues identified.
9.	Isle of Man	Not harmful	Economic substance requirements were introduced taking effect from 1 January 2019. Domestic legal framework meets all aspects of the standard.	No issues identified.
10.	Jersey	Not harmful	Economic substance requirements were introduced taking effect from 1 January 2019. Domestic legal framework meets all aspects of the standard.	No issues identified.
11.	Turks and Caicos Islands	Not harmful	Economic substance requirements were introduced taking effect from 1 January 2019. Domestic legal framework meets all aspects of the standard.	Areas that need to be substantially improved by the next annual monitoring: (i) substance returns / IT systems, (ii) compliance actions, (iii) statistical data and (iv) exchanges of information.
12.	United Arab Emirates	Not harmful (amended)	Economic substance requirements were introduced taking effect from 30 April 2019, and	No issues identified.

subsequently amended on 10 August 2020.
The domestic legal framework, as amended,
meets all aspects of the standard.

1. Areas that need to be substantially improved by the next annual monitoring, are those for which the jurisdiction has significant issues with respect to the effectiveness in practice. Areas for focused monitoring during the next annual monitoring, are those for which minor areas for further improvement have been identified.