Faroe Islands

The Faroe Islands is taking steps to implement the legal basis for the transparency framework and to commence administrative preparations to ensure that information on rulings will be exchanged in a timely manner, in line with the terms of reference (OECD, 2021[3]) (ToR). For the calendar year 2020 (year in review), the Faroe Islands receives two recommendations covering the information gathering process (ToR I.A) and exchange of information (ToR II.B).

In the prior year report, the Faroe Islands had received the same two recommendations. As they have not been addressed, the recommendations remain in place.

The Faroe Islands can legally issue two types of rulings within the scope of the transparency framework.

In practice, the Faroe Islands issued rulings within the scope of the transparency framework as follows:

Type of ruling	Number of rulings
Past rulings	0
Future rulings in the period 1 September 2019 – 31 December 2019	0
Future rulings in the year in review	1

As no exchanges took place, no peer input was received in respect of the exchanges of information on rulings received from the Faroe Islands.

A. The information gathering process (ToR I.A)

410. The Faroe Islands can legally issue the following five types of rulings within the scope of the transparency framework: (i) preferential regimes[1] and (ii) permanent establishment rulings.

Past rulings (ToR I.A.1.1, I.A.1.2, I.A.2.1, I.A.2.2)

411. For the Faroe Islands, past rulings are any tax rulings issued prior to 1 September 2019.

412. In the prior year peer review report, it was determined that there is no obligation for the Faroe Islands to conduct spontaneous exchange information on past rulings. Therefore, the Faroe Islands was recommended to put in place an effective information gathering process to identify all relevant past rulings and all potential exchange jurisdictions as soon as possible.

413. During the year in review, the Faroe Islands did not implement steps to identify past rulings or to identify potential exchange jurisdictions, and therefore the recommendation remains in place.

Future rulings (ToR I.A.1.1, I.A.1.2, I.A.2.1)

414. For the Faroe Islands, future rulings are any tax rulings within scope that are issued on or after 1 September 2019.

415. In the prior year peer review report, it was determined that the Faroe Islands had no processes in place for the record keeping of rulings for the purposes of the transparency framework. Therefore, the Faroe Islands was recommended to put in place an effective information gathering process to identify all relevant future rulings and all potential exchange jurisdictions as soon as possible. The Faroe Islands intended to implement guidelines and practices to make sure the necessary information to meet the requirements of the transparency framework is required in all cases.

416. During the year in review, the Faroe Islands identified one future ruling but it did not implement steps to identify past rulings or to identify potential exchange jurisdictions, and therefore the recommendation remains in place.

Review and supervision (ToR I.A.3)

417. In the prior year peer review report, it was determined that the Faroe Islands did not yet have a review and supervision mechanism under the transparency framework. During the year in review, the Faroe Islands did not implement such a review and supervision mechanism, and therefore the recommendation remains in place.

Conclusion on section A

418. The Faroe Islands is recommended to put in place an effective information gathering process to identify all relevant past and future rulings and all potential exchange jurisdictions and to implement a review and supervision mechanism, as soon as possible (ToR I.A).

B. The exchange of information (ToR II.B)

Legal basis for spontaneous exchange of information (ToR II.B.1, II.B.2)

419. The Faroe Islands has the necessary domestic legal basis to exchange information spontaneously. The Faroe Islands notes that there are no legal or practical impediments that prevent the spontaneous exchange of information on rulings as contemplated in the Action 5 minimum standard.

420. The Faroe Islands has international agreements permitting spontaneous exchange of information, including being a participating jurisdiction to (i) the *Multilateral Convention on Mutual Administrative Assistance in Tax Matters: Amended by the 2010 Protocol* (OECD/Council of Europe, 2011[4]) ("the Convention"), (ii) the Nordic Convention on Assistance in Tax Matters and (iii) bilateral agreements in force with four jurisdictions.[2]

Completion and exchange of templates (ToR II.B.3, II.B.4, II.B.5, II.B.6, II.B.7)

421. In the prior year peer review report, it was determined that the Faroe Islands is still developing a process to complete the templates on relevant rulings, to make them available to the Competent Authority for exchange of information, and to exchange them with relevant jurisdictions. Therefore, the Faroe Islands was recommended to develop a process to complete the templates for all relevant rulings and to ensure that the exchanges of information on rulings occur in accordance with the form and timelines under the transparency framework going forward.

422. During the year in review, the Faroe Islands did not implement such a process, and therefore the recommendation remains in place.

423. As no exchanges took place in the year of review, no data on the timeliness of exchanges can be reported.

Conclusion on section B

424. The Faroe Islands is recommended to develop a process to complete the templates for all relevant rulings and to ensure that the exchanges of information on rulings occur in accordance with the form and timelines under the transparency framework going forward (ToR II.B).

C. Statistics (ToR IV)

425. As there was no information on rulings exchanged by the Faroe Islands for the year in review, no statistics can be reported.

D. Matters related to intellectual property regimes (ToR I.A.1.3)

426. The Faroe Islands does not offer an intellectual property regime for which transparency requirements under the Action 5 Report (OECD, 2015[1]) were imposed.

Summary of recommendations on implementation of the transparency framework

Aspect of implementation of the transparency framework that should be improved	Recommendation for improvement
The Faroe Islands does not yet have its necessary	The Faroe Islands is recommended to put in place an

information and gathering process in place.	effective information gathering process to identify all relevant past and future rulings and all potential exchange jurisdictions and to implement a review and supervision mechanism, as soon as possible. This recommendation remains unchanged since the prior year peer review report.
The Faroe Islands does not have a process to complete the templates on relevant rulings, to make them available to the Competent Authority for exchange of information, and to exchange them with relevant jurisdictions.	The Faroe Islands is recommended to develop a process to complete the templates for all relevant rulings and to ensure that the exchanges of information on rulings occur in accordance with the form and timelines under the transparency framework going forward. This recommendation remains unchanged since the prior year peer review report.

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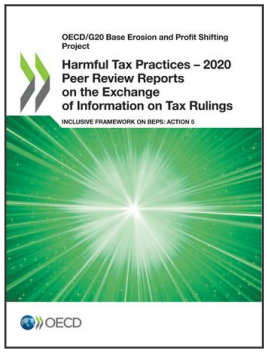
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Notes

[1] With respect to the following preferential regimes: 1) Tonnage tax regime; 2) International shipping regime.

[2] Parties to the Convention are available here: www.oecd.org/tax/exchange-of-tax-information/convention-on-mutual-administrative-assistance-in-tax-matters.htm. Parties to the Nordic Convention on Assistance in Tax Matters are Denmark, Finland, Iceland, Norway and Sweden. The Faroe Islands also has bilateral agreements with Greenland, India, Switzerland and the United Kingdom. The bilateral agreements with Switzerland and India are the Danish tax treaties, which are territorially extended to include the Faroe Islands.



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