

Cayman Islands and BVI Economic Substance requirements extended to Partnerships

Cayman Islands

In line with ongoing commitments given by the Cayman Islands, regulations^[1] came into force in the Cayman Islands on 30 June 2021, expanding the categories of entities that are now in scope for the purposes of the Economic Substance regime^[2] to all types of partnerships (including general partnerships, exempted limited partnerships and foreign limited partnerships). A link to our previous Economic Substance advisory is available [here](#).

What does this mean?

Partnerships will now constitute a “relevant entity” and, therefore, all partnerships (regardless of whether or not they are carrying on a “relevant activity”) will be required to submit an annual economic substance notification indicating whether or not they are carrying on a “relevant activity”.

Partnerships carrying on a “relevant activity” are required to meet the economic substance test under the Economic Substance regime.

We anticipate that most partnerships will be operating as investment funds and, therefore will be exempt from the requirements to meet the economic substance test. However, they will be required to notify the Department of International Tax Cooperation (“DITC”) that they are investment funds. In addition, local partnerships (being partnerships that are not part of a multinational enterprise group and are only carrying on business in the Cayman Islands) will not be considered “relevant entities” and will not be required to satisfy the economic substance test.

When do the requirements come into force?

In accordance with the new regulations, partnerships which carry on a relevant activity will be required to meet the economic substance test:

- in respect of partnerships formed after 30 June 2021, from the date on which they begin carrying on a relevant activity; and
- in respect of partnerships in existence prior to 30 June 2021, from 1 January 2022.

Additional updates

The Economic Substance Guidance Notes have been updated to include an appendix relating to the extension of the Economic Substance regime to Partnerships.

The forms prepared by the DITC will be updated in due course to reflect the inclusion of partnerships. It is not possible to make any filings until the amended forms have been provided so, for the time being, filings are in abeyance.

BVI Updates

In a similar manner, BVI has also extended its economic substance regime^[3] to limited partnerships^[4] (presently those with legal personality are already in scope). The timing requirements in respect of satisfying the economic substance test mirror those of the Cayman Islands.

What you need to do

If you have any partnerships within your structures, we would advise you to get in touch with your usual Campbells contact or otherwise any of the below contacts to discuss the implications of the extension of the Economic Substance regime to partnerships.

[1] International Tax Co-Operation (Economic Substance) (Amendment of Schedule) Regulations, 2021 and the International Tax Co-Operation (Prescribed Dates) (Amendment) Regulations, 2021

[2] International Tax Co-Operation (Economic Substance) Act (2021 Revision)

[3] Economic Substance (Companies and Limited Partnerships) Act, 2018 (as revised)

[4] Economic Substance (Companies and Limited Partnerships) (Amendment) Act, 2021



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