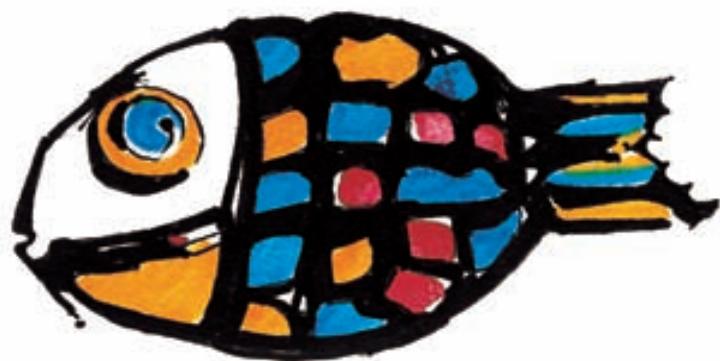


## THE VILLA HANDBOOK



*Eden Island*  
SEYCHELLES

## The Villa Handbook

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## **Introduction**

Welcome to the Villa Owner's Manual.

Within these pages you will find answers to some of the questions you might have pertaining to life on Eden Island as well as some of the procedures regarding the legal ownership and construction aspects together with details of the various choices that you are about to make concerning your private Villa.

As one of only a limited number of Villa owners on Eden Island, you will be able to select the Villa type of your choice from the broad range of designs created. This together with the unique topography of the parcel upon which your Villa will be built and your selection of interior design options and features will ensure that your Villa will be unique... your own interpretation and style.

You have a lot to look forward to. Decisions need to be made. Information gathered. Floor plans chosen. Finishes debated.

There is no time like the present.

Let's start.

## **Securing your Villa**

We have kept the process of selecting your Villa as logical and easy as possible, whilst of course offering you maximum room to manoeuvre within the parameters set out by the urban designers, architects, landscapers and of course the Village Management Association.

This handbook should be read in conjunction with the Villa Brochure, which presents you with the characteristics of the eight Villa types, some with their own variations. The Villa brochure explains which Villa types fit onto which parcels. To assist you in deciding which of the Villa types best suits your needs you can find out more information on each type on the CD-ROM provided at the rear of the Villa Brochure. Prices of the various villa types on each parcel of land are available from your sales agent.

Once you have an idea as to which Villa type best suits your needs we will deliver to you the more detailed print versions of the floor plans, elevations and vertical sections of the Villa type/s you are interested in. The sales agent dealing with your purchase will make arrangements for this to happen.

Once you have made your final selection, you will be asked to sign your sales documentation for the parcel of land and villa type of your choice. During this process your sales agent will arrange for any specific requests you may have to be addressed to the architect, interior designer, landscaper or the Villa Project Manager, whichever is the more appropriate to deal with your questions and to ensure that all areas of concern and opportunity are fully explored. In addition the exact positioning of your Villa on your parcel will be explained and agreed. Based on these interactions the building layout plans for your Villa will be drawn up based on your individual input and preferences for you to sign as part of your sales documentation. Full building plans will also be drawn once you have signed for your home.

The Purchase of land in Seychelles requires Government sanction and your agent will supply you with all the details required to do this.

The payment process works as follows and is fully detailed in the sales agreement:

A 10% deposit (including any reservation fee you may have already paid) payable on signature of the sales agreement which is deposited into escrow. The balance of the 90% is to then be secured by way of an additional deposit into escrow or a bank guarantee.

Once the plot (parcel) is surveyed, transfer of the plot (parcel) will be registered into your name and 30% of the sales price is released to the Developer from escrow or against your guarantee. The balance of the purchase price is then

paid into escrow or can be irrevocably guaranteed for drawdown as set out below.

Once the building is at floor level a further 10% is released to the Developer. At roof trusses level a further 30% is released to the Developer and on Practical completion the last 30% is released to the Developer less the US\$ 100 000 retention details of which are explained below.

Mortgage finance is also available on the island through Barclays Bank and in this event suitable guarantees will also be obtained from Barclays Bank.

## **Construction**

Depending on which Villa type you choose the construction of any particular Villa should take approximately 10 to 12 months to complete. You will be supplied with a building programme with estimated completion dates as part of your signing process. This will be confirmed once the detail of the Villa you are choosing is determined.

You will be supplied with regular site progress updates during the course of the construction of your Villa and will be working closely with your sales agent in finalising your interior and finishes selections.

## **General phasing and Planning**

Eden Island is a large development and for this reason it is being sold and built in specific phases. In doing this it is critical that people who move onto the island in the earlier stages are afforded the opportunity to live in peace and harmony with what will in certain areas be a construction site for a while.

To ensure this occurs a detailed and specialized building program, designed by the project engineers, has been developed which will ensure that the disruption to residents will be kept to an absolute minimum.

Strict building rules and guidelines will be put in place to ensure that the day-to-day functioning and enjoyment of the island will not be disturbed. An acceptable balance needs to be found between getting the building work on the island completed as soon as possible and ensuring that disruptions are minimal. In doing this the island is being developed in phases that create distinct habitable precincts that are partitioned off from the remainder of the scheme. For example a precinct of Villas that has been completed and occupied will be hoarded off from the construction side of the island they are on. In addition each Villa site will be hoarded off from a neighbouring plot that is being built on. Proper access and egress site security in each of these areas will be provided 24 hours a day. It may be appropriate from a noise prevention point of view to limit construction hours in certain areas as residents start to move in.

All Owners will have direct access to the General Manager of the Village Management Association once they have moved in to address any concerns they may have.

Possession by an Owner of the finished Villa occurs on Practical Completion and it is necessary to have someone nominated that can receive the keys to the home and sign for it at the time. Thereafter owners then have 90 days to prepare a defects list of any items that they feel may need rectifying (refer to the Sales Agreement for more detail on this).

A \$100 000 retention on the purchase price is held in the escrow account pending rectification by the Developer of the defects so determined and agreed as being in terms of the contract. The Developer will start to rectify these defects immediately within 60 days of receiving such notice. Once defects corrected the Final Completion is reached and the retention released to the Developer. If an Owner fails to supply the defects list within 90 days then the retention is released automatically.

## **Finishes**

The finishes represent the best of the islands, in theme and in quality. They portray a myriad of shades, textures and objects d'art found throughout the Seychelles.

Based on three unique themes aptly named Pearl, Coral and Granite, the finishes palettes have been designed within the principles of luxury and functionality. You can choose between or mix any elements from one of the three different palettes of finishes, according to your personal style.

For a visual representation of the three palettes, an in-depth finishes brochure will be presented to each Purchaser to assist with the decision process.

## **Appliances**

All appliances will naturally be of the highest standard, in the main kitchen as well as the service kitchen. A full list of appliances is detailed on the specifications schedule provided.

## **Interior Furniture Options**

Eden Island also offers buyers the opportunity to select from the carefully put together Furnishings and Furniture ranges. We have designed three different interior furnishing styles from which to choose and these will be individually

presented and priced to give Owners the opportunity to tailor these to fit their own style and budget.

Each style consists of a myriad of options for your living areas, dining room, different bedrooms as well as all outside areas. Each one, classic in its own right, is being designed with opulence, comfort and functionality in mind.

The Plantation style harks back to an era of unsurpassed wealth in the Seychelles, when the massive plantation homes housed classic furniture, generous in their design and rich in detail.

The Island Light style is more minimalist in design. Not as traditional as the Plantation style, it is indicative of the lightness found throughout the Seychelles culture. It offers a palette of simple, beautiful furniture that blend perfectly with the surrounding nature.

The Seychelles Now style is more modern in its approach. Still classic in form, it leans more towards the abstract without losing the natural essence of the Seychelles.

These will all be showcased in the separate finishes brochure once it is ready.

Of course Owners are quite at liberty to furnish their own homes separately from what is on offer here.

### **Optional Extras**

Working closely with the Architects over a protracted length of time we have attempted to provide a selection of Villa layouts and designs to suit most tastes and needs. In so doing we realise that there may well still be some tweaks Owners wish to make to certain aspects of the layout and design of their preferred home. Provision is made for this and any optional extras or variations requested will go through a separate design viability and costing process and will be dealt with as a variation to your signed contract. Wherever possible it is hoped that changes will be kept to a minimum on the principle that the basic designs offer enough variety anyway.

Any changes will be part of the interactive process you have with your agent. Of course once the plans are signed further changes may not be possible as this will only delay the building process.

### **EPV and Parking**

Eden Island is a vehicle-free zone, with pathways specifically designed for EPVs (Electrically Powered Vehicles), keeping the noise level to a bare minimum and

enhancing safety on the island enormously. The need to provide paths instead of fully fledged roads also means that far more land is made available for open spaces around the island.

All Villa owners will receive an EPV plus two parking bays at their Villas – one of these bays can be converted to an extra storage space if need be.

Owners will also receive a dedicated parking bay for their EPVs as well as an extra parking bay for their motor vehicle in the Commercial Precinct.

## **Boating and Moorings**

As part of the Purchase Price of each Villa, all owners receive a mooring for their own private boat or yacht. As the Villas are designed as sea facing homes either on beaches or on the peninsulas on Eden Island it is not possible to position the moorings right in front of the Villas. They have therefore been positioned in one of the inner basins on Eden Island close by to each home. If for whatever reason an Owner requires a second mooring, or a bigger mooring for a larger vessel or even a super-yacht, the Developer will assist Owners in negotiating with the Marina operators a long term tenancy for such a berth at a mutually acceptable rate. It may also be possible to extend the size of some of the moorings to accommodate specific needs.

An international marina, Eden Island Marina offers international marina capabilities from fuelling, sullage and cleaning to all-inclusive super-yacht services and even a dive shop in Marina House, the retail and office hub for the marina.

The Developer is in the process of negotiating for extra storage facilities for speedboats, kayaks and other recreational water equipment off the island, managed by the Village Management Association and the Marina Operators on behalf of Owners and charged out on a market related rental basis. Initially storage facilities for boats will be available for hire to Villa Owners on the island.

## **Landscaping**

The landscaping for the Villas will be a generous mix of manicured lawn and indigenous 'forest' vegetation found throughout the Seychelles. Proportions will naturally rest with you, the landowner, and will be discussed and considered together with any special requests you might have.

With groundcover, shrubs and trees planted to attain natural green screening between the Villas, privacy will be guaranteed. Using roll-on lawn coupled with runners, your lawn will be fully established only three months after planting, with a

fully developed 'forest-effect' established between two and three years after construction started.

An automated irrigation system will supplement the island's natural rainfall, and together with the gardening service provided by the Village Management Association will ensure that your designed garden will always be kept in peak condition.

### **Village Management Association**

The draft rules of the Village Management Association form part of the Sales Documentation. The Village Management Association is formed ahead of the first transfer at Eden Island and will become fully operational the moment the first residents move into their homes. The Village Management Association plays a crucial role in ensuring that Eden Island runs smoothly as a development and its role is to look after the estate and collection of the levies. Its role at Eden Island is not only one of coordination, but also consistency. Duties include control of the aesthetics, be it to promote a harmonious development or enhance and maintain appearances throughout the island. Design Guidelines form an important part of controlling the aesthetics of the island and will be strictly enforced.

The Association will coordinate the employment of staff to maintain and control the public areas, access roads, gardens, beaches and are custodians of the design guidelines as set out by the urban design planners, architects and landscapers.

Village Management Association is headed up by a General Manager who commenced duties on 1 June 2007. His name is Jasper van der Westhuizen, who has a wealth of experience in managing estates of this magnitude having managed the world renowned Arabella Country and Golf Estate in South Africa for seven years.

### **Rental Pool**

An extensive rental pool system will operate at Eden Island incorporating the Apartments, Maisons and Villas for Owners who wish to participate. The rental pool for the Villas will in the interim be managed by the Village Management Association on a one on one basis as is required.

## **Levies**

To ensure the smooth running of the island and providing the necessary daily services by the Village Management Association a detailed budget has been prepared for the levy system.

This annual budget has been brought back to an average monthly figure and then divided into the gross square meters of all the homes on the island. Based on this calculation the initial rate per square meter equates to approximately \$3.85 a month. Specific levies will be calculated for each Villa.

There is also a monthly fee to cover expenses applicable to the maintenance and management of every owner's mooring and this is currently set at an amount of \$70 per month per berth.

These rates are an initial estimate based on applying the principles applied to similar schemes worldwide. The Village Management Association is a non-profit organisation and attempts will always be made to ensure that levies are kept to a minimum. The rates quoted relate to the projected costs for the year to 31 December 2008 and will be subject to change annually.

## **Legal and Payment Process**

As with any development this size, there are a host of legal requirements that must be fulfilled before the Villa can be transferred into your name. For a comprehensive list of the legal requirements please consult your Sales Agreement and the Sales Documentation guidelines provided.

## **Insurance**

Included in the monthly levy is the insurance for the common areas and buildings. However insurance of your Villa and its contents is individually charged. Bulk discounted rates are being negotiated through an insurance broker in Seychelles and individual House owners and Householders Insurance will be available through this channel. The Village Management Association will assist in the administration of this and with the payment and levying of premiums. An outsource arrangement for the processing of claims will also be implemented.

## **Guidelines regarding offshore company structures**

Two separate papers are enclosed pertaining to this but all purchasers are encouraged to seek their own advice where appropriate. Your sales agent will also be able to assist you in this process.

## **Lifestyle**

As Villa owner you will of course be privy to all the facilities on Eden Island. Incorporating different activities, from the recreational to the relaxing, it is yours to enjoy.

The Commercial Precinct, measuring more than 6000m<sup>2</sup> of prime retail space will offer you all the luxuries you are used to at home. From a supermarket, boutique shops, luxury fashion stores and even a book shop to a modern business centre – you will never have to leave the island in order to find exactly what you are looking for. And since it is also to be classified as a currency-free trading zone, why would you want to?

There will be plenty of restaurants catering for every taste, offering everything from business lunches to hamburgers for the kids, most of which will be operating by the time the first Villas are finished.

The design and structure of the retail centre is dependent on the tenancy base that takes up space in the centre. The response so far from prospective tenants have been overwhelming and it is anticipated that some firm announcements about when it will be completed should be made by the end of August 2007.

Part of this lifestyle is also the relaxed recreational facilities found throughout the island. The various swimming pools, the private and secure beaches, the magnificent Clubhouse and Sport Centre offering you and the kids a host of activities. Play Squash, Tennis or Volleyball. Join the modern Gym or just relax at the bar, taking in the magnificent views as children play Putt-Putt nearby.

It is a lifestyle designed to make the most of your time in the Seychelles, whether you live here permanently or are just visiting for a holiday. A whole island to entertain you. A beautiful home to retreat to. An island Villa in the Seychelles. A dream come true. Enjoy the journey.

## CORPORATE OWNERSHIP STRUCTURES IN SEYCHELLES

### A. DOMESTIC SEYCHELLES COMPANY

1. This is a company incorporated under Seychelles Companies Act 1972 and carries on business in the Seychelles.
2. Can acquire property in its own name.
3. If any director or shareholder is a foreigner, you must obtain sanction in terms of the Immovable Property Transfer Restriction Act.

#### NOTE: SANCTION IS A MULTI LAYERED PROCESS

- a. Firstly, obtain the usual sanction documents in respect of the purchasing entity, i.e. the Seychelles company.
- b. Secondly obtain the sanction documents in respect of the shareholders of the Seychelles company.
  - i. Where the shareholders are natural persons, obtain the usual sanction documents for natural persons.
  - ii. Where the shareholder is another legal entity, obtain the sanction documents in respect of such legal entity and its ultimate beneficiaries.

### B. DOMESTIC OVERSEAS COMPANY

1. This is a company incorporated in accordance with the laws of a country other than the Seychelles - e.g. a company incorporated under the laws of South Africa, Mauritius, Italy etc. It is not what is commonly referred to as offshore company.
2. A Domestic Overseas Company can acquire property in its own name.

3. It is regarded as a foreigner and sanction is required in terms of the Immovable Property Transfer Restriction Act.
  - a. Firstly, obtain the usual sanction documents in respect of the purchasing entity, i.e. the Overseas company.
  - b. Secondly obtain the sanction documents in respect of the shareholders of the Overseas company.
    - i. Where the shareholders are natural persons, obtain the usual sanction documents for natural persons.
    - ii. Where the shareholder is another legal entity, obtain the sanction documents in respect of such legal entity and its ultimate beneficiaries.
4. **In addition, this company must also file its particulars with the Registrar of Companies in Seychelles before sanction will be approved. (See below re filing of particulars)**

### C. OFFSHORE COMPANY

1. This is a company that does not carry on business in the jurisdiction where it was incorporated, but operates offshore, e.g. IBC (International Business Company or BVI type company).
2. It cannot own property in its own name on Eden Island in the Seychelles. The vehicle of ownership will be the local domestic Seychelles company and the offshore company can be one of the shareholders in the local domestic company.
3. This company is regarded as a foreigner and sanction will be required in terms of the Immovable Property Transfer Restriction Act.
  - a. Firstly, obtain the usual sanction documents in respect of the purchasing entity, i.e. the Seychelles company.
  - b. Secondly obtain the sanction documents in respect of the shareholders of the Seychelles company.

In respect of the offshore company who will be one of the shareholders, you need to obtain the usual company documents, i.e. memo & articles, certificate of incorporation, details of directors

etc. as well as a certificate of good standing and a due diligence report.

It is not necessary to obtain any documents in respect of the ultimate beneficiaries of the offshore company.

**NOTE:** Due to the fact that the beneficial owners are not disclosed, this may impact on the right of the beneficial owners to obtain residency permits. Where an offshore structure is used and the company has no objection to declare who the beneficial owners are, such beneficial owners (it is understood) will be entitled to apply for residency permits if they so require.

4. No filing of particulars is required in respect of the offshore company.

## **REGISTRATION (FILING) OF PARTICULARS OF OVERSEAS COMPANIES**

In order for companies registered in other jurisdictions in the world than the Seychelles to have the power to own land in the Seychelles as if they were locally registered Seychelles companies, they must comply with the requirements of Section 310 of the Companies Act 1972 of the Republic of Seychelles ("the Act") with regards to the registration of required documents and particulars.

Thereafter, such overseas companies will be deemed to be registered in the Seychelles but governed by the overseas laws of the country of its incorporation.

1. In terms of Section 310, overseas companies (intending to purchase any property in the Seychelles) must deliver to the Registrar for registration, a certified copy of the original:
  - 1.1 the charter, or
  - 1.2 the statutes, or
  - 1.3 memorandum and articles of association of the company, or
  - 1.4 certificate of incorporation of the company, or
  - 1.5 any other instrument which constitutes the overseas company or contains the regulations which govern it. (If the instrument is not written in English, a certified copy thereof in English must be provided);
2. a list of the directors and secretary of the company;

3. the name of the person or persons who have been appointed to be the managing agent or agents, of the overseas company in the Seychelles which person will have the powers of a managing director of the company in the Seychelles; (With regard to the powers of the managing agent appointed, Kieran confirms that he will have the same powers as a MD usually/ normally would have had, subject to these powers being limited to transactions effected in the Seychelles.

It will therefore be very important that the purchasers exercise careful consideration when they appoint a managing agent in the Seychelles.)

4. the names of two or more persons in the Seychelles who have been appointed to accept on behalf of the company service of process and any notices required to be served on the overseas company;
5. the particulars of persons mentioned in 2, 3 and 4 (above) shall be:
  - 5.1 with respect to each individual who is a director, managing agent in the Seychelles or person appointed to accept service on behalf of the overseas company in the Seychelles:
    - 5.1.1 - his/her present Christian name and surname and any former Christian name and surname
    - 5.1.2 - his/her usual residential address
    - 5.1.3 - his/her nationality
    - 5.1.4 - his/her business occupation (if any)
    - 5.1.5 - if he/she has no business occupation but holds directorship or directorships, then those particulars;
  - 5.2 with respect to a company, body corporate or firm which is a director, managing agent or person appointed to accept service on behalf of the overseas company in the Seychelles:
    - 5.2.1 - its corporate or firm name
    - 5.2.2 - the country where it was formed or incorporated
    - 5.2.3 - its registered office (if any)
    - 5.2.4 - its principal place of business in the Seychelles (if any);
  - 5.3 with respect to the secretary of the overseas company or, where there are joint secretaries, with respect to each of them:

- 5.3.1 - in the case of an individual:
    - 5.3.1.1 his/her present and any former Christian name and surname
    - 5.3.1.2 his/her usual residential address
  - 5.3.2 - in the case of a company or body corporate or firm,
    - 5.3.2.1 the firm's name
    - 5.3.2.2 its registered office (if any)
    - 5.3.2.3 its principal place of business in the Seychelles (if any).
6. Any of the persons appointed for the purposes mentioned in points 3 and 4 (above) may be an individual or a firm resident or carrying on business in the Seychelles or a company formed and incorporated in the Seychelles.
  7. Potential purchases should also be aware that there are registration charges and fees for registering an overseas company. Disbursements of approximate US\$ 600 (six hundred) together with a fee that should be agreed with the service provider attending thereto, which should bring the total amount to about US\$ 1500 (one thousand five hundred) all inclusive. The annual administration fee should also be agreed to up front with the service provider.
  8. Annual statutory tax returns for all income received from the Seychelles must be filed for this company, in the Seychelles, even if it is a nil tax return.
  9. The Registrar of Companies (Seychelles) must be advised of any change of the company's directors.

*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*

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June 2007

## 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. 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

- 2.1 Rental Income
  - 2.1.1 The same progressive tax rates apply to corporate and non-corporate businesses. The maximum tax rate is 40%.
  - 2.1.2 Rental income from a building used exclusively as a residence, is exempt from tax. Therefore income from long term residential leases will not be taxed.
  - 2.1.3 Where the building is rented out for residential use on a short term basis or it is rented out as a business premises, the rental income will be subject to income 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.
- 3.3 The deduction of interest on loans from entities other than banks or money lenders is limited to an interest rate at the minimum rate of interest on deposits prescribed by the Central Bank which prevailed at the date the loan was made less 2%.
- 3.4 Therefore, if the acquisition of the property is funded by a loan from the IBC, the interest deduction will be limited. If the property owning vehicle were to make a loan directly from a bank, the full interest will be deductible (subject to the provisions of the Business Tax Act.)

### **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.
- 4.2 The local entity will however require exchange control approval to pay a dividend to an IBC or any other non-resident. It is very difficult to obtain exchange control approval for such payments.
- 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.

- 5.1.4 The main problem with this exit strategy is that the exchange control restrictions make it very difficult to expatriate the profits on the sale of the property.
- 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.

## **6. LIQUIDATION DIVIDEND**

The ownership structures for the properties on Eden Island are obviously influenced by the ability of owners to structure their affairs in a tax efficient manner. Accordingly, one of the questions relates to the ability of a local Seychelles company (a Limited company) to declare a liquidation dividend in the event of a winding up.

This relates to the situation where the owner of the property (being the Limited Seychelles company) sells the property out of it (i.e. the company sells its asset...the property on Eden Island...to a purchaser). The proceeds of this sale are then sitting as cash in this company and for the shareholders of the company to be able to get their hands on the money, the company has to either declare a dividend or the company can repay any shareholders' loans (loan accounts) there may be.

For purposes of declaring a dividend to foreign shareholders, there is a

withholding tax of 15%. The question now is whether this 15% withholding tax also applies should the company be wound up (liquidated) and the proceeds are paid to its shareholders as a liquidation dividend. The reasoning being that any growth in the value of the asset equates to a capital gain. As there is no Capital Gains Tax in the Seychelles, theoretically there should also be no withholding tax on such liquidation dividend.

The taxation situation regarding dividend distribution is the same whatever kind of dividend is declared, this applies whether it be it a liquidation dividend or otherwise.

Dividends paid to non Seychellois are subject to withholding tax at 15%, but this can be mitigated by double taxation agreements such as the one with South Africa and other countries, however this taxation cannot be avoided or by-passed.

Although capital gains are not taxed, the dividend outflow will be in the scenario outlined. This has been confirmed with the Seychelles Tax office and unfortunately the Tourism Incentive Act does not deal with this issue either in that all other property developments are in exactly the same situation.

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