



**Circular No. 7 of 2021**

**Date: 30<sup>th</sup> June, 2021**

**Cessation of the grandfathering period**

The Financial Services Authority (FSA) would like to draw the attention of:

- i. Companies issued with a special licence under the Companies (Special Licences) Act
- ii. Non-domestic insurers licensed under the Insurance Act
- iii. Export services licensees under the International Trade Zone Act
- iv. Licensees under the Securities Act
- v. Fund administrators under the Mutual Fund and Hedge Fund Act

of the cessation of the grandfathering period as of 1<sup>st</sup> July 2021 in line with the legislative amendments made in 2018.

**i. Companies (Special Licences)**

As per the Companies (Special Licences) (Amendment) Act, 2018, the 1.5% business tax concession and exemption of withholding tax provisions were repealed with effect as at 1<sup>st</sup> January 2019. CSLs issued with a special licence on or after 17<sup>th</sup> October 2017 would not benefit with business tax concession and exemption of withholding tax beyond 1<sup>st</sup> January, 2019. However, CSLs incorporated on or before 16<sup>th</sup> October 2017 are able to enjoy the above stated tax concessions and exemption until 30<sup>th</sup> June 2021.

As a consequence, as at 1<sup>st</sup> July 2021, no CSL would be able to enjoy tax concession and exemption of withholding tax and would therefore be subjected to the general tax rates under the Business Tax Act.

**ii. Non-Domestic Insurers**

As per the Insurance (Amendment) Act, 2018, the tax exemption provision applicable to Non-Domestic Insurers were repealed with effect as of 1<sup>st</sup> January 2019. Non-Domestic Insurers licensed between on or after 17<sup>th</sup> October 2017 would not benefit with business tax exemption beyond 1<sup>st</sup> January 2019. However, Non-Domestic Insurers licensed on or before 16<sup>th</sup> October 2017 are able to enjoy these exemptions until 30<sup>th</sup> June 2021.

As a consequence, as at 1<sup>st</sup> July 2021, no Non-Domestic Insurer would be able to enjoy tax exemption and would therefore be subjected to the general tax rates under the Business Tax Act.

### **iii. Export Services Licensees**

As per the International Trade Zone (Amendment) Act, 2018, and the International Trade Zone (Amendment) Regulations, 2018, the holder of an Export Services licence will not be allowed to provide any service other than repair and reconditioning of goods, warehousing and rental of storage or logistic services (provided that these activities relates to goods physically handed in the zone in Seychelles) as of 1<sup>st</sup> January 2019. However, all Export Service licensees licensed on or before 16<sup>th</sup> October 2017 are able to undertake their initially approved activities and still benefit with business tax exemption until 30<sup>th</sup> June 2021.

As a consequence, as of 1<sup>st</sup> July 2021, all Export Services licensees undertaking activities not listed in the International Trade Zone (Amendment) Regulations, 2018 must surrender their licence by 30<sup>th</sup> June 2021. Any licence not surrendered by the due date will be automatically revoked.

### **iv. Licensees under the Securities Act**

As per the Securities (Amendment) Act, 2018, it requires securities exchanges, clearing agencies, securities facilities, securities dealers and investment advisors to meet the minimum substance requirements in order to benefit with the concessionary tax rate. The Securities (Substantial Activity Requirements) Regulations, 2018 provides that the substantial activity requirements shall be met if the securities exchange, clearing agency, securities facility, securities dealer or investment advisor undertakes its core income generating activities in Seychelles with reasonably adequate number of suitably qualified persons and incurs an adequate amount of operating expenditures for such activities with effect as of 1<sup>st</sup> January 2019.

Any of the above mentioned licensees licensed on or after 17<sup>th</sup> October 2017 would only benefit with business tax concession if they meet the substantial activity requirement. However, those licensed on or before 16<sup>th</sup> October 2017 would still enjoy business tax concession until 30<sup>th</sup> June 2021 without the need to meet substantial activity requirement.

As a consequence, as of 1<sup>st</sup> July 2021, all the all licensees would now need to meet substantial activity requirement in order to benefit with business tax concession.

See [Substantial Activity Requirement Guidelines](#) for more information.

### **v. Fund Administrators**

As per the Mutual Fund and Hedge Fund (Amendment) Act, 2018, it requires Fund Administrators to meet the minimum substance requirements in order to benefit from the concessionary tax rate. The Mutual Fund and Hedge Fund (Substantial Activity Requirements) Regulations, 2018 provides that the substantial activity requirements shall be met if the Fund Administrator undertakes its core income generating activities in Seychelles with reasonably adequate number of suitably qualified persons and incurs an adequate amount of operating expenditures for such activities with effect as of 1<sup>st</sup> January 2019.

Fund Administrators licensed on or after 17<sup>th</sup> October 2017 would only benefit with business tax concession if they meet the substantial activity requirement. However, those licensed on or before 16<sup>th</sup> October 2017 would still enjoy business tax concession until 30<sup>th</sup> June 2021 without the need to meet substantial activity requirement.

As a consequence, as at 1<sup>st</sup> July 2021, all Fund Administrators would now need to meet substantial activity requirement in order to benefit with business tax concession.

See [Substantial Activity Requirements Guidelines](#) for more information.

The FSA hereby reiterates that all its licensees adhere to its respective legislative requirements described above.

**Financial Services Authority**