

Moving Beyond with Efficient Low Tax Structures Seychelles CSLs (Company Special Licence)



What is a CSL?

A Seychelles Company Special Licence (“CSL”) is a domestic company incorporated under the Companies Ordinance 1972 and subsequently issued with a special licence under the Companies (Special Licence) Act 2003 (the “CSL Act”). The incorporation and licensing time frame for a CSL is approximately 2 to 3 weeks.

The CSL is a tax resident entity in the Seychelles (unlike an International Business Company incorporated under the International Business Companies Act 1994, which is tax-exempt).

One of the most attractive features of a CSL is its ability to access the expanding network of double tax avoidance agreements that Seychelles has with jurisdictions such as China, Indonesia, to name a few.

There are strict secrecy provisions in the CSL Act, providing that all information relating to the shareholding and beneficial ownership of the CSL gathered during the licence application remains confidential.

Uses of a CSL

A CSL has multiple uses, including:

- Holding company
- Investment company
- Marketing company

- Holding intellectual property
- Headquarters company
- Franchise company

Should a CSL wish to carry on banking or insurance business, additional licensing by the Central Bank of Seychelles or by other appropriate Government authority is required.

About Seychelles

The global market is increasingly recognizing the merits of Seychelles as an international financial centre. Seychelles registered 14,700 tax-exempt International Business Companies in 2010 alone, which ranks it as one of the most popular offshore company jurisdictions worldwide. Seychelles offers modern legislation coupled with political and economic stability. Seychelles is on the OECD whitelist. Seychelles is an independent country, having gained its independence from Great Britain in 1976.

Features of a CSL

A CSL may carry on business from within or outside Seychelles. The features of a CSL include:

- Minimum paid up share capital of US\$1;
- Registered shares, preference shares, redeemable shares and non-voting shares are all permitted;

- Shareholders' and beneficial owners' information is not accessible to the public;
- Shareholders and directors meetings not required to be held in Seychelles (although typically Board meetings should be held in Seychelles if a CSL is accessing a double taxation avoidance agreement);
- A CSL is liable for Seychelles business tax at the rate of 1.5% on its world-wide taxable income (which, when a CSL is accessing a Seychelles double taxation avoidance agreement, may be fully avoided when tax credits apply – for example, if not less than 1.5% foreign withholding tax has been paid in respect of income received by a CSL). “Taxable income” means assessable (gross) income less allowable deductions;
- Exempt from Seychelles withholding tax on dividends, interests and royalties;
- Exempt from Seychelles stamp duty on shares and properties;
- Name must include the suffix “Limited”;
- Must have a secretary which is a licensed Corporate Service Provider in Seychelles (Appleby Seychelles);
- Minimum two individual directors;
- Nominees permissible;
- Minimum two shareholders (can be individuals or corporate);
- Annual audit requirement;
- Requirement to file annual audited accounts;
- AGM requirement.

Statutory Fees:

- One time application fee of US\$ 200+ 15% tax
- Annual Licence fee: US\$ 1000+ 7.5% tax
- Annual return filing fee: US\$ 200+ 5% tax

Benefits of Seychelles as a jurisdiction

- Stable commercial and regulatory environment
- Diverse portfolio of products
- Cost-effectiveness
- Time-zone and speed of delivery
- Competitive tax environment
- Privacy, subject to an acceptable exchange of information programme

- No exchange controls
- Good political stability and a democratically elected government

Double taxation avoidance agreements have been ratified with the following countries:

	Country	Withholding tax on dividends	Withholding tax on Interest	Withholding tax on Royalties
1	China	Not to exceed 5%	Not to exceed 10%	Not to exceed 10%
2	Indonesia	Not to exceed 10%	Not to exceed 10%	Not to exceed 10%
3	South Africa	Nil	Nil	Nil
4	Oman	Not to exceed 5%	Not to exceed 10%	Not to exceed 10%
5	Botswana	5% for beneficial owner holding at least 25% otherwise 10%	Not to exceed 7.5%	Not to exceed 10%
6	Mauritius	Nil	Nil	Nil
7	Thailand	Not to exceed 10%	Not to exceed 10%	Not to exceed 15%
8	Vietnam	Not to exceed 10%	Not to exceed 10%	Not to exceed 10%
9	Malaysia	Not to exceed 10%	Not to exceed 10%	Not to exceed 10%
10	Cyprus	Nil	Nil	Nil
11	UAE	Nil	Nil	Nil
12	Barbados	Not to exceed 5%	Not to exceed 5%	Not to exceed 5%

Accessing Double Taxation Avoidance Agreements (“DTAs”)

To access, and be entitled to the benefits under, a DTA, CSLs are required to show that they are being effectively managed and controlled from the Seychelles.

How to demonstrate Seychelles effective management and control?

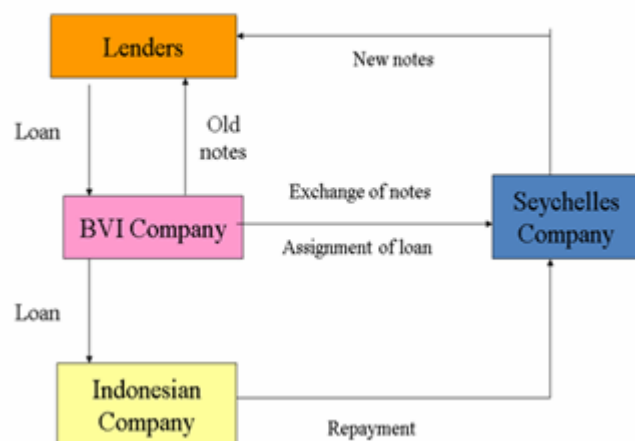
- Having all or a majority of Seychelles resident directors;
- All board meetings to be held in Seychelles (or

chaired in Seychelles, where non-resident directors attend by telephone);

- Advisable for the CSL to have a Seychelles bank account, and all funds relating to company transactions should be banked in or flow through the company's Seychelles bank account;
- Annual General Meetings to be held in Seychelles;
- Company contracts should be approved and signed in Seychelles.

Example of the Indonesia – Seychelles DTA

- No force of attraction for business profits (unlike most other treaties concluded by Indonesia);
- Withholding tax on dividends: 10%, regardless of the amount of the shareholding;
- Withholding tax interest: 0% (on government bonds) or 10%;
- Withholding tax on royalties: 10% (no WHT on service fees);
- Seychelles offer credit for Indonesian tax;
- Although the sample structure refers to debt financing, it should be noted that a key benefit under the DTA is avoidance of Indonesian tax on capital gains made on disposal of shares held by a CSL in an Indonesian company. Under the DTA, such gains are taxable where the CSL is resident (Seychelles) but no tax applies as Seychelles has no capital gains tax.



	Through BVI	Through Seych.
• Gross interest	100	100
• Indonesia WHT	<u>20</u>	<u>10</u>
• Net receipt	80	90
• Spread	0.2 (1/4%)	0.225% (1/4%)
• Tax on spread	<u>0</u> (34.5%)	<u>0.003</u> (1.5%)
• Spread+tax	0.2	0.228
• Amount available for interest lender	79.8	89.772
• Withholding tax	0%	0%

Inward Investment into China



1) Plus equity investments in other East Asian countries (Singapore, Malaysia, Hong Kong, etc.)

The withholding tax on dividends under the China-Seychelles DTA: 5% regardless of percentage of shareholding. This means that the Seychelles-China DTA has a distinct advantage over China's DTAs with Hong Kong and Singapore, which both cap Chinese withholding tax on dividends at 10% if the Hong Kong or Singapore company own less than 25% of a Chinese company.

Should you have any questions or request for further information please contact:

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