

# First step towards a new EU list of third country jurisdictions: Scoreboard

## Overview

On 14 September 2016, the Commission completed the first step of the new EU listing process: a Scoreboard of all third country jurisdictions for tax purposes.

This Scoreboard presents the results of a thorough pre-analysis carried out by the Commission, under which third country jurisdictions were examined against objective economic, financial, stability and tax good governance indicators.

The Commission's Scoreboard is intended as a first basis for Member States in the Code of Conduct Group to decide which third country jurisdictions may be relevant to screen in more detail.

It is important to stress that the findings of the Scoreboard are not sufficient to draw conclusions on whether a third country jurisdiction should be selected for screening or put on the common EU list. **This Scoreboard does not represent any judgement of third country jurisdictions, nor is it a preliminary EU list. It is an objective and robust data source, produced by the Commission, to help Member States in the next steps of the common EU listing process.**

It is now for Member States in the Code of Conduct Group to decide if and how they use the Scoreboard in deciding on the third country jurisdictions to be screened.

## Background

In the External Strategy for Effective Taxation, the Commission set out a new EU listing process to deal with jurisdictions that refuse to comply with tax good governance standards. This list should be established based on a three-step process:

**1: Scoreboard:** The Commission produces a neutral scoreboard of indicators, to help determine the potential risk level of each country's tax system in facilitating tax avoidance. The Commission presents the findings of the scoreboard to Member State experts in the Code of Conduct Group in Council.

**2: Screening:** Member States decide which third countries should be formally screened by the EU. This screening will include a dialogue process with the third country jurisdictions in question, to allow them to react to any concerns raised.

**3: Listing:** Once the screening process is complete, third country jurisdictions that refused to cooperate or engage with the EU regarding tax good governance concerns should be put on the EU list.

Member States endorsed this process at the May 2016 ECOFIN and called for a first EU list to be ready in 2017.

## Scope of the scoreboard

In order to conduct the pre-analysis and compile the Scoreboard, the Commission collected data for all countries and jurisdictions in the world as far as available. However a differentiated approach was followed according to the status of the jurisdictions. First, the 28 member states and the territories considered to be

part of a Member State such as those covered by Article 355(1) TFEU are not included in the tables drawn from the scoreboard. Second, third country jurisdictions that already have a transparency agreement with the EU feature separately in the scoreboard. Currently, this covers Switzerland, Liechtenstein, Andorra, Monaco and San Marino. And finally, the 48 least developed countries (LDC) identified by the United Nations are also featured separately, in recognition of the particular constraints they face.

After excluding the 28 Member States and associated territories referred to in Article 355(1), the 48 LDCs, and the five third country jurisdictions with a transparency agreement, 160 third country jurisdictions were assessed for potential pre-selection on the basis of the selection indicators.

## Selection indicators

The selection indicators are obtained for all jurisdictions and grouped into three dimensions:

- **Strength of economic ties with the EU:** To see how strong the economic ties are between the third country and the EU, indicators such as trade data, affiliates controlled by EU residents and bilateral FDI flows were examined.
- **Financial activity:** To determine if a jurisdiction had a disproportionately high level of financial services exports, or a disconnection between their financial activity and the real economy, indicators such as total FDI, specific financial income flows and statistics on foreign affiliates were used.
- **Stability factors:** To see if the jurisdiction would be considered by tax avoiders as a safe place to place their money, general governance indicators such as corruption and regulatory quality were examined.

For each indicator, the jurisdiction with the highest value receives '1', the second-highest receives '2', etc. To compare indicators easily, the ratings are then reported in percentiles. For example, a country which is 12th out of e.g. 200 countries for which data is available has the percentile value 6 i.e. only 6% of all countries in the sample score higher for that indicator.

For each of the three dimensions above, a jurisdiction is flagged if its minimum percentile value comes above a minimum threshold. If a country ranks above the threshold in all three dimensions, it is considered as economically relevant for the purposes of the scoreboard and features on Table I.

Jurisdictions that display missing values, due to lack of data, feature in a separate part of the scoreboard (Table IV).

## Risk indicators

Once the selection indicators identified the jurisdictions which are most economically relevant, the Commission did a basic assessment of the potential risk level of these jurisdictions facilitating tax avoidance.

The risk indicators used were:

**(1) Transparency and exchange of information:** The jurisdictions' status with regard to the international transparency standards i.e. exchange of information on request and automatic exchange of information.

**(2) The existence of preferential tax regimes:** The existence of potential preferential regimes, identified by the Commission on the basis of publicly available information (IBDF, national websites etc.).

**(3) No corporate income tax or a zero corporate tax rate:** The existence of a tax system with no corporate income tax or a zero corporate tax rate.

These three risk indicators, which reflect the situation in July 2016, were then applied to the most relevant jurisdictions (Table I), identified by the selection indicators, as well as to the five jurisdictions with transparency agreements with the EU (Table II).

It is important to point out that the risk indicators do not pre-empt the in-depth analysis of jurisdictions' tax systems, which will take place in the screening stage (Step 2). The risk indicators are only intended to provide Member States with as much information as possible to decide on the jurisdictions that they wish to screen.

I. Third Country Jurisdictions that rank high in all selection indicators	Selection indicators		
	STRENGTH of ECONOMIC TIES with the EU	MAGNITUDE of FINANCIAL ACTIVITY in the jurisdiction	STABILITY FACTORS
Albania	8.0	25.8	64.4
American Samoa	11.7	..	41.8
Anguilla	..	3.5	22.6
Antigua and Barbuda	9.9	7.0	31.3
Armenia	32.7	36.0	59.6
Aruba	9.3	9.5	18.8
Australia	38.9	2.2	4.8
Bahamas	4.3	7.5	44.7
Bahrain	30.2	11.3	35.6
Barbados	7.4	7.0	36.5
Belize	11.1	13.9	67.3
Bermuda	0.6	7.3	22.6
Bosnia and Herzegovina	3.1	19.8	51.0
Botswana	25.3	21.9	27.9
Brazil	37.0	3.3	55.8
British Virgin Islands	..	0.5	..
Cabo Verde	12.3	21.5	47.1
Canada	29.0	4.4	6.3
Cayman Islands	1.2	1.0	21.6
Chile	45.1	14.0	9.1
China	54.3	2.0	54.8
China, Hong Kong SAR	11.1	1.5	7.7
China, Macao SAR	59.9	7.9	21.6
China, Taiwan Republic of	58.0	10.5	22.6
Colombia	53.7	20.0	57.2
Cook Islands	..	1.5	..
Costa Rica	27.8	33.8	29.8
Curaçao	1.9	37.4	..
Dominica	19.8	10.0	38.9
Faeroe Islands	10.5	..	..
Fiji	25.3	18.0	62.5
Former Yugoslav Republic of Macedonia, the	3.7	19.2	40.9
Georgia	29.0	7.9	24.5
Greenland	7.4	..	16.3
Grenada	31.5	9.0	40.9
Guam	9.9	..	41.8
Guernsey	..	30.8	..
Iceland	13.0	1.3	12.0
India	52.5	6.6	65.4
Indonesia	55.6	11.5	65.9
Isle of Man	1.2	31.9	..
Israel	26.5	12.6	23.6
Jamaica	37.7	18.5	56.3
Japan	40.7	4.0	15.9
Jersey	..	25.3	16.3
Jordan	40.1	20.0	45.2
Korea, Republic of	53.1	7.9	30.3
Malaysia	39.5	8.6	31.7
Maldives	9.3	6.6	60.1
Mauritius	6.8	2.0	32.2
Mongolia	41.4	4.6	61.5

Risk indicators		
TRANSPARENCY	Preferential CIT regimes	No CIT/zero rate
X		
X		X
X	X	
X	X	
	X	
X		X
X		X
X	X	
	X	
X		X
X	X	
X	X	
	X	
X	X	
X	X	
X	X	
X	X	
X	X	
X	X	
		X
	X	
X	X	X
X	X	
		X
X	X	
X	X	
	X	
X		

I. Third Country Jurisdictions that rank high in all selection indicators	Selection indicators		
	STRENGTH of ECONOMIC TIES with the EU	MAGNITUDE of FINANCIAL ACTIVITY in the jurisdiction	STABILITY FACTORS
Montenegro	4.3	13.5	44.2
Montserrat	..	6.5	..
Morocco	18.5	29.0	49.5
Namibia	35.8	16.6	45.7
New Caledonia	38.9	14.0	..
Norway	15.4	7.3	7.7
Oman	45.7	33.0	37.0
Panama	16.0	17.2	53.8
Peru	40.1	22.0	67.3
Qatar	34.0	24.5	29.3
Saint Kitts and Nevis	10.5	5.5	42.8
Saint Lucia	6.2	8.0	38.5
Saint Vincent and the Grenadines	10.5	6.0	37.0
Samoa	22.2	21.2	52.9
Saudi Arabia	52.5	13.0	46.6
Serbia	4.9	14.3	48.1
Seychelles	3.7	6.0	56.7
Singapore	14.8	2.0	2.9
South Africa	29.0	7.7	45.7
Swaziland	43.8	4.0	65.9
Thailand	42.0	6.6	57.7
Trinidad and Tobago	36.4	17.0	66.3
Tunisia	6.8	17.6	59.1
Turkey	32.1	9.9	46.2
Turks and Caicos Islands	8.0	..	..
United Arab Emirates	30.2	15.4	19.7
United States	28.4	0.5	11.5
Uruguay	32.1	40.0	30.3
US Virgin Islands	25.3	..	31.3
Viet Nam	35.8	25.0	69.7

Risk indicators		
TRANSPARENCY	Preferential CIT regimes	No CIT/zero rate
X		
	X	
X	X	
X	X	
X		
X		
X	X	
X	X	
X		
X		
X	X	
X	X	
X	X	
X	X	
X	X	
X	X	
	X	X
X	X	
X	X	
X	X	
X	X	
X	X	

II. Third Country Jurisdictions with EU Tax Transparency agreement	Selection indicators		
	STRENGTH of ECONOMIC TIES with the EU	MAGNITUDE of FINANCIAL ACTIVITY in the jurisdiction	STABILITY FACTORS
Andorra	4.3	86.8	22.6
Liechtenstein	3.7	74.7	9.6
Monaco	..	..	..
San Marino	14.8	..	..
Switzerland	6.8	1.1	3.4

Risk indicators		
TRANSPARENCY	Preferential CIT regimes	No CIT/zero rate
X	X	
	X	
		X
	X	

III. Third Country Jurisdictions that do not rank high in at least one of the selection indicators	Selection indicators		
	STRENGTH of ECONOMIC TIES with the EU	MAGNITUDE of FINANCIAL ACTIVITY in the jurisdiction	STABILITY FACTORS
Algeria	22.2	19.9	90.4
Argentina	37.0	11.0	87.0
Azerbaijan	24.1	5.3	82.2
Belarus	24.1	27.5	86.1
Bolivia	50.0	25.8	79.8
Brunei Darussalam	51.9	51.5	28.4
Cameroon	37.7	37.7	89.9
Congo	13.6	10.6	90.9
Côte d'Ivoire	17.3	17.2	70.7
Cuba	82.1	..	92.8
Dominican Republic	36.4	35.0	76.9
Ecuador	70.4	35.1	85.1
Egypt	32.7	20.9	75.0
El Salvador	87.7	36.4	56.7
Falkland Islands (Malvinas)	..	100.0	..
French Polynesia	44.4	50.5	..
Gabon	26.5	45.5	74.0
Ghana	30.9	41.5	49.0
Gibraltar	..	75.5	..
Guatemala	78.4	40.4	71.6
Guyana	20.4	3.3	73.1
Honduras	35.2	31.8	76.4
Iran (Islamic Republic of)	61.7	30.5	95.2
Iraq	62.3	43.0	94.2
Kazakhstan	30.2	6.0	74.0
Kenya	27.2	25.8	83.7
Korea, Dem. People's Rep. of	50.0	78.5	94.7
Kosovo	..	62.9	60.6
Kuwait	65.4	13.2	51.4
Kyrgyzstan	59.3	28.0	88.5
Lebanon	28.4	12.5	86.5
Libya	11.1	17.0	99.5
Marshall Islands	0.6	2.0	82.2
Mexico	45.1	8.5	73.6
Micronesia (Federated States of)	63.6	19.9	86.5
Moldova	9.3	28.5	79.3
Nauru	..	22.0	91.3
New Zealand	74.1	9.9	1.0

III. Third Country Jurisdictions that do not rank high in at least one of the selection indicators	Selection indicators		
	STRENGTH of ECONOMIC TIES with the EU	MAGNITUDE of FINANCIAL ACTIVITY in the jurisdiction	STABILITY FACTORS
Nicaragua	16.7	30.5	80.8
Nigeria	57.4	16.6	92.8
Niue	..	81.5	..
Northern Mariana Islands	75.9	91.0	..
Pakistan	56.8	35.5	78.4
Palau	63.6	24.0	77.9
Palestine	..	62.5	64.9
Papua New Guinea	22.2	15.9	84.6
Paraguay	69.1	26.5	86.1
Philippines	78.4	17.2	60.1
Russian Federation	35.2	7.5	80.3
Sint Maarten (Dutch part)	..	70.5	..
Sri Lanka	69.8	51.5	53.4
Suriname	19.1	48.3	70.2
Syrian Arab Republic	87.0	28.5	97.6
Tajikistan	47.5	29.1	85.6
Tonga	95.1	24.5	64.9
Turkmenistan	59.3	32.5	98.1
Ukraine	13.6	12.1	85.1
Uzbekistan	54.9	57.5	96.6
Venezuela (Bolivarian Republic of)	58.6	23.8	97.1
Zimbabwe	22.8	51.5	97.6

IV. Third Country Jurisdictions with no economic data	Selection indicators		
	STRENGTH of ECONOMIC TIES with the EU	MAGNITUDE of FINANCIAL ACTIVITY in the jurisdiction	STABILITY FACTORS
<i>Aland Islands</i>	::	::	::
Bonaire, Sint Eustatius and Saba	::	::	::
<i>Bouvet Island</i>	::	::	::
<i>British Indian Ocean Territory</i>	::	::	::
Christmas Island	::	::	::
<i>Clipperton</i>	::	::	::
Cocos (Keeling) Islands	::	::	::
<i>Heard Island and McDonald Islands</i>	::	::	::
Malaysia / Labuan Island	::	::	::
Norfolk Island	::	::	::
Pitcairn Islands	::	::	::
Puerto Rico	::	::	30.8
Saint Helena, Ascension and Tristan da Cunha	::	::	::
<i>Saint Pierre and Miquelon</i>	::	::	::
South Georgia and the South Sandwich Islands	::	::	::
<i>Tokelau</i>	::	::	::
United States Minor Outlying Islands	::	::	::
Vatican City State	::	::	::
Wallis and Futuna Islands	::	::	::

V. Third Country Jurisdictions that are listed by the UN as Least Developed Countries	Selection indicators		
	STRENGTH of ECONOMIC TIES with the EU	MAGNITUDE of FINANCIAL ACTIVITY in the jurisdiction	STABILITY FACTORS
Afghanistan	45.1	64.2	93.8
Angola	25.9	11.9	96.6
Bangladesh	58.0	56.0	81.7
Benin	39.5	41.1	76.0
Bhutan	90.7	68.9	84.6
Burkina Faso	24.7	37.7	63.0
Burundi	60.5	82.1	90.4
Cambodia	30.2	22.5	87.5
Central African Republic	46.9	59.0	94.2
Chad	80.9	41.5	91.8
Comoros	12.3	83.0	88.9
Dem. Rep. of the Congo	66.7	10.6	93.3
Djibouti	8.6	19.0	68.8
Equatorial Guinea	19.1	23.0	..
Eritrea	43.2	69.5	99.0
Ethiopia	56.2	60.5	83.7
Gambia	9.9	49.0	71.2
Guinea	7.4	45.7	87.5
Guinea-Bissau	36.4	39.7	97.1
Haiti	90.1	21.9	92.3
Kiribati	42.6	50.3	82.7
Lao People's Dem. Rep.	87.7	55.0	78.8
Lesotho	51.2	17.9	64.4
Liberia	2.5	2.0	77.4
Madagascar	38.3	17.9	77.9
Malawi	48.1	28.5	74.5
Mali	21.6	31.8	72.6
Mauritania	12.3	19.5	81.7
Mozambique	14.2	16.0	72.1
Myanmar	62.3	18.5	93.8
Nepal	53.7	83.5	79.3
Niger	41.4	15.2	71.6
Rwanda	82.7	22.5	41.3
Sao Tome and Principe	17.3	14.5	74.5
Senegal	13.0	21.9	53.8
Sierra Leone	42.6	10.6	84.1
Solomon Islands	58.0	20.5	88.0

V. Third Country Jurisdictions that are listed by the UN as Least Developed Countries	Selection indicators		
	STRENGTH of ECONOMIC TIES with the EU	MAGNITUDE of FINANCIAL ACTIVITY in the jurisdiction	STABILITY FACTORS
Somalia	63.6	29.0	99.5
South Sudan	100.0	..	99.0
Sudan	63.0	25.8	96.2
Tanzania	34.6	47.5	77.4
Timor-Leste	74.7	64.5	80.3
Togo	3.1	14.6	83.2
Tuvalu	17.9	32.5	80.8
Uganda	32.1	43.0	88.0
Vanuatu	17.9	28.0	59.6
Yemen	60.5	14.6	98.1
Zambia	39.5	27.8	67.8