

A summary of Cayman's Economic Substance Law

March 2019

The Cayman Islands government has recently introduced legislation, the International Tax Co-operation (Economic Substance) Law, 2018, which came into effect on 1 January 2019 (the "**Law**"). In addition, the Economic Substance for Geographically Mobile Activities Guidance (the "**Guidance**") and the International Tax Co-operation (Economic Substance) (Amendment of Schedule) Regulations, 2019 (the "**Regulations**") were published on 22 February 2019, providing additional detail and clarification in respect of the Law.

The Law sets out requirements applicable to in-scope Cayman Islands entities ("**Relevant Entities**") which carry on particular activities ("**Relevant Activities**") and which are not tax resident outside of the Cayman Islands. Relevant Entities which carry on Relevant Activities must demonstrate that such entities have "economic substance" in the Cayman Islands.

The Law has been passed as part of a move by the Cayman Islands to meet its commitments as a member of the OECD's global Base Erosion and Profit Shifting (BEPS) Inclusive Framework and following consultation between the Cayman Islands government and the EU Code of Conduct Group (the "**Group**"), subsequent to assessment by the Group of the tax policies of a range of countries, including the Cayman Islands, and its inclusion in a list of jurisdictions (including the BVI, Bermuda, Guernsey, Jersey and the Isle of Man) required to address the Group's concerns in relation to "economic substance".

The Cayman Islands Tax Information Authority (the "**Authority**") will be responsible for monitoring compliance with the Law.

We encourage all clients to read our full [factsheet](#) which summarises the key provisions of the Law, as supplemented by the Guidance and Regulations.