

Cabo Verde

Overview of CbC reporting requirements

First reporting fiscal year: TBC

Consolidated group revenue threshold: EUR 750 million

Filing deadline: 12 months following the end of the reporting fiscal year

Local filing required: Yes

Surrogate parent entity filing permitted: No

First review of domestic legal framework: 2021/2022

Summary of recommendations

Area of implementation	Recommendations for improvement
Domestic legal and administrative framework	<p>It is recommended that Cabo Verde amend the definition of effective date or otherwise clarify the definition to be in line with the standard.</p> <p>It is recommended that Cabo Verde take steps to ensure that local filing only occurs in the circumstances permitted under the minimum standard.</p> <p>It is recommended that Cabo Verde clarify that the annual consolidated group revenue threshold calculation rule applies in line with the OECD guidance on currency fluctuations in respect of an MNE Group whose Ultimate Parent Entity is located in a jurisdiction other than Cabo Verde.</p> <p>It is recommended that Cabo Verde publish the full content and format requirements of the CbC Report.</p>
Exchange of information framework	<p>It is recommended that Cabo Verde take steps to have qualifying competent authority agreements in effect with jurisdictions of the Inclusive Framework that meet the confidentiality, consistency and appropriate use conditions and with which Cabo Verde has an international exchange of information agreement in effect that allows for the automatic exchange of tax information.</p> <p>It is recommended that Cabo Verde take steps to implement the necessary processes or written procedures to ensure that the exchange of information is conducted in a manner consistent with the terms of reference relating to the exchange of information framework.</p>
Appropriate use	<p>It is recommended that Cabo Verde take steps to ensure that the appropriate use condition is met ahead of the first exchanges of information.</p>

The domestic legal and administrative framework

Cabo Verde's 2020/2021 peer review confirmed that Cabo Verde has a legislative filing requirement in effect, but did not include a review of that legislation. Cabo Verde's legislation has now been reviewed.¹

A legislative filing requirement is in effect which applies to all Ultimate Parent Entities of MNE Groups above a certain threshold and which required inclusion of all constituent entities.

A CbC reporting filing obligation applies in Cabo Verde and filing is required within 12 months after the reporting year end. Cabo Verde has enforcement requirements to ensure compliance with rules on CbC reporting.

There are a number of areas where there are recommendations to improve the legislation.

The definition of effective date

Cabo Verde's legislation does not include an effective date from which CbC reporting is requirement. It is recommended that Cabo Verde amend the legislation to include an effective date for the CbC filing requirement

The local filing provision

The local filing requirement in Cabo Verde's legislation applies to "The constituent entity...which is not the final parent entity of a group of multinational companies" and the legislative definition of multinational enterprise group does not specifically exclude groups which do not meet the threshold requirement. This can be read as requiring constituent entities of all multinational groups of any size to make a local filing if the conditions are met and is therefore too broad. It is recommended that Cabo Verde amend the definition of MNE groups to include a reference to MNE groups excluded by reference to the threshold, or to otherwise specify a threshold requirement for local filing.

The first condition in Cabo Verde's legislation for local filing says: "The constituent entity residing in Cape Verde...Are owned or controlled, directly or indirectly, by non-resident entities that are not required to submit an identical declaration". This is not in line with the condition to allow local filing, where the UPE of the group is not obligated to file a country-by-country report in its jurisdiction of tax residence. The condition contained in Cabo Verde's legislation is too broad, and can be read as covering situations such as where there is a filing requirement in the other jurisdiction but the ultimate parent entity is not caught by that requirement because it is below the threshold. The intention is that this condition should apply where there is no filing requirement, not just where the ultimate parent entity is not required to file. It is recommended that Cabo Verde amend the definition or otherwise clarify the definition to be in line with the standard.

Cabo Verde has a legislative requirement for local filing but which is in effect despite Cabo Verde not yet meeting all of the consistency, confidentiality and appropriate use conditions. It is therefore recommended that Cabo Verde take steps to ensure that local filing only occurs in the circumstances permitted under the minimum standard.

Currency Fluctuations

Where an MNE Group draws up, or would draw up, its Consolidated Financial Statements in a currency other than that specified by Cabo Verde, the reference to Cabo Verde's threshold has the effect as if it were a reference to the equivalent in that currency at the average exchange rate for the accounting period. While this provision would not create an issue for MNE Groups whose Ultimate Parent Entity is a tax resident in Cabo Verde, it may be incompatible with the guidance on currency fluctuations for MNE Groups whose Ultimate Parent Entity is located in another jurisdiction, if local filing requirements were applied in respect of a Constituent Entity (which is a Cabo Verde tax resident) of an MNE Group which does not reach the threshold as determined in the jurisdiction of the Ultimate Parent Entity of such a Group.

It is recommended that Cabo Verde clarify that the annual consolidated group revenue threshold calculation rule applies in line with the OECD guidance on currency fluctuations in respect of an MNE Group whose Ultimate Parent Entity is located in a jurisdiction other than Cabo Verde.

Contents of the Country-by-Country report

The information included in the legislative Annex does not include all of the template of the Country-by-Country report and does not include any details of what should be included under each heading in the report. It is recommended that Cabo Verde publish the full content and format requirements of the CbC Report.

The exchange of information framework

Cabo Verde has no bilateral relationships in place for the exchange of CbC reports nor processes to ensure that the exchange of information is conducted in a manner consistent with the terms of reference relating to the exchange of information framework.

It is recommended that Cabo Verde take steps to have qualifying competent authority agreements in effect with jurisdictions of the Inclusive Framework that meet the confidentiality, consistency and appropriate use conditions and with which Cabo Verde has an international exchange of information agreement in effect that allows for the automatic exchange of tax information. This recommendation remains in place since the 2019/2020 peer review.

It is recommended that Cabo Verde take steps to implement the necessary processes or written procedures to ensure that the exchange of information is conducted in a manner consistent with the terms of reference relating to the exchange of information framework. This recommendation remains in place since the 2019/2020 peer review.

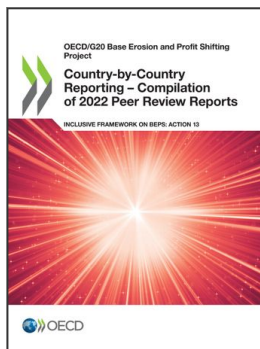
Appropriate use of CbC reports

Cabo Verde does not yet have controls in place to ensure the appropriate use of CbC reports.

It is recommended that Cabo Verde take steps to ensure that the appropriate use condition is met ahead of the first exchanges of information. This recommendation remains in place since the 2019/2020 peer review.

Note

¹ https://www.mf.gov.cv/web/dnre/legislacao/-/document_library/kawUcttkhMXD/view_file/929559?_com_liferay_document_library_web_portlet_DLPortlet_INSTANCE_kawUcttkhMXD_redirect=https%3A%2F%2Fmf.gov.cv%2Fweb%2Fdnre%2Flegislacao%2F-%2Fdocument_library%2FkawUcttkhMXD%2Fview%2F64342%3F_com_liferay_document_library_web_portlet_DLPortlet_INSTANCE_kawUcttkhMXD_redirect%3Dhttps%253A%252F%252Fmf.gov.cv%252Fweb%252Fdnre%252Flegislacao%252F-%252Fdocument_library%252FkawUcttkhMXD%252Fview%252F63598.



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