

Economic Substance Checklist

What directors of TCI Companies need to consider...

Economic Substance legislation is in place across international financial centres and took effect in the Turks and Caicos Islands ("TCI") on 1 January 2019. The TCI legislation requires companies claiming tax residency in the TCI to prove that they have real economic substance in the TCI. Detailed guidance notes in respect of the TCI legislation and reporting requirements are available on the website of the Exchange of Information Unit (<https://www.gov.tc/eoi/>). The first reporting period and round of submissions of Annual Returns commences in 2021.

Directors should consider key questions and carry out assessments of the underlying business activities ("**relevant activities**") carried out by their companies in anticipation of the reporting deadline. We are available to assist with this assessment and will be able to guide you through the questions you may have.

Questions to assess whether the company is within the scope of the TCI Economic Substance rules

-  Is the company tax resident in the TCI ?
-  Does the company carry out relevant activities in the TCI ?
-  Are core income-generating activities being conducted in the TCI ?

If the company of which you are a director answers yes to all of those questions, then ...



Direction & Management

Meetings of the Board of Directors must :

- take place in the TCI, and at adequate frequency
- be attended in person by a quorum of appropriately qualified directors physically present in the TCI
- be the forum for strategic decision-making, recorded in minutes of meetings

The board of directors, as a whole, must have sufficient knowledge, experience and expertise to discharge their duties.



Core Income-Generating Activities

The core income-generating activities vary by sector, but will include :

- Banks** : raising funds, managing risk, agreeing funding terms and providing funding to customers
- Insurance** : calculating risks, insuring or re-insuring against risk, providing insurance business services
- Pure Equity Holding Company** : complying with its statutory obligations and no other commercial activity

Outsourcing of activities is permitted in certain limited circumstances, for example to a third party service provider, or a group company.



Adequate Resources

A company that falls within scope will have to demonstrate that it has :

- an adequate number of appropriately experienced and, if appropriate, qualified full-time employees in the TCI
- adequate level of operating expenditure incurred in the TCI
- adequate physical assets or premises in the TCI

Adequate is contingent on the nature, scale and complexity of the business that the company is carrying on.

Keep detailed records to show adequacy of resources utilized and expenditure incurred.

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Contact Us

Griffiths & Partners experts can assist and guide you through the questions you may have on the Substance Legislation. For more information, please reach out to your regular G&P Group contact, or any of our specialists listed below.



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