

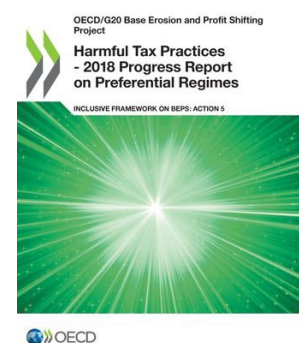
Harmful Tax Practices – Peer Review Results

INCLUSIVE FRAMEWORK ON BEPS: ACTION 5

Update (as of January 2023)

Original report available at:

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



Introduction

At its November 2022 meeting, the FHTP updated conclusions for 9 preferential tax regimes. In addition, the FHTP concluded its second 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 22 December 2022. A summary of the new results provided below.

New regime results – FHTP November 2022 meeting

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

	Jurisdiction	Regime	Status	Comments
1.	Albania	Industries incentive (software production / development)	Potentially harmful	Lack of substantial activities requirements.
2.	Armenia	Free economic zones	In the process of being amended	Potentially harmful features will be addressed.
3.	Armenia	Information technology projects	In the process of being amended	Potentially harmful features will be addressed.
4.	Cabo Verde	Maio special economic zone	Not harmful ¹	New regime, designed in compliance with FHTP standards.
5.	Honduras	Employment and economic development zones (ZEDE)	Abolished	No grandfathering provided.
6.	Hong Kong (China)	Profits tax concessions for ship agents, ship managers and ship brokers	Not harmful	New regime, designed in compliance with FHTP standards.
7.	Jamaica	Special economic zones	Not harmful (amended)	Substance requirements (non-IP) in place. Grandfathering period until 30 March 2023.
8.	North Macedonia	Technological industrial development zone	Not harmful (amended) ²	Substance requirements (nexus approach) in place. No grandfathering provided.
9.	Pakistan	Export regime on IT	Abolished	No grandfathering provided.

1. Subject to the adoption of final legislation.

2. Subject to the adoption of final legislation by 31 December 2022.

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 second 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 2}
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) compliance programme and (ii) exchanges of information. Focused monitoring with respect to statistical data.
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 programme and (ii) exchanges of information. Focused monitoring with respect to statistical data.
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 compliance programme.
4.	Barbados	Not harmful	Economic substance requirements were introduced taking effect from 1 January 2019. Domestic legal framework meets all aspects of the standard.	Area that needs to be substantially improved by the next annual monitoring: exchanges of information. Focused monitoring with respect to (i) statistical data and (ii) compliance programme.
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 compliance programme.
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 compliance programme.
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 programme.
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) statistical data and substance returns, (ii) compliance programme and (iii) exchanges of information.
12.	United Arab Emirates	Not harmful (amended)	Economic substance requirements were introduced taking effect from 30 April 2019, and subsequently amended on 10 August 2020. The domestic legal framework, as amended,	No issues identified.

meets all aspects of the standard.

1. The annual monitoring that took place in 2022 reflected the year 2021.
2. 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.