

# British Virgin Islands

## Economic Substance Requirements

The British Virgin Islands (BVI) introduced Economic Substance rules with The Economic Substance (Companies and Limited Partnerships) Act, 2018, which came into force on January 1, 2019. In addition, to supplement the Act, the BVI introduced Economic Substance Rules on October 9, 2019.

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### BVI Legal Entities

The Act imposes Economic Substance requirements on BVI legal entities carrying on a Relevant Activity to demonstrate adequate Economic Substance in the BVI, with annual reporting obligations. BVI legal entities include companies incorporated in the BVI, and foreign companies registered in the BVI, as well as BVI limited partnerships and foreign limited partnerships registered in the BVI. The rules do not apply to trusts or general partnerships.

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### Relevant Activities

Conducting a Relevant Activity is defined as carrying on the following businesses: banking; insurance; shipping; finance and leasing; headquarters; holding company; intellectual property; and distribution and service centre businesses. Holding companies that exclusively hold non-debt equity interests in other companies are subject to a more streamlined regime. Under the Holding Company regime, the relevant entity will be deemed to have adequate substance if it complies with its statutory obligations under BVI laws, and maintains a Registered Agent and Registered Office in the BVI.

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### Annual Return

Entities that are subject to the Economic Substance requirements must submit an annual declaration identifying the relevant activity and must demonstrate substance in the BVI or prove that the entity is resident in a cooperative jurisdiction. In respect of Economic Substance, the entity must meet 3 requirements: the activity of the entity must be managed and directed from the BVI; the core income-generating activity of the entity must be conducted in the BVI; and the entity must have adequate staffing, premises, and expenditure in the BVI for the core income generating activity. However, entities that do not carry on a Relevant Activity are not required to demonstrate substance in the BVI.

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### BOSS Filing

BVI entities are required to provide certain information to the International Tax Authority (ITA) on the BOSS system. The obligation is imposed on the Resident Agent of the entity. The information reported may be provided by the ITA to relevant overseas authorities in certain cases. Penalties apply for non-compliance, including monetary penalties, criminal penalties, and entities may also be struck off the Register.