



Ministry of Finance, Economic Planning and Trade
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Press Release

Seychelles removed from Annex I of the European Union List of Non-Cooperative Jurisdictions for Tax Purposes

Tuesday 5th October 2021: The Republic of Seychelles has been removed from Annex I of the European Union's (EU's) list of non-cooperative jurisdictions for tax purposes (the "EU blacklist") following the Economic and Financial Affairs Council of the EU meeting today. This follows key steps taken in reforming Seychelles' territorial tax regime to address the concerns of the EU, in conjunction with addressing concerns of the Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum).

The Seychelles has been moved to Annex II of the list of non-cooperative jurisdictions (the "EU grey list") for criterion 1.2 (tax transparency), with removal from Annex II pending the positive outcome of a Global Forum supplementary review. Moving to the EU grey list suspends sanctions ("Defensive Measures") invoked as a result of being on the EU blacklist.

A. Refining the territorial regime to deliver on the needs of the Seychelles whilst allaying EU concerns

On 16th September 2021, following engagement with both the EU and the private sector, the Business Tax (Amendment) (Commencement) Notice, 2021 and Business Tax (Amendment of Eleventh Schedule) Regulations, 2021 were published in the Gazette. This brought into effect refinements in the Seychelles territorial tax system, such that the exemption from tax for foreign income is suitably targeted. It amended the Business Tax Act (Cap 20) to ensure that the following applies for companies that are members of a multinational group:

1. Activities performed abroad by a permanent establishment of a Seychelles company will be exempt from tax in the Seychelles, with foreign income from activities that are not sufficient to qualify as a permanent establishment remaining taxable.
2. Foreign income received on Seychelles based intellectual property will be taxable in the Seychelles, with a territorial exemption for income from patents (and equivalent rights) related to the level of research and development undertaken in the Seychelles connected to the creation of that patent.
3. Foreign passive income will be exempt under the territorial regime where the Seychelles company receiving the passive income has adequate economic substance in the Seychelles.

Any foreign income that is subject to tax in the Seychelles, such as companies with insufficient economic substance or on non-patent intellectual property, will be taxed in the Seychelles, with a credit for foreign taxes incurred.

In addition, the Act updates the definition of "permanent establishment" to align with the latest model definitions of the Organisation for Economic Cooperation and Development (OECD) and the United Nations.

B. Meeting Global Forum Standards

Seychelles' request for an Exchange of Information on Request supplementary review was presented and approved at a meeting of the Peer Review Group (PRG) on 17th September 2021.

The request for supplementary review followed the Seychelles' implementation of an extensive programme to ensure the framework for exchange of information is in place, focusing on:

- legislative reform underpinning availability and access to information,
- strengthening supervision (reporting requirements) and monitoring,
- strengthening enforcement and penalties,
- streamlining exchange of information processes,
- implementing a tracking system, building a statistics database,
- focusing on capacity building both in the administration and of taxpayers, and
- extending the exchange network to include all relevant jurisdictions.

The Seychelles submission was done after the enactment of five key pieces of legislation in 2020 and 2021 as follows:

1. Legislation enacted in 2020
 - a. Beneficial Ownership Act, 2020

The Beneficial Ownership Act, 2020 came into operation on the 28th August 2020 and has ensured that the definition of beneficial owners satisfies the Financial Action Task Force (FATF) and OECD requirement.

2. Legislation enacted in 2021
 - a. Limited Partnerships (Amendment) Act, 2021
 - b. International Business Companies (Amendment) Act, 2021
 - c. Foundations (Amendment) Act, 2021
 - d. Trusts Act, 2021

All entities will need to keep accounting information in Seychelles together with the supporting transaction documentations. These requirements will also apply to entities that are struck off and dissolved. All such data need to be kept up to date and must be kept for at least seven years.

The PRG members concurred that the Seychelles qualified for a supplementary review, and that the review would require an on-site visit.

C. Next steps

The Government welcomes the news from the EU and remains committed to continue engaging with the EU, OECD and other international institutions to ensure our operations are in line with the international standards.

The only remaining step needed to enable Seychelles to be removed from Annex II is obtaining a Largely Compliant status in the forthcoming Supplementary Review, and thereby satisfying criterion 1.2. With the new rules on availability of information now passed, Seychelles is building a track record under the new system, ready to demonstrate the success of the new regime in the on-site visit of the Global Forum (scheduled in 2022).

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