



## THE NATIONAL ASSEMBLY OF SEYCHELLES

### REPORT OF THE INTERNATIONAL AFFAIRS COMMITTEE

#### ON THE

#### SADC Agreement on Assistance in Tax Matters

*(Submitted for Ratification as per Article 64 (4) of the Constitution)*

The Committee has considered this International Agreement and presents its report thereon to the 7<sup>th</sup> Assembly. This is the International Affairs Committee's fifth special report on treaties, or international agreements, laid before Parliament in accordance with Article 64 (4) of the Constitution of the Third Republic of Seychelles.

The International Affairs Committee (IAC), has the parliamentary responsibility for scrutinizing all international agreements submitted to the National Assembly for Ratification by Recommendation of the President of the Republic of Seychelles.

This report addresses this Agreement, that has been reviewed and considered at the meeting of the IAC on *Wednesday 16<sup>th</sup> June, 2021* with the Assistance of the Department of Finance, represented by the *Secretary of State for Finance, Mr. Patrick Payet*.

The Secretary of State was accompanied by:

*Ms. Seylina Verghese - Director General Tax & Financial Sector Policy Division*

*Ms. Odile Vidot - Director Financial Sector Policy Division*

**THE INTERNATIONAL AFFAIRS COMMITTEE is mandated to** work closely with the Ministry of Foreign Affairs, other governmental and non-governmental organizations on international affairs, peace, security and defence and contribute thereon as and when necessary; maintain existing and establish new ties with foreign parliamentary organizations of interest; and perform any other tasks as may be assigned by the National Assembly.

#### **Powers**

The Committee is a Select Sessional Committee, the powers of which are set out in the National Assembly Standing Orders, 2020, principally, SO 88-92.

#### **Committee Staff**

The Committee is assisted by the following Parliamentary Staff of the Secretariat:  
Ms. Alexandria Faure (Secretary) and Mrs. Nada Delafontaine (Secretary Assistant)

#### **Contact**

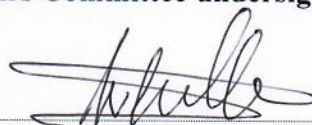
All correspondence should be addressed to the *Secretary of the International Affairs Committee, The National Assembly of Seychelles, Ile Du Port, PO Box 734.*

The Committee's email address is [iac@nationalassembly.sc](mailto:iac@nationalassembly.sc)

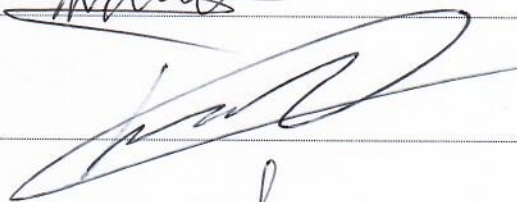
The telephone number for general enquiries is +248 428 5600.

**The following Members of the International Affairs Committee undersigned, submit this Report dated Tuesday 22<sup>nd</sup> June 2021:**


Hon. Waven William  
**Chairperson**



Hon. Wavel Woodcock  
**Vice-Chairperson**



Hon. Egbert Aglae  
**Member**



Hon. Kelly Samynadin  
**Member**



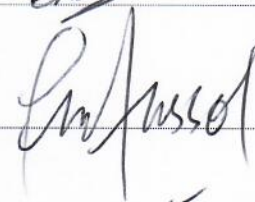
Hon. Wallace Cosgrow  
**Member**



Hon. Philip Monthy  
**Member**



Hon. Philip Arissol  
**Member**



## 1 SYNOPSIS OF THE AGREEMENT AND CONTENTS

- 1.1 The Committee recognizes that the rationale behind the adoption of this Agreement is to ensure that issues relating to the exchange of information and tax administration between Member States can be addressed.
- 1.2 The Committee recognizes that this agreement permits for the SADC Member States to assist each other in Tax matters and covers the below components: *exchange of information on tax matters; carry out tax examinations abroad; carry out simultaneous tax examinations; and assist in the collection of taxes.*
- 1.3 The Committee also recognizes that the Agreement has been discussed within the context of the developments in the Organization for Economic Co-operation and Development (OECD) and that the role of these types of agreements in exchange of information in tax issues reflects a global shift in tax policy and administration.
- 1.4 The Committee notes that Seychelles signed the Agreement in Maputo, Mozambique on the 18<sup>th</sup> of August 2012. In addition, it is also noted that the agreement shall enter into force thirty calendar days after two thirds of the Member States of SADC have submitted the instrument for ratification. Thus far, only four Member States have ratified the agreement, namely; *the Republic of South Africa, the Republic of Botswana, the Kingdom of Lesotho and the Republic of Mauritius.*
- 1.5 The Committee has prepared the following short synopsis of the contents of the Agreement and presents the below observations:

*After reviewing the Agreement, the Committee has observed that the move towards tax cooperation which is emerging in the SADC Member States is being influenced by the developments from the OECD's multilateral initiatives.*

*It is clear that this Agreement seeks to deepen and strengthen regional cooperation in tax matters within the SADC Member States, allowing for policy makers within those States to look further into initiating approaches in the area of Taxation in order to support tax administration needs of the emerging economies of the SADC region.*

*Article 3 addresses taxes which are within the scope of the agreement including: taxes on income, capital and goods and services; but not custom duties.*

*Article 4 makes provisions for the exchange of information which can be spontaneous, automatic, or upon request. It specifically mentions that it deals with any such information 'as may be relevant' to a particular tax issue.*

*Article 5 of the agreement focuses on tax examinations abroad which are intended to enhance effective exchange of information and should occur in the territory of the requested State.*

*Article 6 of the agreement makes provisions for multiple state parties to carry out simultaneous tax examinations.*

*Article 7 addresses the state parties lending assistance in the collection of revenue claims.*

*Article 8 lays out the terms for confidentiality and secrecy in the exchange of information between the state parties.*

*Article 9 deals with the issue of costs. The parties agree to waive all claims for reimbursement of costs incurred in the execution of this agreement.*

*Article 10 mandates all Member States to pass legislation which is required to comply with the terms of this Agreement in order to enable them to provide the tax assistance stipulated instrument. This provision is relevant for such SADC member states that may not already have such legislation in place.*

*Article 11 stipulates the relationship of this Agreement with other international agreements. It provides that this Agreement and other international agreements or arrangements should, in relation to cooperation in tax matters be seen to be complimentary of each other.*

## **2 MAIN DISCUSSION POINTS**

### **2.1 Brief Introduction on the Agreement & OECD Compliance**

The officials from the Department of Finance provided the IAC with a brief on the Agreement and the importance of its ratification, especially concerning the standing that Seychelles currently hold with the Global Forum. By ratifying this instrument, it will greatly improve the compliance of Seychelles in the Supplementary Review that the country is requesting from the Global Forum of the OECD.

In the review that was carried out in 2020 by the Global Forum, the Seychelles was found to be partially compliant with the implementations of international standards for transparency and exchange of information in taxation.

The Department of Finance and other organisations have been working on legislative amendments and administrative reform in order to improve the results of the supplementary review. The officials informed the IAC that one issue that was identified in the report was that this agreement had not yet been ratified and is a vital step towards putting Seychelles as fully compliant.

The IAC was informed that the Executive would be required to introduce, amend and strengthen domestic laws governing taxation.

### **2.2 Benefits of the Agreement**

The Agreement will have tremendous benefit for Seychelles in respect to having a more transparent and compliant taxation governing landscape. The officials from the Department of Finance explained that the Agreement will also benefit the Seychelles Revenue Commission (SRC) when compiling their taxation information, carrying out joint audits and having an updated database of individuals/companies' accounts overseas.

Below are additional benefits:

- *Ratifying this agreement will open Seychelles to new countries for exchange of information which do not exist in other taxation agreements the country is party to, such as the Republic of Angola, the Democratic Republic of Congo, the Kingdom of Eswatini, the Republic of Namibia, the United Republic of Tanzania, the Republic of Madagascar and the Republic of Mozambique. This will result in Seychelles having more countries in its network for the exchange of information on taxation.*
- *Seychelles will be able to access taxation information from countries that have signed this agreement within the SADC region. This includes information on foreign companies and their tax collections overseas.*
- *Will enable Seychelles to be more transparent in relation to taxation matters and maintain the good standing with OECD.*
- *Seychelles will be able to exchange information with other countries to verify whether individuals/companies are compliant to taxation laws.*

### **3 RECOMMENDATIONS**

The IAC recognizes the importance of transparent tax policies and legislation. Additionally, the Committee supports the ratification of the agreement in support of improving the standing of Seychelles by enabling the country to be Fully Compliant in the supplementary review.

Taking the above points into consideration the Members of the IAC present the following recommendations:

- **3.1 African States Unifying to Negotiate Policy Space**

The need for African countries to unite as a block to negotiate for taxation policy space to adjust progressively, improve their standing with OECD and be removed from the black list.

- **3.2 Alliance of Small Island Developing States**

The need for Small Island Developing States to form alliances to push forward specific concerns and for special treatment consideration in the reviews that take place in the Global Forum.

- **3.3 Equal Treatment Consideration to Compliance**

It has come to the attention of the Committee that certain countries of the OECD do not have the same compliant treatment given to developing countries such as Seychelles, amongst others and this is unfair. The Committee expressed the need for Seychelles, along with other countries to collectively present their case with proof for a level playing field in the next round in the Global Forum.

- **3.4 Double Taxation Agreements**

The Committee noted that some issues of capital flight through tax money flowing out more than coming is due to the previously signed double taxation agreements. To this end, the Committee calls on the Government to revisit these agreements, amend them or introduce new laws to avoid unnecessary losses. In addition, to be more cautious in future signings on double taxation agreements.