



Webinar: Navigating Compliance Standards: Strategies for Caribbean Nations in Response to FATF and EU Designations

April 23, 2024

Belize's Removal from EU Annex 1 Listing

OECD Peer Review: exchange of information on request (EOIR)

What is it?

It is a robust and transparent process conducted by two peer jurisdictions and one member of the Secretariat. Belize's peer review report was approved by the Peer Review Group of the Global Forum on Transparency and Exchange of Information for Tax Purposes on 14th June 2023 and adopted by the Global Forum on 14th July 2023. The review is conducted in two phases:

Phase 1 examines the legal and regulatory framework

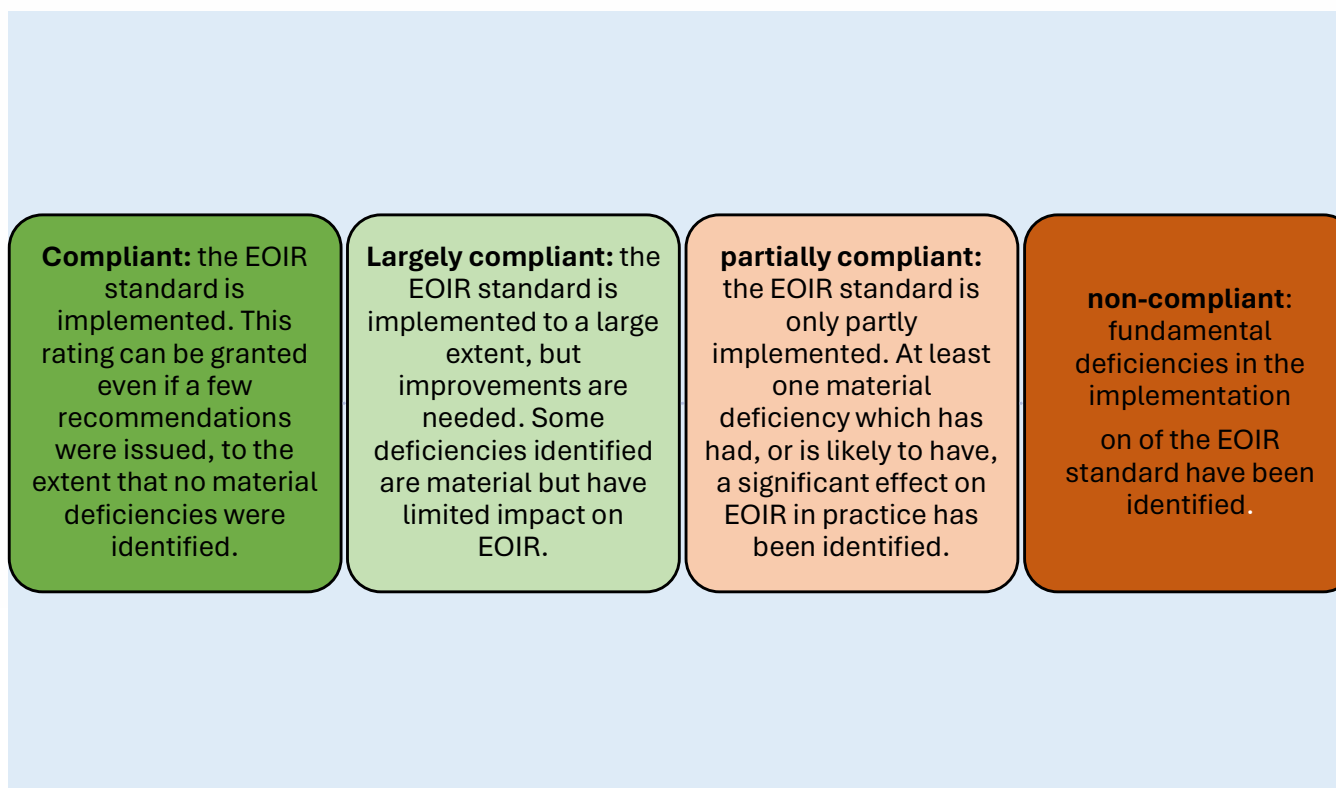
Phase 2 looks into the implementation of the framework in practice (effectiveness)

What is being assessed?

The exchange of information and legal and regulatory frameworks that allow it to happen. More importantly the effectiveness in the implementation and administration of the processes surrounding the exchange of information on request. A jurisdiction must be able to demonstrate the availability of information, access to information and exchange of information.

OECD Peer Review: exchange of information on request (EOIR)

Four ratings can be allocated to a jurisdiction once it has undergone a full peer review:



How it works in Belize?

- Belize is a unique jurisdiction as it has a bifurcated system. The Automatic Exchange of Information (AEOI) is the responsibility of the Belize Tax Services Department, while. Exchange of Information on Request (EOIR) is within the purview of the Financial Services Commission of Belize. In other jurisdictions these fall within the purview of the tax department or revenue department.
- To date the OECD has conducted two rounds of review:

First round of review (2014)	Second round of review (2022)
6 incoming requests (EOIR) were received	115 incoming requests (EOIR) were received.

Belize's Experience

- There has been a change in the International Business Industry in Belize with the enactment of the Belize Companies Act, 2022 streamlining IBC's and Local companies as a Belize Company. This transition process was accomplished via a re-registration process. Belize was also a leader in implementing its Economic Substance legislative framework.
- On July 17, 2023 Belize received an overall rating of *Partially Compliant* from the OECD.

Comparison of ratings for First Round Report and Second Round Report

Element	First Round Report (2014)	Second Round Report (2022)
A.1 Availability of ownership and identity information	Partially Compliant	Partially Compliant
A.2 Availability of accounting information	Largely Compliant	Partially Compliant
A.3 Availability of banking information	Compliant	Largely Compliant
B.1 Access to information	Compliant	Largely Compliant
B.2 Rights and Safeguards	Compliant	Compliant
C.1 EOIR Mechanisms	Compliant	Largely Compliant
C.2 Network of EOIR Mechanisms	Compliant	Compliant
C.3 Confidentiality	Compliant	Compliant
C.4 Rights and safeguards	Compliant	Compliant
C.5 Quality and timeliness of responses	Largely Compliant	Partially Compliant
OVERALL RATING	LARGELY COMPLIANT	PARTIALLY COMPLIANT

Belize's Experience

- During the assessment in 2022, Belize was in the process of enacting or had enacted various legislative frameworks and amendments to address deficiencies and in preparation of its CFATF review.

These frameworks included:

- Accounting Records (Maintenance) Act– Records must be kept in Belize at the Registered Agent's Office or the Registered Office.
- These records must be kept updated and current.
- The Director General of the Financial Services Commission was delegated a Competent Authority under the Act.
- Belize Companies Act amendments- Mandatory to provide Beneficial Ownership information in the register.
- International Trust- mandatory annual filing of attestation

Belize's experience

- The enactment and implementation of these frameworks did not meet the deadline when the July 2023 report was prepared.
- Due to this *partially compliant designation*, the European Union proceeded to automatically list Belize on Annex 1- non-cooperative jurisdictions for tax purposes on October 23, 2023. This designation was an *automatic designation* pursuant to Criterion 1.2 and not one based on legislative frameworks implemented to address the deficiencies.

Impact of Automatic Listing by the EU



Threat of financial institutions and donor agencies to pull funding and projects in Belize.



Reduction of FDI



Challenges in access to finance



Large number of queries and Report preparations



Businesses leaving jurisdiction.



Defensive tax measures from EU countries

What did Belize do?

- Belize submitted an urgent application in December 2023 via a written procedure mechanism to the Global Forum Peer Review Group even though the window was very narrow to meet the requirement of the European Union Code of Conduct Group and it may or may not be considered given the tight timeline.
- In February 2024, Belize's application for a supplementary assessment was approved by the Global Forum's Peer Review Group . Based on the positive recommendation by the European Union Code of Conduct Group to the European Union General Affairs Council, Belize was subsequently delisted from the EU's Annex 1 on 20th February 2024 and placed on the Annex II list.



Moving Forward

- Taking more robust and proactive measures such as enforcement measures to monitor the integrity of the information contained within the Online Business Registry System.
- Rigorous on-site assessments which is done by an increase in the number of on-site assessments and desk-based review.
- Setting up a compliance unit at the Companies Registry Level as a first layer of compliance of Business entity data particularly the monitoring, supervising and regulating of Business Ownership data.
- Enforcement penalties for failure to provide information.
- Stricter measures as it relates to beneficial ownership and trustee information for International Trusts
- Development of a digital platform to support regulatory mandate and enhance regulatory effectiveness.

Lessons Learned



To avoid being blacklisted by the EU as a non-cooperative tax jurisdiction, it is crucial to understand the criteria used by the EU to assess countries and the actions taken by jurisdictions to stay off the Annex 1 list or to be removed from it.



The EU updates its blacklist of non-cooperative tax jurisdictions twice a year, focusing on tax transparency, fair taxation, and the implementation of OECD measures to prevent tax base erosion and profit shifting. Additionally, the EU is considering including criteria related to ensuring a minimum level of taxation in line with the OECD's Pillar 2 solution, beneficial ownership, and the misuse of shell companies.



Overall, staying off the EU's blacklist requires a proactive approach to tax governance, including the implementation of economic substance laws, ensuring tax transparency, fair taxation, and cooperation with international tax avoidance and evasion measures. It's also important for jurisdictions to maintain positive engagement and discussions with EU officials to address technical issues and ensure compliance with international standards.

Thank you!

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