

Seychelles Updates – IBC Act Amendment Highlights relating to Requirements of Accounting Records

This update summarizes recent amendments to the International Business Companies Act 2016 (the “Act”), which regulates Seychelles International Business Companies (“IBC”) on the requirements of keeping accounting records, has been amended by the International Business Companies (Amendment) Act 2021, which came into force on 6 August 2021.

The Act, together with Foundation (Amendment) Act, 2021, Limited Partnerships (Amendment) Act, 2021 and Trusts Act, 2021, require every legal entity to keep its accounting records at its registered office in Seychelles that are sufficient to reflect the legal entity’s transactions, enable the financial position of the legal entity to be determined with reasonable accuracy at any time and allow for financial statements of the legal entity to be prepared.

Under the Act, the implementation of accounting records keeping obligations should comply with the following manners with effect from 6 February 2022:-

1. Bi-Annual accounting records keeping

(1) In the case of an entity which is (a) a holding company (meaning that company with no trade or business operations of its own, but holding interests in other companies or assets); and (b) a non-large company (meaning that the annual turnover of the company is equivalent to or less than Seychelles Rupees 50,000,000, under the Revenue Administration Act), is required to keep, on a Bi-Annual basis, that is, at an interval of 2 times per year, its accounting records at the entity’s registered office in Seychelles, according to section 175 (1A) of the Act.

(2) Accounting records relating to transactions or operations in the first half (January to June) of a calendar year must be kept in Seychelles by July of that year; while accounting records relating to transactions or operations in the second half (July to December) of a calendar year must be kept in Seychelles by January of the following year.

- Accounting records relating to transactions or operations in the past 7 years to 31 December 2021 must be kept in Seychelles by 6 February 2022.
- Accounting records relating to transactions or operations in the first half (January to June) of 2022 must be kept in Seychelles by July 2022.
- Accounting records relating to transactions or operations in the second half (July to December) of 2022 must be kept in Seychelles by January 2023.

An entity that is struck-off or dissolved or deregistered must ensure that any outstanding accounting records are lodged at its registered office in Seychelles by January or July following the date that it is struck-off, dissolved or deregistered, in line with the above guidance.

(3) Although the Amendment Act requires a legal entity to keep its accounting records in Seychelles at least twice per year, it is important to be aware that the law requires a legal entity to keep its accounting records on a continuous basis (i.e. at all times), and any accounting records should be provided to the Seychelles' authorities upon request.

2. Annual financial summary keeping

Annual financial summary is required for every (a) large entity and (b) non-large non-holding entity. A large entity or a non-large entity that is not a holding entity, is required to prepare an annual financial summary to be kept at its registered office in Seychelles within 6 months from the end of the entity's financial year, according to section 175 (1B) of the Act. The financial year is defined as the calendar year unless it is changed by the legal entity.

3. Component of accounting records

"Accounting records", in relation to a legal entity, is defined as documents in respect of the legal entity's assets and liabilities, the receipts and expenditure of the legal entity and the sales, purchases and other transactions to which the legal entity is a party to. The Accounting records, can take on many forms and include the underlying documents:

- Bank statements
- Receipts
- Sales / Purchases Invoices
- Vouchers
- Title documents
- Contracts and agreements
- Ledgers

4. Location of accounting records

(1) The accounting records need to be kept in either original form or electronic form. If a legal entity's original accounting records are kept at a place other than in Seychelles, the legal entity must inform its Registered Agent in writing of the physical address of that place, according to section 175 (2) (2A) of the Act. It is important to note that the Seychelles' authorities maintain the right to request for the original records.

(2) While the accounting records are required to be kept at the registered office in Seychelles, they are not required to be filed with the Registrar and are not open to public inspection.

5. Compliance inspections and penalties

With effect from February 2022, the Registrar expects to initiate its on-site compliance inspections to ensure that reliable accounting records are being kept by legal entities in Seychelles, and where non-compliance is identified, relevant sanctions will be applied.

An entity that contravenes section 175 of the Act (the “Section”) shall be liable to a penalty fee not exceeding US\$10,000; a director who knowingly permits a contravention under the Section shall be liable to a penalty fee not exceeding US\$10,000, according to sections 175 (5) and (6) of the Act.

Updated: 10 September 2021

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