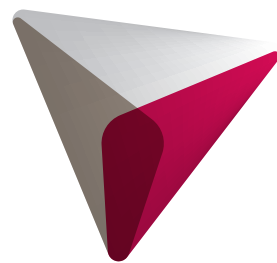


Helping you
seize a world of
opportunities



Vistra's Economic Substance Services & Solutions

In order to address alleged concerns of entities generating too much profit and too little substance in low or zero-rate tax jurisdictions, the European Union (EU) has sought to introduce economic substance requirements.

As a result, many international finance centres have introduced substance legislation. This includes all the traditional offshore jurisdictions, including the British Virgin Islands (BVI), the Cayman Islands and other strategically important locations.

Most of the jurisdictions that had made commitments to the EU to introduce substance requirements successfully passed legislation before the 2018 year-end deadline, in addition to providing guidance around the application of the legislation. In March 2019 and with a subsequent review in May, the EU published an updated list, moving those jurisdictions who had reached the requisite standard off the list, or onto a Greylist or the Blacklist depending upon their respective progress. As a result, a majority of jurisdictions have since been adapting their local substance legislations and providing additional guidance on economic substance requirements.

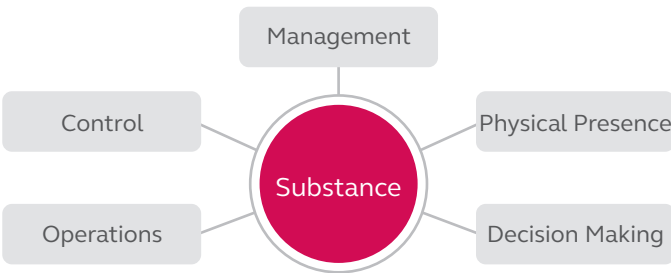
Who is affected?

In addition to the BVI and Cayman, several other jurisdictions that will be affected by the EU substance legislation include Anguilla, Bahamas, Bermuda, and the Crown Dependencies of Jersey and Guernsey. Failure to comply with substance requirements could lead to grave consequences, such as incurring significant fines or being struck off by local registries.

What constitutes “Substance”?

In the context of the EU Economic Substance legislation, “substance” is a broad term that encompasses various areas of a business, including management, control, operations, physical presence and decision-making procedures. It is thus crucial for entities incorporated in relevant jurisdictions to assess whether they are carrying out ‘Relevant Activities’ as prescribed and whether there is a need to demonstrate “substance”. Equally important is for directors of such entities to demonstrate that they have shown regard towards the legislation by resolving that their company is either in or out of scope and, if in scope, that they have or are taking steps to comply with the new legislation.

Ultimately, it is important to gain clarity and assurance of compliance, without which a damaged reputation, financial penalties and other sanctions could result. To do so, however, can be a complex process that is open to various interpretations.



Which are “Relevant Activities”?

| | | |
|------------------------------|--------------------------------|--|
| Banking business | Insurance business | Fund management business |
| Finance and leasing business | Headquarters business | Shipping business |
| Holding business | Intellectual property business | Distribution and service centre business |

How can Vistra help you?

To help you navigate the EU substance requirements in the BVI, Cayman Islands and other jurisdictions, Vistra offers a comprehensive range of options – from a classification check to a full review, as well as advisory services on registering your status with the regulator.

| Classification | Full Review | Portfolio Review | In-Scope Advisory Services | Substance Solutions |
|--|---|--|---|--|
| Our classification tool will help you determine the classification of your BVI and/or Cayman company as it applies to the substance legislation. This includes a report and director resolution. | Vistra will guide you through step-by-step to determine the classification, provide you with the relevant directors resolution and, if needed, help you lodge your status with the regulator. | Through its legal practice, Vistra can provide bespoke legal opinions, through qualified BVI, Cayman and other offshore lawyers, for single entities or structures, which include relevant entities and assess the classification. | Through Vistra’s in-house technical experts and network panel of tax experts, a review of portfolio structure and provision of alternative options from in-jurisdiction substance to alternative structuring options. | Vistra’s BVI and Cayman offices can provide jurisdictional solutions, including provision of fiduciary directors, office space, employees and such other outsourced solutions. |

About Vistra

As one of the world’s leading corporate service providers, we work with clients of all sizes and types, including local and multinational corporations, family businesses, investment funds, private equity firms and private wealth to expand and support them around the world.

Ranked among the top three corporate service providers globally, Vistra is a versatile group of professionals, providing a uniquely broad range of services and solutions. Our capabilities range from company formation services such as international incorporations, post-incorporation technical and corporate services, corporate governance and legal services, to trust, fiduciary, private wealth services, and fund administration.

With over 4,500 professionals across 45 jurisdictions throughout the Americas, Europe, Middle East, and Asia Pacific, Vistra is a leading global player with expert industry knowledge and experienced location specialists. Equipped with a deep understanding of our clients’ professional worlds and a proven track record of offering highly versatile solutions, Vistra provides the people, processes, and products necessary for our clients to get the most out of their international business.

BVI and Cayman remain open for business!

The BVI, Cayman Islands and other similar jurisdictions remain attractive centres for incorporations and structuring, as they continue to offer legal certainty, tax neutrality and a stable and competitive business environment. In fact, many of the structures established in these jurisdictions will **not** need to establish substance, and can continue to conduct business with little impact to their operations. It is important to understand that all structures will need to be assessed on their own merits. That said, the BVI and Cayman remain open for business, and entities that can demonstrate due compliance with and regard for substance legislation will be the ones to win in the long term.

Contact us

For more information on how Vistra can help your business come into compliance with EU Economic Substance requirements, please contact your Account Manager or the relevant personnel listed below:

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