

## 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, 2017<sup>[3]</sup>). The Faroe Islands receives two recommendations covering the information gathering process (ToR I.4) and exchange of information (ToR II.5) for the year in review.

This is the Faroe Islands' first review of implementation of the transparency framework.

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

In practice, the Faroe Islands has issued no rulings in the year in review.

As no exchanges were required to take 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

374. The Faroe Islands can legally issue the following three types of rulings within the scope of the transparency framework: (i) cross-border unilateral APAs and any other cross-border unilateral tax rulings (such as an advance tax ruling) covering transfer pricing or the application of transfer pricing principles; (ii) rulings providing for unilateral downward adjustments; and (iii) related party conduit rulings. Rulings are issued by the Faroe Islands' tax administration.

### **Past rulings (ToR I.4.1.1, I.4.1.2, I.4.2.1, I.4.2.2)**

375. For the Faroe Islands, past rulings are any tax rulings issued prior to 1 September 2019. However, there is no obligation for the Faroe Islands to conduct spontaneous exchange information on past rulings.

### **Future rulings (ToR I.4.1.1, I.4.1.2, I.4.2.1)**

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

377. No rulings were issued by the Faroe Islands during the future rulings period in the year of review. However, the Faroe Islands indicates that there are no processes in place for the record keeping of rulings for the purposes of the transparency framework. It is noted that the Faroe Islands intends to implement guidelines and practices to make sure the necessary information to meet the requirements of the transparency framework is required in all cases.

### **Review and supervision (ToR I.4.3)**

378. The Faroe Islands did not yet have a review and supervision mechanism under the transparency framework for the year in review. The Faroe Islands is discussing the implementation of a revision and supervision mechanism for ensuring implementation of the transparency framework.

### **Conclusion on section A**

379. The Faroe Islands is recommended to ensure that it has put in place an effective information gathering process to identify all relevant future rulings and all potential exchange jurisdictions and to implement a review and supervision mechanism, as soon as possible (ToR I.4).

## B. The exchange of information

### **Legal basis for spontaneous exchange of information (ToR II.5.1, II.5.2)**

380. 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.

381. The Faroe Islands has international agreements permitting spontaneous exchange of information, including being a party to the (i) *Multilateral Convention on Mutual Administrative Assistance in Tax Matters: Amended by the 2010 Protocol* (OECD/Council of Europe, 2011<sup>[4]</sup>) ("the Convention"), (ii) the Nordic Convention on Assistance in Tax Matters and (iii) bilateral agreements in force with four jurisdictions.<sup>1</sup>

### **Completion and exchange of templates (ToR II.5.3, II.5.4, II.5.5, II.5.6, II.5.7)**

382. 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.

383. As no exchanges were required to take place in the year of review, no data on the timeliness of exchanges can be reported.

### **Conclusion on section B**

384. 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.5).

## **C. Statistics (ToR IV)**

385. 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.4.1.3)**

386. The Faroe Islands does not offer an intellectual property regime for which transparency requirements under the Action 5 Report (OECD, 2015<sup>[1]</sup>) 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 information and gathering process in place.	The Faroe Islands is recommended to ensure that it has 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.
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.

## **References**

OECD (2017), *BEPS Action 5 on Harmful Tax Practices - Terms of Reference and Methodology for the Conduct of the Peer Reviews of the Action 5 Transparency Framework*, OECD Publishing, Paris, <http://www.oecd.org/tax/beps/beps-action-5-harmful-tax-practices-peer-review-transparency-framework.pdf>.

[3]

OECD (2015), *Countering Harmful Tax Practices More Effectively, Taking into Account Transparency and Substance, Action 5 - 2015 Final Report*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://dx.doi.org/10.1787/9789264241190-en>. [1]

OECD/Council of Europe (2011), *The Multilateral Convention on Mutual Administrative Assistance in Tax Matters: Amended by the 2010 Protocol*, OECD Publishing, Paris, <https://dx.doi.org/10.1787/9789264115606-en>. [4]

## Notes

<sup>1</sup> Parties to the Convention are available here: [www.oecd.org/tax/exchange-of-tax-information/convention-on-mutual-administrative-assistance-in-tax-matters.htm](http://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 territorial extended to include the Faroe Islands.



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