



1. European Union (“EU”) List of Non-Cooperative Jurisdictions

The EU list of non-cooperative jurisdictions is a list of countries and territories that the EU considers being non-compliant with international tax standards and transparency. It was first adopted in 2017 as a response to tackle tax avoidance in the EU.

Specifically, jurisdictions that do not comply with all three of the following requirements are classified as non-cooperative by the EU:

- i. Transparency;
- ii. “Fair” Tax Competition;
- iii. BEPS implementation (the OECD’s Base Erosion and Profit Shifting minimum standards).

The list is compiled and managed by the EU’s Code of Conduct Group, which is made up of tax experts from EU member states. Being on the list can have significant consequences, including restrictions on access to EU funding and potential economic sanctions.

The most recent version of the list was published on the 14th of February 2023, and includes the following jurisdictions:

Jurisdictions listed as from the 4th of October, 2022	Jurisdictions added on the 14th of February, 2023
American Samoa	British Virgin Islands
Anguilla	Costa Rica
Bahamas	Marshall Islands
Fiji	Russia
Guam	
Palau	
Panama	
Samoa	
Trinidad and Tobago	
Turks and Caicos Islands	
US Virgin Islands	
Vanuatu	

The list becomes official upon publication in the Official Journal of the EU. The jurisdictions included in the list, the timeline, and updates can be found on the following links:

[LINK 1 from consilium.europa.eu](#)

[LINK 2 from consilium.europa.eu](#)



2. Implications from a Cypriot Tax Perspective

Businesses that conduct operations in these jurisdictions must be aware of the potential implications of being included in the list and seek professional advice to ensure compliance with reporting requirements.

Specifically, attention should be paid to the following:

2.1 Imposition of Withholding Taxes (“WHT”)

As of the 31st of December 2022, Cyprus imposes WHT on outward payments made to resident companies of non-cooperative jurisdictions, or companies that are registered in those jurisdictions and are not residents in another jurisdiction which is not included in the EU list.

The following types of payments are subject to withholding taxes at the following rates:

- i. **Dividends:** At the rate of 17% on the gross amount of dividend payments made by companies which are not listed on any recognised stock exchange;
- ii. **Royalties and similar payments:** At the rate of 10% on the gross amount of royalty (or similar type) payments, excluding payments made by physical persons;
- iii. **Passive interest:** At the rate of 30% on the gross amount of (passive) interest payments, excluding payments made by physical persons.

2.2 Mandatory Disclosure Requirement (“MDR/DAC6”)

MDR, or the EU’s Directive on Administrative Cooperation (“DAC”), requires reporting of cross-border arrangements involving at least one EU member state that meets certain criteria known as “hallmarks”. While the primary reporting obligation under DAC6 falls on intermediaries, such as tax advisors and lawyers, in some cases, the reporting obligation may fall on the taxpayers themselves, particularly if no intermediary is involved.

From an MDR perspective, payments made to, or arrangements with, residents in jurisdictions that are included in the EU list of non-cooperative jurisdictions can trigger a reporting obligation. For example, a reporting obligation may arise directly under “Category C - Deductible Cross-border Transactions” (not subject to the Main Benefit Test).

Significant penalties may be imposed in cases of failure to comply with the reporting and notification requirements.



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