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SEYCHELLES TAX AND STRUCTURING OVERVIEW

1. HOLDING STRUCTURE: IBC

- 1.1 A Seychelles International Business Company ("IBC") - is the most popular and versatile type of offshore corporation available in Seychelles. Seychelles IBC is a tax-free corporation designed for engagement into all forms of international business, with no reporting and minimum record-keeping requirements, and comprehensive confidentiality features.
- 1.2 An IBC is not subject to any tax or duty on income or profits, except for business tax payable on the gross amount of a dividend received from a source in the Seychelles. A shareholder of an IBC is also not subject to any tax on his income derived from the IBC.
- 1.3 An IBC is also exempt from any stamp duties on all transactions relating to its business, in particular on any transfers of property to or by the company, and on any transactions in respect of the shares, debt obligations or other securities of the IBC.
- 1.4 The law provides that all exemptions for an IBC shall remain in force for a period of twenty years from the date of incorporation of the IBC.
- 1.5 An IBC may not pursue business or own immovable property within the territory of the Seychelles.



2. SEYCHELLES LOCAL PROPERTY OWNING ENTITY

Rental Income

- 2.1 The same progressive tax rates apply to corporate and non-corporate businesses. An entity will be taxed at a minimum rate of 25% on the first SR 1 000 000 of taxable income and 33% on the remainder. Accordingly, the maximum tax rate is 33%.
- 2.2 Rental income derived from the employment of the capital of a business will fall within the assessable income of the business. Accordingly, business tax will be payable on such rental income. However, where rental income is from a single unit of property or dwelling (source) only, this will be exempt from assessable income and will not fall subject to business tax.

3. FUNDING

- 3.1 There are no thin capitalization or transfer pricing rules in the Seychelles.
- 3.2 Interest paid on borrowed funds used to produce assessable income may be deducted for tax purposes. Correspondingly, as rental income falls within assessable income, any interest paid on borrowed funds used to produce rental income will be tax deductible.

4. DIVIDENDS

- 4.1 A 15% withholding tax is levied on dividends paid to non-residents. If the local property owning entity pays a dividend to an IBC, the 15% withholding tax on dividends will be payable. Further, an IBC will be liable to pay a 15% business tax on the gross amount of such a dividend received from the Seychelles property owning company.



- 4.2 The local entity will not require exchange control approval to pay a dividend to an IBC or any other non-resident.
- 4.3 There is no withholding tax on dividends paid by an IBC. As the IBC is deemed to be a non-resident, there are no exchange control limitations on the payment of dividends by an IBC.

5. EXIT STRATEGY

- 5.1 Sale of property by the local property owning entity:
 - 5.1.1 there is no Capital Gains Tax in the Seychelles;
 - 5.1.2 if the taxpayer claimed depreciation on the building, the taxpayer will be taxed on a recoupment of the building allowance when the property is sold;
 - 5.1.3 if the taxpayer then declares a dividend out of the profit on the sale of the building, that dividend will be subject to a withholding tax of 15% if the dividend is paid to an IBC or other non-resident. There will also be a withholding tax on a liquidation dividend if the local entity is wound up after the sale of the property. Further, an IBC or other non-resident will be liable to pay a 15% business tax on the gross amount of any such dividend received from the Seychelles property owning company.
- 5.2 Sale of shares in local entity:
 - 5.2.1 there is no Capital Gains Tax in the Seychelles;



- 5.2.2 there will be no recoupment of the building allowance as the building will not be sold;
- 5.2.3 full stamp duty on transfer of shares will be payable.
- 5.3 Sale of shares in IBC:
 - 5.3.1 the IBC is completely offshore. The gains on the sale of the shares in the IBC will therefore not be taxed in the Seychelles;
 - 5.3.2 there will be no transaction taxes or stamp duty on the transfer of the shares;
 - 5.3.3 no exchange control issues will arise in the Seychelles;
 - 5.3.4 the sale of the interest in the IBC is therefore the most advisable exit strategy for an investor. The problem with this strategy is that the law does not require an IBC to keep accounting records or file returns. A potential purchaser will therefore have difficulties in doing a due diligence on acquisition of the shares in the IBC.

This document is produced for information and guidance purposes only and Purchasers should seek their own independent advice to address and suit their own specific circumstances