

Newsbrief

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Seychelles changes to the taxation regime of IBC and CSL

The Seychelles has a territorial basis of taxation. Under the Business Tax Act, resident and non-resident corporate and non-corporate businesses are subject to business tax on their income derived from the Seychelles, that is, profits are taxed only if they are derived or deemed to be derived from a source in the Seychelles. There is no capital gains tax; interest, dividends and other payments received from abroad are likewise not taxed.

The taxable period for a company is the calendar year i.e., from 01 January to 31 December and tax returns must be submitted by 31 March of the following year.

Basis – Taxation is source-based in Seychelles. Income earned or deemed to be earned in Seychelles is subject to business tax.

The exception to this rule is the Special License Company (CSL), which is taxed on its worldwide income.

Residence – A company is considered resident in Seychelles if it is incorporated, formed, organised in or otherwise established in Seychelles, or its central management and control are exercised in Seychelles.

The exception is that International Business Companies (IBCs) are not regarded as tax resident in Seychelles and are not permitted to carry out business in Seychelles.

With the enactment of the **Business Tax (Amendment) Act, 2018** it can be said that the Seychelles has move fully as a Territorial Tax System as of 1st January 2019.

As mentioned above, IBCs and CSLs corporate regime benefitted from certain exemption/exception prior to 1st January 2019 and with the following amendments to the law, these corporate vehicles will now be subject to taxation as local Seychelles companies.

The **International Business Companies (Amendment) Act, 2018** will allow IBCs to carry on business in Seychelles. In line with amendments in the Business Tax Act, the tax exemption clause under the IBC Act has been removed. Only IBCs deriving "Assessable Income" in Seychelles will be required to submit Annual Returns and Audited Accounts (in line with the Companies Ordinance 1972) to the FSA.

The **Companies (Special Licences) (Amendment) Act, 2018** removes the 1.5% business tax concession and withholding tax exemptions.

CSLs incorporated on or before 16th October 2017 may still be able to enjoy these tax concessions and exemption until 30th June 2021. However, other limitation apply, such as assets introduced to the relevant companies on or after 17th October 2017 will not enjoy the grand fathering exemptions.



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