

Quick Guide – Marshall Islands Economic Substance

Who is required to comply?

This measure applies to:

- **Non-resident domestic entities (NRDEs), partnership, LP, or LLC incorporated in the RMI;**
- **Foreign maritime entities (FMEs)**

The Marshall Islands Economic Substance Regulations (2018) require certain entities to demonstrate that they carry out real business activities in the Republic of the Marshall Islands (RMI).

The rules apply to financial periods starting on or after 1 January 2019.

Legal framework

Economic Substance Regulations, 2018, which came into force on 1 January 2019.

Relevant Activities

Economic substance applies only if the entity earns income from a relevant activity, including:

- Holding company business
- Financing and leasing
- Distribution and service center activities
- Headquarters activities
- Fund management business
- Intellectual property (IP) business
- Shipping business
- Banking business
- Insurance business

Reporting period:

All reports will be filed through the RMI's secure online portal and must be submitted **within 12 months of the anniversary date** of the NRDE or FME. Any NRDE or FME that does not meet the filing deadline may be subject to penalties or annulment.

Penalties for non-compliance

Non-compliant entities may face:

- Fines of up to USD 50,000 (up to USD 100,000 for repeated breaches)
- Revocation and dissolution of the entity
- Automatic exchange of information with foreign tax authorities

Should you have any questions or require further clarification, please do not hesitate to contact us. We will be pleased to assist you at quijano@quijano.com.