



**K. TREPPIDES
& CO LTD**

Direct Taxation

May Newsletter - Issue 9/2021



***EU list of third country non-cooperative jurisdictions
for tax purposes and possible implications***

We would like to inform you that last February the ECOFIN Council updated the EU list of third country non-cooperative jurisdictions for tax purposes (the so-called EU 'blacklist') and is effective as from 26 February 2021.

The updated EU 'blacklist' includes the following jurisdictions:

- American Samoa
- Anguilla
- Dominica
- Fiji
- Guam
- Palau
- Panama
- Samoa
- Seychelles
- Trinidad and Tobago
- US Virgin Islands
- Vanuatu

The EU has previously decided that, as from 2020, the list will be updated twice a year.

Various defensive measures are currently being enacted by EU Member States which should negatively affect entities resident in jurisdictions on the EU 'blacklist'. These defensive measures include increased withholding taxes (WHT), stricter CFC rules, denial of deductibility of expenses, denial of participation exemption, increased monitoring and audits, special documentation requirements etc.

From a Cyprus tax angle, it is noted that the Cypriot Ministry of Finance recently submitted to Parliament a draft bill (currently having an effective date as from 1 July 2021) which introduces WHT for certain payments to companies in the EU 'blacklist' jurisdictions, as follows:

- For payments of dividends, WHT at the rate of 17%;
- For payments of passive interest, WHT at the rate of 30%; and
- For payments of royalties, WHT at the rate of 10%.

Finally, increased DAC6 reporting obligations may apply to certain related party transactions between companies in the EU and the EU 'blacklisted' jurisdictions, as the relevant Hallmark can be met irrespective if the Main Benefit Test is also satisfied.

For any further information required and on how this development may affect your business, please do not hesitate to contact us.

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