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Subject:	The EU list of non-cooperative jurisdictions for tax purposes – Puerto Rico

Delegations will find attached the declassified version of the above document.

The text of this document is identical to the previous version.



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NOTE

From: Commission services

To: Code of Conduct Group (Business Taxation)

Subject: The EU list of non-cooperative jurisdictions for tax purposes
– Puerto Rico

Delegations will find attached a document by the Commission services.

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Note from the Commission Services**Data on Puerto Rico****Code of Conduct Group 11 April 2019**

In 2016, the Commission services compiled a Scoreboard of indicators for 216 jurisdictions, to help Member States to determine which jurisdictions were the most relevant to screen for the EU listing process. This Scoreboard relied on 3 dimensions, each of which was made up of several indicators (see table at the end). The data for the Scoreboard was drawn from statistics compiled by Eurostat, UNCTAD, IMF and World Bank, to ensure coherence and consistency in the approach to each jurisdiction. For some jurisdictions, there was insufficient data available to be able to draw a conclusion with regard to their relevance to the EU listing process.

In the COCG report to the December 2018 ECOFIN, the Commission services were requested to *"re-evaluate the case of one particular jurisdiction on the basis of existing economic data and, should it meet the new selection indicators, screen it starting from 2020"*. The jurisdiction in question was Puerto Rico, for which no data was available for the 2016 Scoreboard. If Puerto Rico were to be screened, it would be added to the list of other jurisdictions that Member States agreed to screen from 2020, namely Azerbaijan, Guyana, Kazakhstan, Kuwait, Lebanon, Moldova, New Zealand and Ukraine.

In line with the abovementioned request, the Commission contacted Eurostat to enquire whether there has been any development in the data available for Puerto Rico. Eurostat confirmed that it still does not have data for this jurisdiction. This is because data for Puerto Rico are not available separately but are incorporated to US total figures. Eurostat explained that, unlike the other US unincorporated territories for which Eurostat has statistics, Puerto Rico belongs to the US Customs territory.

The Commission services then examined the national data published by Puerto Rico. The first dimension in the Scoreboard looks at economic ties with the EU. Puerto Rico's External Trade Statistics¹ cover trade in goods (but not in services), which means there is only one set of data to examine the economic ties dimension. However, this was also the case in the 2016 Scoreboard for some other small territories. Based on Puerto Rico's own statistics, the trade in goods to and from EU Member States accounts for (20.99%) of GDP in 2014. This would put Puerto Rico within the threshold for screening with a score of 40.5 on economic ties².

It should be noted, however, that the Puerto Rican data are not fully comparable to those used in the Commission's Scoreboard for other jurisdictions (harmonised methodology used by Eurostat). There is also a discrepancy in terms of the time period, as the data from Puerto Rico are only available for 2014 (and not for 2012 and 2013)³, whereas those for the Scoreboard were based on an average over the period 2012-2014. If the COCG decides to screen Puerto Rico on this basis, it would be the first time that such a decision is taken based on statistics which differ from those of Eurostat.

The second dimension looked at in Scoreboard is financial activity. However, there is no data available on this dimension for Puerto Rico, either from the normal sources (UNCTAD, IMF, Eurostat) or from Puerto Rico's national data.

The third dimension is stability factors, for which data was already available in the 2016 Scoreboard. Puerto Rico is within the threshold of screening with a score of 30.8⁴ on stability. Therefore, Puerto Rico could be considered to be within the threshold for screening.

In conclusion, for two out of the three dimensions covered by the Scoreboard, Puerto Rico could be considered relevant for screening. This assessment is based, however, on very limited data which are not comparable with the data used for other jurisdictions in the Scoreboard. Given Puerto Rico's integration with the USA from an economic and trade perspective, Member States should also consider whether this issue should be considered in light of the upcoming dialogue between the COCG Chair and the USA on the EU listing process and the US territories.

¹ Published by Puerto Rico's Office of the Governor ([link](#))

² Any summary percentage score below 60 in terms of economic ties is considered relevant for screening purposes

³ An average over the period 2014-2016 gives a similar ratio, with trade in goods to and from EU Member States accounting for 20.55% of GDP.

⁴ Anything below 70 in terms of stability factors is considered relevant for screening purposes



Do Member States consider that the data available are sufficient to screen Puerto Rico in 2020?

Do Member States consider that the issue of Puerto Rico should be integrated into the wider dialogue with the USA in the context of the EU listing process?

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