

Report to the Federal Parliament The “Cayman Tax”



The Belgian Court of Audit has examined the look-through tax known as the “Cayman Tax” in its report to the Federal Parliament. This tax on the income from a legal construction was introduced in 2015 and has been charged on the founders or beneficiaries of that construction as if they themselves had obtained the income directly (fiscal transparency).

The Cayman Tax has been part of the objective to tackle tax fraud and tax avoidance achieved through all kinds of exotic constructions.

In order to root out abuses and loopholes, the Cayman Tax legislation was strengthened and clarified in 2017 (leading to the so-called Cayman Tax 2.0).

This notwithstanding, the audit has shown that significant obstacles have remained in the application of this complex legislation and the conducting of tax controls. The Court has made recommendations to help overcome these obstacles and contribute to improve the risk analysis effectiveness and tax control productivity.

The Cayman Tax legislation has never been thoroughly evaluated. Moreover, there has been no appropriate monitoring tool to measure whether the Cayman Tax has fulfilled its objectives. Based on the increase in the withholding tax and the control results of the Cayman Tax, the revenue has however been significantly lower than the budgeted amounts.