



**Ministry of Finance, National Planning
and Trade**
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Press Release

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Seychelles denounces EU Council’s decision to add it on Annex I of its list of non-cooperative jurisdictions for tax purposes

The European Union (EU) Council has added Seychelles to Annex I of the EU list of non-cooperative jurisdictions for tax purposes (the so called EU blacklist), in view of Seychelles’ rating of Partially Compliant by the Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) for Exchange of Information on Request.

The Minister for Finance, National Planning and Trade, Mr. Naadir Hassan denounced the Council’s determination and stated “the addition of the Seychelles on the EU blacklist on the basis of rigid application of criterion set purely for non-member states goes contrary to the purported principles of the list being promotion of good tax governance standards.”

“The EU have had a complete disregard for the specifics relating to Seychelles’ rating, despite extensive engagement with them, illustrating the progress made and evidencing the reforms undertaken and their effectiveness in practice. Their automatic listing of the country despite this evidence of political commitment to the standards on tax transparency illustrate a careless approach to the harm such listing entails. It is inexcusable that historic deficiencies which have been fully remedied should continue to have such significant impact on the jurisdiction. **We call on the EU to review their listing procedures to provide greater transparency, consistency and equitable treatment, such that any country, small, big or well-connected is justly considered. The fact that the list consists predominantly of small island developing states highlights the injustice of the application of their listing criteria.**”

The EU Council applied a strict application of their criterion 1.2 of their tax transparency criteria, which provides that if a jurisdiction is overall not compliant or partially compliant with the Global Forum’s standard on exchange of information on request (the Standard), then that jurisdiction is proposed to be added to the EU list of non-cooperative jurisdictions for tax purposes. However, these tax transparency criteria apply to purely

non-member states, and certain exceptions to strict application of these criteria have been made in certain instances.

“Seychelles is calling on the EU to immediately act to review the listing criteria to effectively provide a fairer governance structure and level the playing field for all jurisdictions. Non-member states cannot be held to higher standards than member states.”

The Seychelles’ rating of Partially Compliant against the Standard is primarily due to difficulties encountered in responding to exchange of information requests relating to one single registered agent which left the jurisdiction together with all its records in 2018, following the public disclosures in 2016 of documents linked to the activities of several service providers focusing on offshore operations (“the Panama Papers”). These disclosures resulted in a significant increase in the number of exchange of information (EOI) requests received by Seychelles related to this one registered agent, and unfortunately, as they had already left the territory together with all records, the Seychelles competent authority was unable to obtain the information to satisfy the requests.

Statistically this translated to the Seychelles being unable to provide legal and beneficial ownership information to respectively 26% and 35% of the EOI requests received through the period under review (April 2019 to March 2022), and it is purely these statistics which the Peer Review Group (PRG) contended hindered the country’s upgrade to a Largely Compliant rating in relation to element A1 of the Standard (being availability of legal ownership, beneficial ownership and identity information) and consequently hindered an overall rating of Largely Compliant.

The Seychelles authorities however have repeatedly contended that these very same statistics can illustrate the disproportionate impact of this single registered agent which left the territory in 2018 given that should the cases involving this registered agent be excluded from the analysis, Seychelles was successful in satisfying more than 99% of the requests for legal ownership and more than 91% of the requests for beneficial ownership through the review period.

Alongside a swathe of other reforms in the interest of tax transparency undertaken by the country since 2020, the Seychelles specifically amended legislation to address this vulnerability by requiring that all registered agents which leave or cease operations in the territory hand over their records to the Financial Services Authority, and this mechanism has proven successful in permitting the competent authority to access records in practice. The Report and the PRG both acknowledged the disproportionate impact of this one single legacy matter, however, the determination remained that there was no precedence for discounting this impact on the statistics.

The Seychelles intends to submit a further request for supplementary review to the PRG at the earliest opportunity, and remains positive for the outcome of the same, being conscious of the extensive legislative reforms which have already been implemented including:

- legislative reform underpinning availability and access to information, including the following:

- The Beneficial Ownership Act, 2020
- The Anti-Money Laundering and Countering the Financing of Terrorism Act, 2020
- The Trusts Act, 2021
- The Limited Partnerships (Amendment) Act, 2021
- International Business Companies (Amendment) Act, 2021
- Foundations (Amendment) Act, 2021
- strengthening supervision (reporting requirements) and monitoring,
- strengthening enforcement and penalties,
- streamlining exchange of information processes,
- implementing a tracking system, building a statistics database,
- focusing on capacity building both in the administration and of taxpayers, and
- extending the exchange network to include all relevant jurisdictions.

Whilst lamenting the unfairness of the EU listing, “the Seychelles will not permit this to impede on our objective of being a key player in the promotion of tax transparency, and will continue to address any deficiencies which detract from the achievement of this objective”, said Minister Hassan.

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