

BVI ECONOMIC SUBSTANCE AMENDMENTS

FOLLOWING THE INTRODUCTION OF THE BVI'S ECONOMIC SUBSTANCE REGIME THROUGH THE ECONOMIC SUBSTANCE (COMPANIES AND LIMITED PARTNERSHIPS) ACT, 2018 (ESA) ON 28 DECEMBER 2018, AND RELATED AMENDMENTS, FURTHER AMENDMENTS TO THE REGIME WERE MADE THROUGH THE BVI BENEFICIAL OWNERSHIP SECURE SEARCH SYSTEM ACT, 2024 AND THE ECONOMIC SUBSTANCE (COMPANIES AND LIMITED PARTNERSHIPS) (AMENDMENT) ACT.

The BVI Beneficial Ownership Secure Search System (Amendment) Act, 2024 (the "BOSS Amendment Act"), was published in the Gazette on 24 July 2024, and amendments relating to the Economic Substance reporting requirements are relevant to all companies and Limited Partnerships formed or registered in the BVI.

It should be noted also and as stated in the BOSS Amendment Act, the amendments made to Section 10 of the principal Act shall apply to all financial periods beginning on or after 1 January 2025.

The amendments to Economic Substance reporting requirements relate primarily to entities carrying on the relevant activity of **Holding Business (pure equity holding entity)**.

KEY AMENDMENTS

- > Companies and Limited Partnerships which claim tax residency in the BVI and are engaged in holding business would now confirm whether the activities carried on are **active** or **passive** for the relevant financial period. Holding of equity participations is often passive and the substance requirements are less than where the equity participations is actively managed.
- > Where the business activities of the company or limited partnership are **active**, the reporting requirements will include:
 - > the entity's taxpayer identification number (TIN), if applicable;
 - > the total annual gross income of the entity;
 - > the gross income relating to the relevant activity of holding business;
 - > details of qualified employees engaged in the relevant activity; and
 - > details of appropriate premises.
- > Where the activities of the company or limited partnership are **passive**, the reporting requirements will include:
 - > the entity's taxpayer identification number (TIN), if applicable;
 - > the total annual gross income of the entity;
 - > the gross income relating to the relevant activity of holding business;
 - > a statement that the activities carried on by the entity were passive during the relevant financial period; and
 - > a statement that the entity complied with its statutory obligations under the BVI Business Companies Act or the Limited Partnership Act, as applicable.

As a reminder, “Holding business” and the related term “pure equity holding entity” are defined in the Economic Substance (Companies and Limited Partnerships) Act, section 2 as:

- > “holding business” means the business of being a pure equity holding entity
- > “pure equity holding entity” means a legal entity that only holds equity participations in other entities and only earns dividends or capital gains

A legal entity will only fall within the definition if it holds nothing but equity participations, yielding dividends or capital gains. The ownership of any other form of investment or asset (such as an interest-bearing bond or real estate property) will take the legal entity outside this definition.

We encourage that every effort be made to complete the annual Economic Substance filings as early as possible to ensure continued compliance with the filing requirements.

Declarations received less than two months prior to the end of the six-month filing grace period, cannot be guaranteed to be submitted to the ITA by the filing deadline.

Should you have any questions or need further clarifications, please contact your usual Trident representative.

Your TBVI Economic Substance Team

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