



Laws and Regulations Related to the Cayman Islands' Commitment to the EU

In 2017 the Cayman Islands Government made a commitment to the EU to cooperatively engage with them, towards their goal of improving tax good governance. We have fulfilled our commitments by implementing legislation to address economic substance, ring-fencing and funds (collective investment vehicles).

Economic Substance

Economic substance, also referred to by the OECD as “substantial activity”, broadly refers to a business having core business activities (for example, employees, premises, and business expenditures) in the jurisdiction in which it is located. This is intended to ensure that income is taxed in the jurisdiction in which it is generated.

Below is the new and amended legislation that Cayman Islands has implemented to fulfil our commitment to improve good tax governance through an enhanced economic substance regime.

| LAW/REGULATION | DESCRIPTION | DATE OF ENACTMENT |
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| Companies (Amendment) (No. 2) Law, 2018 | Amendments to remove ring fencing as well as consequential amendments in connection with economic substance legislation in line with international standards. | 17 December 2018 |
| Local Companies (Control) (Amendment) Law, 2018 | In line with the amendments to the Companies Law, there were amendments to this Law to remove ring fencing as well as consequential amendments in connection with economic substance legislation in line with international standards. | 17 December 2018 |
| International Tax Co-operation (Economic Substance) Law, 2018 | New law introducing economic substance requirements for the carrying on of geographically mobile activities in the jurisdiction in accordance with the OECD BEPS Action 5 Minimum standard and EU requirements. The Law also provides for monitoring and compliance measures, and confers powers and | 27 December 2018 |



duties on the competent authority for the purposes of implementing and administering the Law.

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| International Tax Co-Operation (Economic Substance) (Prescribed Dates) Regulations, 2018 | Prescribes the coming into force date for: a) a relevant entity that was not in existence prior to the commencement of the Law; and b) a relevant entity that was in existence prior to the date of commencement of the Law. | 27 December 2018 |
| International Tax Co-operation (Economic Substance) (Amendment of Schedule) Regulations, 2019 | Amends the definition of “relevant entity” in the schedule to effectively include entities centrally managed and controlled in a jurisdiction outside the Island. | 22 February 2019 |
| International Tax Co-Operation (Economic Substance) (Amendment of Schedule) (No.2) Regulations, 2019 | Amends the definitions of “Cayman Islands core income generating activities”, “Consolidated Financial Statements”, “Constituent Entity”, “domestic company”, “fund management business”, “group”, “pleasure yacht”, “relevant income” and “territorial waters”. | 30 April 2019 |
| International Tax Co-Operation (Economic Substance) (Amendment of Schedule) (No.3) Regulations, 2019 | Amends the definition of “Cayman Islands core income generating activities”, “domestic company” and “MNE group”. | 10 September 2019 |



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| International Tax Co-operation (Economic Substance) (Amendment) Law, 2020, (LG10, S4) | Amends the requirements to provide and share information to maintain alignment with international standards and to facilitate effective implementation of the Law in a manner which can better withstand the scrutiny of international monitoring and peer reviews regarding the “substantial activities” requirement for no or only nominal tax jurisdictions under the OECD BEPS Action 5 on Harmful Tax Practices. | 12 February 2020 |
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| International Tax Co-operation (Economic Substance) (Amendment of Schedule) Regulations, 2020 | Amends the Schedule to the International Tax Co-operation (Economic Substance) Law (2020 Revision) to amend the definition of “domestic company” to exclude companies limited by guarantee under section 9 of the Companies Law (2020 Revision). | 10 July 2020 |
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| International Tax Co-Operation (Economic Substance) Regulations, 2020 | Provides for the information to be provided under various sections of the International Tax Co-operation (Economic Substance) Law (2020 Revision). | 11 August 2020 |
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Funds (Collective Investment Vehicles)

Also for good governance, the Cayman Islands Government has strengthened our funds regime by providing more regulatory supervision for Cayman-domiciled funds.

| LAW/REGULATION | DESCRIPTION | DATE OF ENACTMENT |
|---|--|-------------------|
| Mutual Funds (Amendment) Law, 2015 (Commencement) Order, 2018 | Provides for the regulation of funds under the Alternative Investment Fund Manager Directive in European Union Member States | 31 December 2018 |



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| Private Funds Law, 2020 (LG9, S1) | Establishes economic substance requirements for collective investment vehicles by bringing currently unregulated private investment funds into scope for regulation by the Cayman Islands Monetary Authority. | 7 February 2020 |
| Private Funds Law, 2020 (Commencement) Order, 2020 | Commences the Private Funds Law, 2020 on 7 th February, 2020. | 7 February 2020 |
| Private Funds (Savings and Transitional Provisions) Regulations, 2020 | Prescribes the 6-month transitional period for new and existing private funds. | 7 February 2020 |
| Private Funds Regulations, 2020 | Provides the legal definitions that support the Private Funds Law. | 7 February 2020 |
| Mutual Funds (Amendment) Law, 2020 (LG9, S2) | Expands the scope of application of existing measures to cover mutual funds that were previously exempt from regulatory oversight. | 7 February 2020 |
| Securities Investment Business (Conduct of Business) (Amendment) Regulations, 2020 | Requires fund managers, licensed under the Securities Investment Business Law, to report data on their overseas funds clients that fall under Section 4(4)(b) of The Mutual Funds Law, and Section 5(3) of The Private Funds Law. | 7 February 2020 |
| Private Funds (Amendment) Law, 2020, (LG49, S6) | Clarifies the definition of “Private Fund” in the Law to require that conflicts of interest arising in relation to valuation, safekeeping of fund assets and cash monitoring are managed and monitored; to remove the power of Cabinet to exempt persons or business from the application of the Law. | 7 July 2020 |
| Mutual Funds (Amendment) (No.3) Law, 2020, (LG49, S5) | Amends the Mutual Funds Law (2020 Revision) to change a reference in the definition of regulated mutual fund. | 7 July 2020 |