ECONOMIC SUBSTANCE – BRITISH VIRGIN ISLANDS (BVI)

The Economic Substance (Companies and Limited Partnerships) Act, 2018 ("ES Act") came into force in the BVI on 1 January 2019. The legislation was introduced in response to international tax transparency standards established by the OECD and the European Union.

The BVI International Tax Authority ("ITA") administers and enforces the ES Act. Since 2 January 2026, Economic Substance filings are submitted through the VIRRGIN platform operated by the Registry of Corporate Affairs.

Relevant Activities

Entities carrying on one or more of the following relevant activities may be required to demonstrate adequate economic substance in the BVI, unless they can prove tax residency in another jurisdiction:

- Banking business
- Insurance business
- Fund management business
- Finance and leasing business
- Headquarters business
- Shipping business
- Distribution and service centre business
- Intellectual property business
- Pure equity holding business

Investment fund business is specifically excluded from the list of relevant activities.

An entity that does not generate income from a relevant activity during the relevant financial period may fall outside the scope of the ES requirements for that activity.

Filing Requirements

All BVI companies and limited partnerships must make an annual Economic Substance declaration through their Registered Agent. The filing must be submitted within six months following the end of the entity's financial period.

Categories of Entities

Category A – Out of Scope

Entities not carrying on a relevant activity are generally only required to file a declaration confirming their out-of-scope status.

Category B – In Scope and Tax Resident in the BVI
Entities carrying on a relevant activity and not tax resident elsewhere must demonstrate adequate economic substance in the BVI. This generally includes:

- Being directed and managed from the BVI;
- Conducting core income-generating activities in the BVI;
- Having adequate employees, premises and expenditure in the BVI; and
- Maintaining appropriate records to support compliance.

Pure Equity Holding Companies
Pure equity holding entities benefit from reduced substance requirements. Passive holding companies receiving dividend income only will generally satisfy the substance test through compliance with BVI corporate requirements and the maintenance of a Registered Agent.

Category C – In Scope but Tax Resident Outside the BVI
Entities conducting a relevant activity but claiming tax residency in another jurisdiction must provide appropriate evidence of such tax residency, including tax returns, tax assessments, tax payment confirmations or official tax residency certificates.

Financial Periods

Economic Substance reporting is based on the entity's financial period, which generally runs for 12 months. The applicable financial period depends on the type and date of the entity.

Practical Considerations

Entities should assess their Economic Substance position at the beginning of each financial period to ensure compliance and to determine whether restructuring or additional substance measures are required.

Any entity carrying out a relevant activity should seek professional advice to confirm its classification, reporting obligations and substance requirements.