

International Trade Zone

Guidelines



FINANCIAL SERVICES AUTHORITY

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1. Introduction

These guidelines have been prepared by the Financial Services Authority (“the Authority”) to provide assistance in matters pertaining to the application, licensing of operators and regulating of Employment matters under the International Trade Zone Act, 1995 (“the Act”) in the capacity as the Authority responsible for the regulation and control of all activities in a Zone. These guidelines also provide a summary of the Act, thus it is not intended to be comprehensive nor replace or override any legislative provisions. Applicants and licensees are therefore advised to read these guidelines in conjunction with the Act.

1.1 Enquiries

Enquiries on licensing related matters should be forwarded to the Authority:

By Post: Director of Seychelles International Trade Zone
Financial Services Authority
P.O. Box 991
Bois De Rose Avenue, Mahé
Seychelles

By e-mail: karl@fsaseychelles.sc

Tel: +248 4 380 800
Fax: +248 4 380 888

2. Scope of the Act

2.1 Definition of International Trade Zone

Pursuant to section 3 of the International Trade Zone Act, an International Trade Zone (“ITZ”) means an area in Seychelles declared through the official Gazette by the Minister responsible for Finance to be an international trade zone. Such zone may be a single enterprised zone i.e. restricted to a single business or a zone where more than one business is carried on.

2.2 Types of Licences

The types of licences issued under the Act include;

- (a) Redistribution Licence
- (b) Light Assembly Licence
- (c) Manufacturing Licence
- (d) Processing Licence
- (e) Export Services Licence

These licences are issued by the Authority with the condition that the main focus of business operation is exporting.

Note: The export services licence refers to the provision of services relating to goods being physically handled in the zone such as:

- (a) Repair and reconditioning of goods;
- (b) Warehousing and rental of storage space, or;
- (c) Logistic services

These are the only permissible activities to be conducted by the holder of an export services licence.

2.3 Offences

Any person who carries on business in a zone without a licence by the Authority or, other than in accordance with the licence commits an offence and is liable on conviction to a fine of SCR 50,000 and to imprisonment for 5 years.

3. Application and Licensing

In order to carry on business in the Seychelles International Trade Zone, a licence from the Authority is required. In other words, no person shall operate in a zone unless it holds an International Trade Zone licence.

3.1 Application Requirements

An application submitted to the Authority for an International Trade Zone Licence under the International Trade Zone Act, 1995 must comprise of the following documents:

- (a) A cover letter¹
- (b) A completed Application Form
- (c) The relevant processing fee²
 - (i) Manufacturing Licence fee of US\$1,300
 - (ii) Processing Licence fee of US\$1,300
 - (iii) Light-Assembly fee of NIL
 - (iv) Redistribution License fee - NIL
 - (v) Export Services Licence fee of US\$ 500
- (d) Proof of source of funds (Bank statement or Proof of loan)
- (e) Certified true copies of constitutional documents of the applicant (Memorandum and Articles of Association, Certificate of Incorporation, Particulars of Directors and Secretaries, Register of Shareholders/Members)
- (f) Personal Questionnaire completed by each director
- (g) Questionnaire form for Shareholders and Beneficial Owners completed by each shareholder and beneficial owner of the applicant
- (h) Contract of Employment
- (i) Localisation plan after the first year of operation
- (j) A detailed Business Plan (refer to Appendix 1) which includes:

¹ This letter must state the documents being submitted and the number of copies of each.

²Processing fee for Redistribution and Light Assembly licence is NIL.

- (i) Company Summary
- (ii) Market Details
- (iii) Environment Impact Assessment
- (iv) Financial Summary
- (v) Parent company details (if applicable)

The Authority will only process an application if the processing fee has been submitted. During processing of the application, the Authority may request for additional information or supporting documents for the purpose of determining the application.

3.2 Submission of Application

All applications seeking the approval of the Authority must be addressed and either hand delivered or mailed to:

The Chief Executive Officer
Financial Services Authority
P.O. Box 991
Bois De Rose Avenue
Victoria
Mahé
Republic of Seychelles

All application forms and other documents are available from the Authority's website (www.fsaseychelles.sc).

4. Administrative processes of license applications

Step 1: Acknowledge receipt of the application.

Step 2: Carry out an initial review of the application to assess whether the application is complete.

Step 3: Begin to process the application if deemed complete.

Step 4: Request for additional information or supporting documents for consideration of the application, if necessary.

Step 5: Inform the applicant on whether the application has been approved for licensing or not.

Note that a person who supplies, to the Authority, information in connection with an application which he knows or reasonably knows is false or misleading, is guilty of an offence as per section 13 of the Act.

5. Service Standard

The Authority's current Service Standard for processing application, from receipt of a complete application is 5 weeks.

It is important to note that this service standard will only be achievable if all the required information/documents are provided at the time the application is lodged. The Authority is not responsible for delays arising from the submission of incomplete applications.

The applicant will have 4 weeks to provide additional information upon request from the Authority. If the requested information is not submitted during this time period, the application will be considered void and a new application will have to be lodged along with payment of the required processing fee should the applicant wish to proceed further with the application.

This service standard is not exhaustive or binding on the Authority. The licensing regime requires the Authority to exercise discretion in the application of the service standard. How it does this will depend on the applicant's particular circumstances.

6. Granting of licence

Upon being granted approval for a licence the applicant must pay the authority the full sum of the annual licence fee.

When dealing with an application, the Authority will not grant a licence unless it is satisfied that:

- (a) the applicant meets the minimum level of investment for the particular business;
- (b) the applicant has arrangements for employing sufficient number of persons to carry out the business;
- (c) the applicant has arrangements to maintain a physical place of office or premise in Seychelles

pursuant to section 6(3A) of the International Trade Zone Act, 1995. These requirements have been introduced through the International Trade Zone (Amendment) Act, 2019, to ensure that applicants who wish to enter the ITZ Regime has substance. Minimum level of Investment

The minimum level of investment stipulated represent the minimum required for a proposed investment. Minimum level of investment serves as precursor for determination in an application process.

The Minimum Level of Investment for the following ITZ licences:

- (a) Manufacturing Licence minimum level of investment – US\$ 15,000
- (b) Processing Licence minimum level of investment – US\$ 15,000
- (c) Light-Assembly Licence minimum level of investment – US\$ 5,000
- (d) Redistribution Licence minimum level of investment – US\$ 5,000
- (e) Export Services Licence minimum level of investment – US\$ 10,000

Note: The Authority has discretion in granting or refusing a licence. The Authority may, in dealing with an application, take into consideration matters other than those mentioned above. In the event that the application is successful and the licence is issued the Financial Services Authority may publish on its website or other publications, the name of the licensee and contact details.

7. Demarcation as an ITZ

Upon receiving an approval by the Authority, the company should provide the Authority with all the relevant documents for demarcation of the premises where the effective management and/or business will be conducted. Once the demarcation process is completed, the boundaries of the demarcated zone will be published in the official gazette.

8. Expansion on demarcated zone

Once a company has become a licensee through the approval of the authority, the licensee shall be required to adhere to section 5(1) of the ITZ Act, which states that no licensee shall erect any building or other structure in the demarcated zone nor lease any movable or immovable property against the original plans, structure and area of the demarcated zone without the approval of the Authority. The licensee seeks permission and approval from the Authority for any alteration made in the demarcated zone may be subject to terms and conditions that the Authority deems necessary.

9. Sale to the Domestic Market

The holder of an ITZ licence may provide an amount or value of its goods or services covered by its license to the domestic market, however, prior approval must be sought from the Authority. The Authority has the discretion to decide the amount or value which can be provided to the domestic market. Nonetheless, the licensee must ensure that the principal revenue of the business is not derived from sales to the domestic market.

This determination will be made on a case by case basis and the Authority will have regards to whether there is any competition in the domestic market and the addition to economic value that will arise from the sale to the domestic market and/or any other considerations.

The application to seek approval to sell goods or provide services to the domestic market must be lodged to the Authority.

10. Obligatory reporting to the Authority

Section 9(1) of the ITZ Act makes mention that the holder of an ITZ licensee is required to keep proper and sufficient records which shall be submitted to the Authority annually or as and when the Authority deems necessary to be requested. Proper and sufficient records includes:

- (a) any information relating to imports and exports;
- (b) audited financial statements;
- (c) bill of entry for endorsement; and
- (d) general employment matters such as employment contracts, termination of employment letter, employee appraisals.

11. Requirements to notify Authority of changes

Section 15(1) of the FSA Act makes mentioned that the holder of an ITZ licensee is required to submit the below listed information if any alteration have been made after the initial license is issued:

- (a) changes in directorship and shareholders of the company of the licensees;
- (b) changes in organizational structure of the company of the licensees.

It is important that the Authority is made aware of the requested information on all its licensees.

12. Renewal of licence

The licence granted under the Act is valid for a period as specified in the licence.

Formal notification for renewal should be done at least 8 weeks in advance of the expiry of the licence. If the licensee fails to confirm to the Authority that it wishes to renew its licence, the Authority shall construe that the company does not wish to renew its ITZ licence.

A licence is valid for a period specified in the licence unless the holder fails to pay the annual fee or other fees specified in the regulations. Where a person fails to pay the annual or other fee in respect of a licence, the licence shall cease to be valid on the day next following the day on which the fee becomes due and payable.

The Authority will only renew a licence upon:

- (a) Payment of the annual licence fee
 - (i) Redistribution annual licence fee of US\$550
 - (ii) Light Assembly annual licence fee of US\$550
 - (iii) Manufacturing annual licence fee of US\$2,700
 - (iv) Processing annual licence fee of US\$2,700
 - (v) Export Services annual licence fee of US\$1,500; and
- (b) Satisfactory compliance of the licensee to regulatory requirements.

13. Laws not applicable to ITZ licensee

Schedule of the Act allows certain laws not to be applicable to licensees in the International Trade Zone as follows:

13.1 Immovable Property (Transfer Restriction) Act

The holder of an ITZ licence is exempted from section 4 and 13 of the Immovable Property (Transfer Restriction) Act. This exemption allows a non-Seychellois with an ITZ licence to purchase or lease immovable property in Seychelles, and purchase or acquire shares in a company which owns immovable property or rights in Seychelles.

13.2 Licences Act

ITZ licensees are exempted from the Licences Act.

13.3 Employment Act

The national Employment Act is not applicable to an ITZ licensee. All ITZ employment matters are governed by the ITZ Employment legislations namely, the International Trade Zone (Conditions of Employment) Order, 1997 and the International Trade Zone (Employment) Regulations, 1997.

13.4 Stamp Duty Act

The holder of an ITZ licence is exempted from the Stamp Duty Act.

13.5 Control of Rent and Tenancy Agreements Act

ITZ licensees are exempted from the Control of Rent and Tenancy Agreements Act.

14. Appointment of Compliance Officer

ITZ licensees are not required to appoint a compliance officer per S.I 54 of 2021 Financial Services Authority (Exemption) Notice, 2021. This exemption is attributed to the holder of an ITZ licence given the nature of their business. Nonetheless, the holder of an ITZ licence must establish and maintain a Compliance Manual which establishes the compliance policy, systems and controls.

15. Obligation under the AML/CFT Act

ITZ licensees are not reporting entities for the purpose of the Anti-Money Laundering and Countering the Financing of Terrorism Act (AML/CFT Act). As a consequence, they are not required to appoint a compliance officer and alternate compliance officer.

16. Business Tax Act

The Seychelles International Trade Zone previously benefited from a 0% Business Tax Concession. With the review conducted by the “Code of Conduct Group” (COCG) for Business Taxation³, the International Trade Zone Act, 1995 was amended to repeal this concessionary tax rate as it was deemed Harmful by the COCG.

Subsequent to the Amendments, existing licence holders (ITZ operators licensed before the 27th of December, 2019) have been granted a grace period of 3 years to continually benefit from the business tax

³ An international organisation under the scope of the European Union with the mandate of assessing tax measures in jurisdictions significantly lower or at a rate of zero as opposed to the general tax rate in that particular jurisdiction.

concession until the 31st December, 2022. New licencees (ITZ operators licensed after the 27th December, 2019 are advised to clarify their tax obligations with the Seychelles Revenue Commission (SRC).

Guidance issued by the SRC specifies that the tax liability of a company will be dependent on where the activities or profit making activities of the business are conducted. If operations are conducted in Seychelles then the company will be liable to the prevailing business tax rate listed in the Business Tax Act, dependent on the nature of their activities.

17. Customs Management Act

ITZ Act states that goods brought into, or services provided to a person in any place in Seychelles, other than a zone, from a zone shall be deemed to be goods imported into, or services provided from, a place outside Seychelles.

Furthermore, goods brought into a zone, or services provided to a person carrying on business in a zone in respect of that business, from any place in Seychelles, other than a zone, shall be deemed to be goods exported, or services provided to, a place outside Seychelles, from Seychelles.

Lastly, goods moving from one zone to another zone or from one zone for the purposes of being exported to a foreign country shall not, while in transit through any other part of Seychelles, be treated as goods which have been imported into Seychelles.

By virtue of the above interpretation, a zone is viewed as extraterritorial by transacting through customs control. Henceforth customs management act, shall not be applicable to transactions to any place which is deemed outside of Seychelles.

18. Excise Tax Act

In line with the above stated interpretations (item 18) whilst reading the Excise Tax Act, 2009 section 4(1)(b) and 4(2) which stipulates that excisable goods imported into Seychelles will be subject to excise tax, given that a zone is deemed outside of Seychelles, the Excise Tax Act shall not be applicable to the ITZ licensee. Furthermore, in section 4(2) states that an export of excisable goods shall be subject to a zero rate of excise tax provided the goods have been entered for export under the Customs legislation. This further reinforces that the ITZ licence exporting an excisable good will be liable to a zero tax rate.

19. Substantial Activity Requirements

The International Trade Zone (Substantial Activity Requirements) Regulations, 2019 makes provision for substance requirements to be met annually in order for a licence holder to benefit from the concessions granted under the Act.

Substance is deemed to have been met if the licence holder conducts its activities in Seychelles by –

- (i) Maintaining permanent, identifiable and appropriate physical office or premises in Seychelles;

- (ii) Employing, directly or indirectly, a reasonably adequate number of suitably qualified persons to carry out its activities; and
- (iii) Incurs an adequate amount of operating expenditures for such activities.

20. Physical office or Premise

The holder of a licence must have a designated area allocated as its business premise. This premise will be the area where the licensable activity of the ITZ licence holder is conducted and this area will have to be demarcated as an ITZ.

21. Reasonably adequate number of suitably qualified persons

The assessment of the “adequate number of qualified persons” will be conducted on a case by case basis with due regards to the activities of the business and the number of employees conducting the activities fundamental to the operation of the business. The employees must have the educational background, qualifications and experience to undertake their duties and must be additionally employed on a full time basis.

The exact number of employees required will be dependent on the type of licence, the volume or size of the business as well as the complexity of the business undertaken.

22. Adequate amount of operating expenditure

The amount of operating expenditure regarded as adequate will be proportionate to the size of the business and the amount of revenue earned.

All fixed costs incurred in a particular financial year would also be used to determine adequate amount of operating expenditures. All expenses made should commensurate with the nature, level, volume, size and complexity of the business.

23. Incentives offered by the ITZ

The Seychelles International Trade Zone provides for numerous incentives which include:

- (a) 0% customs duty in imported in the Zone
- (b) 0% VAT for goods imported into Zone
- (c) Exempt from payment for ITZ Work Permit fee
- (d) 100% foreign ownership permissible
- (e) Ability to import foreign workers for skills absent in Seychelles
- (f) Exemption from stamp duty
- (g) Exemption from immovable property tax

These incentives will be availed by licensees only if the licensee meets the substance requirements specified under the International Trade Zone (Substantial Activity Requirements) Regulations, 2019.

A company licensed after the 27th of December 2019 onwards, will have to adhere to these requirements to avail the incentives stipulated above. If a licence holder wishes to benefit from the incentives for a financial year, the substance requirements have to be met for the previous financial year.

For example, if a company wishes to benefit from the incentives in 2021, then the company must meet the substance requirements for the year 2020.

24. Monitoring and control for benefits

The Authority assumes the responsibility to monitor and supervise the activities of all ITZ licensed companies in regards to compliance to all relevant legislations and laws respective of the Seychelles territory. As such, the FSA conducts both offsite and onsite monitoring.

The relevant concessions attached to the ITZ licence, is subjected to the FSA endorsing the Bill of Entry of ITZ companies. Only imported materials and capital equipment that are to be used specifically for zone operations are exempted from VAT not items for personal use. This process allows the Authority to verify the value of imports and exports submitted by ITZ companies monthly and annual through Audited Financial Statements.

In Addition, the FSA conducts regular onsite visit to ITZ companies premises to monitor the companys' compliance to relevant regulations, conditions attached to the licence and employment checks.

25. Role of the Authority

The Authority is conferred responsibility for the regulation and control of all activities carried out in a zone, as well as the promotion and development of the International Trade Zone and activities carried out in the zone.

Appendix 1

BUSINESS PLAN

Each licence application requires the submission of a detailed business plan describing the proposed activity and operations of the company along with its financial summary. The points listed below should be used as a guide as to the details required in the business plan.

(1) Executive Summary

- (i) Objectives of the company;
- (ii) Mission;
- (iii) Type of activity the company will engage in.

(2) Company Summary

- (i) Company Ownership;
- (ii) Source of Funding;
- (iii) Company History (for on-going companies or Start-up Plan (for new companies);
- (iv) Company Locations and Facilities (will need to identify a place of business to the satisfaction of the FSA for demarcation later on.)

(3) Market Details Summary

- (i) Products & Services Description;
- (ii) Market analysis;
- (iii) Market strategies.

(4) Environmental Impact Assessment

- (i) By-products of your activity;
- (ii) Effluents;
- (iii) Other Environment considerations.

(5) Management Summary

- (i) Organizational Structure;
- (ii) Management Team.

(6) Financial Summary

- (i) 3 years financial forecast including breakdown of utilities, administrative/running cost, salaries, cost of sales etc...
- (ii) Capital Investment / Initial Investment details;
- (iii) Audited account for past 3 years (if the proposed activity is an on-going, in the form of a branch or a subsidiary, then audited account for the past 3 years would be required to be submitted.)

If the proposed activity is an ongoing activity in the form of a branch, existing company or subsidiary then the FSA would require certain documents as follows:

- Audited accounts of the past 3 years of the Parent company;
- Shareholders Register of parent company;
- Individual Shareholders and directors should submit individual PQ Form, as well as Certified copy of passport, proof of address and Bank Reference;
- Particulars of Directors and Secretaries;
- Memorandum of Association;
- Articles of Association;
- Certificate of Incorporation.

The information requested are not exhaustive of the matters that the Authority may need to consider. The Authority reserves the right to request any additional information or documents as deemed necessary.