



New countries considered as blacklisted entities for tax purposes

On February 14th, 2023, the Economic and Financial Council (“ECOFIN”) of the European Union added new jurisdictions in the list of non-cooperative jurisdictions for tax purposes.

Russia, the British Virgin Islands, Costa Rica and Marshall Islands were added to the EU list of non-cooperative jurisdictions for tax purposes, as they are considered as not complying with the international standards in taxation. The list currently includes the following 16 jurisdictions: American Samoa, Anguilla, Bahamas, British Virgin Islands, Costa Rica, Fiji, Guam, Marshall Islands, Palau, Panama, Russia, Samoa, Trinidad and Tobago, Turks and Caicos Islands, US Virgin Islands and Vanuatu.

Some other jurisdictions are still in the “grey list” with pending commitments, such as Hong-Kong, Curaçao or Israel and should be monitored to anticipate any potential risk.

This updated list may impact some structures, notably when debt is granted by entities located in these countries as interest expenses paid to a party located in the blacklist should be non-deductible for Luxembourg tax purposes.

Other Luxembourg tax regimes such as DAC 6 (i.e., the directive in relation to the disclosure of certain cross-border arrangements) will also have an impact when transactions are made with associated enterprises located in these newly added jurisdictions to the EU list.

In this context, all the Luxembourg structures dealing with these jurisdictions will necessarily be impacted by this updated list and the Luxembourg tax impacts shall be anticipated as soon as possible.

Our tax team is at your disposal should you have any questions in relation thereto or should you need assistance to assess impacts on your business.

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