

First step towards a new EU list of third country jurisdictions: Scoreboard

Overview

On 14 September 2016, the Commission completed the first step of the new EU listing process: a Scoreboard of all third countries and jurisdictions for tax purposes.

This Scoreboard presents the results of a thorough pre-analysis carried out by the Commission, under which third country jurisdictions were examined against objective economic, financial, stability and tax good governance indicators.

The Commission's Scoreboard is intended as a first basis for Member States in the Code of Conduct Group to decide which third country jurisdictions may be relevant to screen in more detail.

It is important to stress that the findings of the Scoreboard are not sufficient to draw conclusions on whether a jurisdiction should be selected for screening or put on the common EU list. **This Scoreboard does not represent any judgement of third countries, nor is it a preliminary EU list. It is an objective and robust data source, produced by the Commission, to help Member States in the next steps of the common EU listing process.**

It is now for Member States in the Code of Conduct Group to decide if and how they use the Scoreboard in deciding on the third country jurisdictions to be screened.

Background

In the External Strategy for Effective Taxation, the Commission set out a new EU listing process to deal with jurisdictions that refuse to comply with tax good governance standards. This list should be established based on a three-step process:

1: Scoreboard: The Commission produces a neutral scoreboard of indicators, to help determine the potential risk level of each country's tax system in facilitating tax avoidance. The Commission presents the findings of the scoreboard to Member State experts in the Code of Conduct Group in Council.

2: Screening: Member States decide which third countries should be formally screened by the EU. This screening will include a dialogue process with the third countries in question, to allow them to react to any concerns raised.

3: Listing: Once the screening process is complete, third countries that refused to cooperate or engage with the EU regarding tax good governance concerns should be put on the EU list.

Member States endorsed this process at the May 2016 ECOFIN and called for a first EU list to be ready in 2017.

Scope of the scoreboard

In order to conduct the pre-analysis and compile the Scoreboard, the Commission collected data for all countries and jurisdictions in the world as far as available. However a differentiated approach was followed according to the status of the jurisdictions. First, the 28 member states and the territories considered to be part of a Member State such as those covered by Article 355(1) TFEU are not included in the tables drawn from the scoreboard. Second, third country jurisdictions that already have a transparency agreement with the EU feature separately in the scoreboard. Currently, this covers Switzerland, Liechtenstein, Andorra, Monaco and San Marino. And finally, the 48 least developed countries (LDC) identified by the United Nations are also featured separately, in recognition of the particular constraints they face.

After excluding the 28 Member States and associated territories referred to in Article 355(1), the 48 LDCs, and the five third country jurisdictions with a transparency agreement, 160 third country jurisdictions were assessed for potential pre-selection on the basis of the selection indicators.

Selection indicators

The selection indicators are obtained for all jurisdictions and grouped into three dimensions:

- **Strength of economic ties with the EU:** To see how strong the economic ties are between the third country and the EU, indicators such as trade data, affiliates controlled by EU residents and bilateral FDI flows were examined.
- **Financial activity:** To determine if a jurisdiction had a disproportionately high level of financial services exports, or a disconnection between their financial activity and the real economy, indicators such as total FDI, specific financial income flows and statistics on foreign affiliates were used.
- **Stability factors:** To see if the jurisdiction would be considered by tax avoiders as a safe place to place their money, general governance indicators such as corruption and regulatory quality were examined.

For each indicator, the jurisdiction with the highest value receives '1', the second-highest receives '2', etc. To compare indicators easily, the ratings are then reported in percentiles. For example, a country which is 12th out of e.g. 200 countries for which data is available has the percentile value 6 i.e. only 6% of all countries in the sample score higher for that indicator.

For each of the three dimensions above, a jurisdiction is flagged if its minimum percentile value comes above a minimum threshold. If a country ranks above the threshold in all three dimensions, it is considered as economically relevant for the purposes of the scoreboard and features on Table I.

Jurisdictions that display missing values, due to lack of data, feature in a separate part of the scoreboard (Table IV).

Risk indicators

Once the selection indicators identified the jurisdictions which are most economically relevant, the Commission did a basic assessment of the potential risk level of these jurisdictions facilitating tax avoidance.

The risk indicators used were:

(1) Transparency and exchange of information: The jurisdictions' status with regard to the international transparency standards i.e. exchange of information on request and automatic exchange of information.

(2) The existence of preferential tax regimes: The existence of potential preferential regimes, identified by the Commission on the basis of publicly available information (IBDF, national websites etc.).

(3) No corporate income tax or a zero corporate tax rate: The existence of a tax system with no corporate income tax or a zero corporate tax rate.

These three risk indicators, which reflect the situation in July 2016, were then applied to the most relevant jurisdictions (Table I), identified by the selection indicators, as well as to the five jurisdictions with transparency agreements with the EU (Table II).

It is important to point out that the risk indicators do not pre-empt the in-depth analysis of jurisdictions' tax systems, which will take place in the screening stage (Step 2). The risk indicators are only intended to provide Member States with as much information as possible to decide on the jurisdictions that they wish to screen.

| I. Third Country Jurisdictions that rank high in all selection indicators | Selection indicators (*) | | | Risk indicators (**) | | |
|---|---------------------------------------|---|-------------------|----------------------|--------------------------|------------------|
| | STRENGTH of ECONOMIC TIES with the EU | MAGNITUDE of FINANCIAL ACTIVITY in the jurisdiction | STABILITY FACTORS | TRANSPARENCY | Preferential CIT regimes | No CIT/zero rate |
| Albania | 8.0 | 25.8 | 64.4 | | | |
| American Samoa | 11.7 | .. | 41.8 | X | | |
| Anguilla | .. | 3.5 | 22.6 | X | | X |
| Antigua and Barbuda | 9.9 | 7.0 | 31.3 | X | X | |
| Armenia | 32.7 | 36.0 | 59.6 | X | X | |
| Aruba | 9.3 | 9.5 | 18.8 | | X | |
| Australia | 38.9 | 2.2 | 4.8 | | | |
| Bahamas | 4.3 | 7.5 | 44.7 | X | | X |
| Bahrain | 30.2 | 11.3 | 35.6 | X | | X |
| Barbados | 7.4 | 7.0 | 36.5 | X | X | |
| Belize | 11.1 | 13.9 | 67.3 | | X | |
| Bermuda | 0.6 | 7.3 | 22.6 | | | X |
| Bosnia and Herzegovina | 3.1 | 19.8 | 51.0 | X | | |
| Botswana | 25.3 | 21.9 | 27.9 | X | X | |
| Brazil | 37.0 | 3.3 | 55.8 | X | X | |
| British Virgin Islands | .. | 0.5 | .. | | | X |
| Cabo Verde | 12.3 | 21.5 | 47.1 | X | X | |
| Canada | 29.0 | 4.4 | 6.3 | | | |
| Cayman Islands | 1.2 | 1.0 | 21.6 | | | X |
| Chile | 45.1 | 14.0 | 9.1 | | X | |
| China | 54.3 | 2.0 | 54.8 | | X | |
| China, Hong Kong SAR | 11.1 | 1.5 | 7.7 | X | X | |
| China, Macao SAR | 59.9 | 7.9 | 21.6 | X | X | |
| Colombia | 53.7 | 20.0 | 57.2 | | X | |
| Cook Islands | .. | 1.5 | .. | X | X | |
| Costa Rica | 27.8 | 33.8 | 29.8 | X | X | |
| Curaçao | 1.9 | 37.4 | .. | X | X | |
| Dominica | 19.8 | 10.0 | 38.9 | X | X | |
| Faroe Islands | 10.5 | .. | .. | X | | |
| Fiji | 25.3 | 18.0 | 62.5 | X | X | |
| former Yugoslav Republic of Macedonia | 3.7 | 19.2 | 40.9 | X | | |
| Georgia | 29.0 | 7.9 | 24.5 | X | X | |
| Greenland | 7.4 | .. | 16.3 | X | | |
| Grenada | 31.5 | 9.0 | 40.9 | X | X | |
| Guam | 9.9 | .. | 41.8 | X | | |
| Guernsey | .. | 30.8 | .. | | | X |
| Iceland | 13.0 | 1.3 | 12.0 | | | |
| India | 52.5 | 6.6 | 65.4 | | X | |
| Indonesia | 55.6 | 11.5 | 65.9 | X | X | |
| Isle of Man | 1.2 | 31.9 | .. | | | X |
| Israel | 26.5 | 12.6 | 23.6 | X | X | |
| Jamaica | 37.7 | 18.5 | 56.3 | X | X | |
| Japan | 40.7 | 4.0 | 15.9 | | | |
| Jersey | .. | 25.3 | 16.3 | | | X |
| Jordan | 40.1 | 20.0 | 45.2 | X | X | |
| Korea, Republic of | 53.1 | 7.9 | 30.3 | | X | |

| I. Third Country Jurisdictions that rank high in all selection indicators | Selection indicators (*) | | | Risk indicators (**) | | |
|---|---------------------------------------|---|-------------------|----------------------|--------------------------|------------------|
| | STRENGTH of ECONOMIC TIES with the EU | MAGNITUDE of FINANCIAL ACTIVITY in the jurisdiction | STABILITY FACTORS | TRANSPARENCY | Preferential CIT regimes | No CIT/zero rate |
| Malaysia | 39.5 | 8.6 | 31.7 | X | X | |
| Maldives | 9.3 | 6.6 | 60.1 | X | X | |
| Mauritius | 6.8 | 2.0 | 32.2 | | X | |
| Mongolia | 41.4 | 4.6 | 61.5 | X | | |
| Montenegro | 4.3 | 13.5 | 44.2 | X | | |
| Montserrat | .. | 6.5 | .. | | X | |
| Morocco | 18.5 | 29.0 | 49.5 | X | X | |
| Namibia | 35.8 | 16.6 | 45.7 | X | X | |
| New Caledonia | 38.9 | 14.0 | .. | X | | |
| Norway | 15.4 | 7.3 | 7.7 | | | |
| Oman | 45.7 | 33.0 | 37.0 | X | | |
| Panama | 16.0 | 17.2 | 53.8 | X | X | |
| Peru | 40.1 | 22.0 | 67.3 | X | X | |
| Qatar | 34.0 | 24.5 | 29.3 | X | | |
| Saint Kitts and Nevis | 10.5 | 5.5 | 42.8 | X | X | |
| Saint Lucia | 6.2 | 8.0 | 38.5 | X | X | |
| Saint Vincent and the Grenadines | 10.5 | 6.0 | 37.0 | X | X | |
| Samoa | 22.2 | 21.2 | 52.9 | X | X | |
| Saudi Arabia | 52.5 | 13.0 | 46.6 | X | | |
| Serbia | 4.9 | 14.3 | 48.1 | X | | |
| Seychelles | 3.7 | 6.0 | 56.7 | | X | |
| Singapore | 14.8 | 2.0 | 2.9 | X | X | |
| South Africa | 29.0 | 7.7 | 45.7 | | X | |
| Swaziland | 43.8 | 4.0 | 65.9 | X | | |
| Taiwan | 58.0 | 10.5 | 22.6 | X | X | |
| Thailand | 42.0 | 6.6 | 57.7 | X | X | |
| Trinidad and Tobago | 36.4 | 17.0 | 66.3 | X | X | |
| Tunisia | 6.8 | 17.6 | 59.1 | X | X | |
| Turkey | 32.1 | 9.9 | 46.2 | X | X | |
| Turks and Caicos Islands | 8.0 | .. | .. | | X | X |
| United Arab Emirates | 30.2 | 15.4 | 19.7 | X | X | |
| United States | 28.4 | 0.5 | 11.5 | X | X | |
| Uruguay | 32.1 | 40.0 | 30.3 | X | X | |
| US Virgin Islands | 25.3 | .. | 31.3 | X | X | |
| Viet Nam | 35.8 | 25.0 | 69.7 | X | X | |

(*) Indicators are minimum percentiles: A low value indicates a high ranking.

(**) A cross 'X' indicates a risk.

For instance, a cross in the TRANSPARENCY column indicate a risk related to transparency and exchange of information.

| II. Third Country Jurisdictions with EU Tax Transparency agreement | Selection indicators (*) | | | Risk indicators (**) | | |
|--|---------------------------------------|---|---------------------------------------|----------------------|--------------------------|------------------|
| | STRENGTH of ECONOMIC TIES with the EU | MAGNITUDE of FINANCIAL ACTIVITY in the jurisdiction | STABILITY FACTORS in the jurisdiction | TRANSPARENCY | Preferential CIT regimes | No CIT/zero rate |
| Andorra | 4.3 | 86.8 | 22.6 | X | X | |
| Liechtenstein | 3.7 | 74.7 | 9.6 | | X | |
| Monaco | .. | .. | .. | | | X |
| San Marino | 14.8 | .. | .. | | | |
| Switzerland | 6.8 | 1.1 | 3.4 | | X | |

(*) Indicators are minimum percentiles: A low value indicates a high ranking.

(**) A cross 'X' indicates a risk. For instance, a cross in the TRANSPARENCY column indicate a risk related to transparency and exchange of information.

| | Selection indicators (*) | | |
|---|---------------------------------------|---|---------------------------------------|
| | STRENGTH of ECONOMIC TIES with the EU | MAGNITUDE of FINANCIAL ACTIVITY in the jurisdiction | STABILITY FACTORS in the jurisdiction |
| III. Third Country Jurisdictions that do not rank high in at least one of the selection indicators | | | |
| Algeria | 22.2 | 19.9 | 90.4 |
| Argentina | 37.0 | 11.0 | 87.0 |
| Azerbaijan | 24.1 | 5.3 | 82.2 |
| Belarus | 24.1 | 27.5 | 86.1 |
| Bolivia | 50.0 | 25.8 | 79.8 |
| Brunei Darussalam | 51.9 | 51.5 | 28.4 |
| Cameroon | 37.7 | 37.7 | 89.9 |
| Congo | 13.6 | 10.6 | 90.9 |
| Côte d'Ivoire | 17.3 | 17.2 | 70.7 |
| Cuba | 82.1 | .. | 92.8 |
| Dominican Republic | 36.4 | 35.0 | 76.9 |
| Ecuador | 70.4 | 35.1 | 85.1 |
| Egypt | 32.7 | 20.9 | 75.0 |
| El Salvador | 87.7 | 36.4 | 56.7 |
| Falkland Islands | .. | 100.0 | .. |
| French Polynesia | 44.4 | 50.5 | .. |
| Gabon | 26.5 | 45.5 | 74.0 |
| Ghana | 30.9 | 41.5 | 49.0 |
| Gibraltar | .. | 75.5 | .. |
| Guatemala | 78.4 | 40.4 | 71.6 |
| Guyana | 20.4 | 3.3 | 73.1 |
| Honduras | 35.2 | 31.8 | 76.4 |
| Iran (Islamic Republic of) | 61.7 | 30.5 | 95.2 |
| Iraq | 62.3 | 43.0 | 94.2 |
| Kazakhstan | 30.2 | 6.0 | 74.0 |
| Kenya | 27.2 | 25.8 | 83.7 |
| Korea, Dem. People's Rep. of | 50.0 | 78.5 | 94.7 |
| Kosovo* | .. | 62.9 | 60.6 |
| Kuwait | 65.4 | 13.2 | 51.4 |
| Kyrgyzstan | 59.3 | 28.0 | 88.5 |
| Lebanon | 28.4 | 12.5 | 86.5 |
| Libya | 11.1 | 17.0 | 99.5 |
| Marshall Islands | 0.6 | 2.0 | 82.2 |
| Mexico | 45.1 | 8.5 | 73.6 |
| Micronesia (Federated States of) | 63.6 | 19.9 | 86.5 |
| Moldova | 9.3 | 28.5 | 79.3 |
| Nauru | .. | 22.0 | 91.3 |
| New Zealand | 74.1 | 9.9 | 1.0 |
| Nicaragua | 16.7 | 30.5 | 80.8 |
| Nigeria | 57.4 | 16.6 | 92.8 |
| Niue | .. | 81.5 | .. |
| Northern Mariana Islands | 75.9 | 91.0 | .. |
| occupied Palestinian territory | .. | 62.5 | 64.9 |
| Pakistan | 56.8 | 35.5 | 78.4 |

| | Selection indicators (*) | | |
|---|---------------------------------------|---|---------------------------------------|
| | STRENGTH of ECONOMIC TIES with the EU | MAGNITUDE of FINANCIAL ACTIVITY in the jurisdiction | STABILITY FACTORS in the jurisdiction |
| III. Third Country Jurisdictions that do not rank high in at least one of the selection indicators | | | |
| Palau | 63.6 | 24.0 | 77.9 |
| Papua New Guinea | 22.2 | 15.9 | 84.6 |
| Paraguay | 69.1 | 26.5 | 86.1 |
| Philippines | 78.4 | 17.2 | 60.1 |
| Russian Federation | 35.2 | 7.5 | 80.3 |
| Sint Maarten (Dutch part) | .. | 70.5 | .. |
| Sri Lanka | 69.8 | 51.5 | 53.4 |
| Suriname | 19.1 | 48.3 | 70.2 |
| Syrian Arab Republic | 87.0 | 28.5 | 97.6 |
| Tajikistan | 47.5 | 29.1 | 85.6 |
| Tonga | 95.1 | 24.5 | 64.9 |
| Turkmenistan | 59.3 | 32.5 | 98.1 |
| Ukraine | 13.6 | 12.1 | 85.1 |
| Uzbekistan | 54.9 | 57.5 | 96.6 |
| Venezuela (Bolivarian Republic of) | 58.6 | 23.8 | 97.1 |
| Zimbabwe | 22.8 | 51.5 | 97.6 |

Kosovo*: This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

(*) Indicators are minimum percentiles: A low value indicates a high ranking.

| | Selection indicators (*) | | |
|--|---------------------------------------|---|---------------------------------------|
| | STRENGTH of ECONOMIC TIES with the EU | MAGNITUDE of FINANCIAL ACTIVITY in the jurisdiction | STABILITY FACTORS in the jurisdiction |
| IV. Third Country Jurisdictions with no economic data | | | |
| Åland Islands | .. | .. | .. |
| Bonaire, Sint Eustatius and Saba | .. | .. | .. |
| Bouvet Island | .. | .. | .. |
| British Indian Ocean Territory | .. | .. | .. |
| Christmas Island | .. | .. | .. |
| Clipperton | .. | .. | .. |
| Cocos (Keeling) Islands | .. | .. | .. |
| Heard Island and McDonald Islands | .. | .. | .. |
| Malaysia / Labuan Island | .. | .. | .. |
| Norfolk Island | .. | .. | .. |
| Pitcairn Islands | .. | .. | .. |
| Puerto Rico | .. | .. | 30.8 |
| Saint Helena, Ascension and Tristan da Cunha | .. | .. | .. |
| Saint Pierre and Miquelon | .. | .. | .. |
| South Georgia and the South Sandwich Islands | .. | .. | .. |
| Tokelau | .. | .. | .. |
| United States Minor Outlying Islands | .. | .. | .. |
| Vatican City State | .. | .. | .. |
| Wallis and Futuna Islands | .. | .. | .. |

(*) Indicators are minimum percentiles: A low value indicates a high ranking.

| V. Third Country Jurisdictions that are listed by the UN as Least Developed Countries | Selection indicators (*) | | |
|---|---------------------------------------|---|---------------------------------------|
| | STRENGTH of ECONOMIC TIES with the EU | MAGNITUDE of FINANCIAL ACTIVITY in the jurisdiction | STABILITY FACTORS in the jurisdiction |
| Afghanistan | 45.1 | 64.2 | 93.8 |
| Angola | 25.9 | 11.9 | 96.6 |
| Bangladesh | 58.0 | 56.0 | 81.7 |
| Benin | 39.5 | 41.1 | 76.0 |
| Bhutan | 90.7 | 68.9 | 84.6 |
| Burkina Faso | 24.7 | 37.7 | 63.0 |
| Burundi | 60.5 | 82.1 | 90.4 |
| Cambodia | 30.2 | 22.5 | 87.5 |
| Central African Republic | 46.9 | 59.0 | 94.2 |
| Chad | 80.9 | 41.5 | 91.8 |
| Comoros | 12.3 | 83.0 | 88.9 |
| Dem. Rep. of the Congo | 66.7 | 10.6 | 93.3 |
| Djibouti | 8.6 | 19.0 | 68.8 |
| Equatorial Guinea | 19.1 | 23.0 | .. |
| Eritrea | 43.2 | 69.5 | 99.0 |
| Ethiopia | 56.2 | 60.5 | 83.7 |
| Gambia | 9.9 | 49.0 | 71.2 |
| Guinea | 7.4 | 45.7 | 87.5 |
| Guinea-Bissau | 36.4 | 39.7 | 97.1 |
| Haiti | 90.1 | 21.9 | 92.3 |
| Kiribati | 42.6 | 50.3 | 82.7 |
| Lao People's Dem. Rep. | 87.7 | 55.0 | 78.8 |
| Lesotho | 51.2 | 17.9 | 64.4 |
| Liberia | 2.5 | 2.0 | 77.4 |
| Madagascar | 38.3 | 17.9 | 77.9 |
| Malawi | 48.1 | 28.5 | 74.5 |
| Mali | 21.6 | 31.8 | 72.6 |
| Mauritania | 12.3 | 19.5 | 81.7 |
| Mozambique | 14.2 | 16.0 | 72.1 |
| Myanmar | 62.3 | 18.5 | 93.8 |
| Nepal | 53.7 | 83.5 | 79.3 |
| Niger | 41.4 | 15.2 | 71.6 |
| Rwanda | 82.7 | 22.5 | 41.3 |
| Sao Tome and Principe | 17.3 | 14.5 | 74.5 |
| Senegal | 13.0 | 21.9 | 53.8 |
| Sierra Leone | 42.6 | 10.6 | 84.1 |
| Solomon Islands | 58.0 | 20.5 | 88.0 |
| Somalia | 63.6 | 29.0 | 99.5 |
| South Sudan | 100.0 | .. | 99.0 |
| Sudan | 63.0 | 25.8 | 96.2 |
| Tanzania | 34.6 | 47.5 | 77.4 |
| Timor-Leste | 74.7 | 64.5 | 80.3 |

| | Selection indicators (*) | | |
|--|---------------------------------------|---|---------------------------------------|
| | STRENGTH of ECONOMIC TIES with the EU | MAGNITUDE of FINANCIAL ACTIVITY in the jurisdiction | STABILITY FACTORS in the jurisdiction |
| V. Third Country Jurisdictions that are listed by the UN as Least Developed Countries | | | |
| Togo | 3.1 | 14.6 | 83.2 |
| Tuvalu | 17.9 | 32.5 | 80.8 |
| Uganda | 32.1 | 43.0 | 88.0 |
| Vanuatu | 17.9 | 28.0 | 59.6 |
| Yemen | 60.5 | 14.6 | 98.1 |
| Zambia | 39.5 | 27.8 | 67.8 |

(*) Indicators are minimum percentiles: A low value indicates a high ranking.