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## **MEDIA RELEASE**

### **The Cook Islands passes legislation to address EU concerns**

The Cook Islands has passed a suite of legislation designed to meet the commitment made to the European Union's Code of Conduct Group ("COCG") and avoid being listed as a non-cooperative tax jurisdiction.

In 2017 the COCG notified the Cook Islands Government that it had identified tax provisions in certain Cook Islands statutes that it considered to be preferential and harmful. The COCG sought a commitment from the Cook Islands to amend its legislation by 31 December 2018 or be listed by the European Union as a non-cooperative tax jurisdiction. The Cook Islands made that commitment but due to inconclusive results from the general election held in June 2018 Parliament was not able to sit and was granted an extension until 31 December 2019 to comply.

In summary, the legislation passed sees:

- The removal of Cook Islands tax exemptions for Cook Islands international companies incorporated or registered under the International Companies Act 1981-82, subjecting those companies to the domestic company tax regime and a tax on company profit of 20%. Grandfathering provisions in the amended law provide that international companies existing at the date the new law becomes effective will not be subject to the new law until 2022. International companies incorporated following the passing of the new law will be subject to the taxation provisions immediately. This includes international companies carrying on international banking business from within the Cook Islands under the Banking Act 2011 and international companies licensed to carry on captive insurance business under the Captive Insurance Act 2013.
- The abolishing of Category C insurance licences issued under the Insurance Act 2008. No Category C licenses are currently issued;
- The removal of specific tax concessions on investment in the Cook Islands offered under the Development Investment Act 1995-96 and a tax exemption on revenue from certain public works offered under the Income Tax Act 1997. The COCG regarded the concessions and exemption, which have rarely been used, as harmful given they were granted on a discretionary basis.

The Deputy Prime Minister and Minister of Finance of the Cook Islands, the Hon. Mark Brown, stated that "*the Cook Islands has at all times worked openly, honestly and constructively with the European Union in order to meet the commitment it made. By passing this legislation the Cook Islands expects not to be listed as a non-cooperative tax jurisdiction and has again demonstrated its overriding commitment to meet all of its international obligations*". The Deputy Prime Minister

also announced that *“in 2020 the Cook Islands will be undertaking a thorough review of its taxation system including the taxation of company income. In addition we will be exploring the introduction of a territorial tax system, consistent with those currently implemented in many jurisdictions, as well as other measures to ensure the Cook Islands remains internationally competitive and attractive to those wishing to do business here.”*

**17 December 2019**

**END**