

MARSHALL ISLANDS REMOVED FROM EU BLACKLIST; ECONOMIC SUBSTANCE GUIDELINES FORTHCOMING

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The removal has long been expected, and comes as welcome news to the Marshall Islands and global businesses that include entities organized there, primarily from the shipping industry. Following the de-listing, the Marshall Islands is expected to release guidance notes to its economic substance regulations, which we anticipate to be forthcoming in the next few weeks.

Economic substance

The Marshall Islands has enacted regulations imposing “economic substance” requirements on entities organized in the Marshall Islands, such as Marshall Islands corporations, partnerships and limited liability companies. The regulations were enacted in response to the OECD’s and EU’s initiative to combat offshore “tax havens.” For a more detailed description of the economic substance regulations, see our June 2019 briefing, *Marshall Islands – Economic Substance Requirements for Shipping Companies*.

What comes next?

As described in our earlier briefing, there is uncertainty regarding how the economic substance requirements will be implemented and enforced. It is hoped and expected that the forthcoming guidance notes will shed light on the regulations and provide a way forward for Marshall Islands entities. We believe that the shipping industry and any other businesses with Marshall Islands entities should continue to utilize a “wait-and-see” approach until the guidance notes are released. We will continue to monitor these developments, and expect to provide an analysis of the guidance notes once they are released.

KEY CONTACTS



DANIEL PILARSKI
PARTNER • NEW YORK

T: +1 212 922 2234

dpilarski@wfw.com



STEVEN HOLLANDER
PARTNER • NEW YORK

T: +1 212 922 2252

shollander@wfw.com

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