

## **INTERNATIONAL BUSINESS COMPANIES (AMENDED) ACT, 2021**

### **ACCOUNTING RECORDS**

Seychelles International Business Companies (**IBCs**) are incorporated under the International Business Companies Act 2016 (the **Act**), which has been amended by the International Business Companies (Amendment) Act 2021 (the **Amendment Act**) and was enacted on 6<sup>th</sup> August 2021.

The amended Act includes provisions and requirements in regards to the accounting records that Seychelles IBCs should maintain. A summary of the amendments relating to the accounting records brought in by the Amendment include:

#### **Section 169A – Preservation of records**

Registered agents must preserve the following records of companies (including dissolved, struck-off, continued companies) under their administration for at least seven (7) years:

- register of members, directors, charges and accounting records in possession of the registered agent.

#### **Section 174 – Keeping of accounting records**

The penalties for breach of the requirements relating to keeping a company's accounting records by the company and its directors per section 174 of the Act have been changed to a discretionary penalty fee not exceeding US\$10,000 (section 174(3) and (4) of the Act).

#### **Section 175 – Location and preservation of accounting records**

Under section 2 of the Act, **accounting records**, in relation to a company, means documents in respect of: (i) the company's assets and liabilities; (ii) the receipts and expenditure of the company; and (iii) the sales, purchases and other transactions to which the company is a party (which includes, without limitation, bank statements, invoices, receipts, title documents, agreements, vouchers, etc).

Section 175(1) of the Act has been amended to include the following new definitions:

- large company** means a company that meets the annual turnover threshold specified for a "large business" under the Revenue Administration Act, namely Seychelles Rupees 50,000,000 (approx. US\$3,000,000 as of August 2021); and
- holding company** means a company with no trade or business operations of its own but holding interests in other companies or assets.

#### **Bi-annual sending of accounting records to registered office in Seychelles**

With effect from **6th February 2022**, every company on the Register must keep, **on a bi-annual basis, its accounting records at the company's registered office in Seychelles** (section 175(1A) and (1B) of the Act). This means that the company shall at least twice annually send updated accounting records to be kept at its registered office in Seychelles. We will provide an update when the Seychelles Financial Services Authority (**FSA**) issues the final Guidelines, but they have indicated (in their draft Guidance Circular) that the following shall apply:

- IBC 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;
- IBC 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;

- (c) In respect of existing accounting records (i.e. accounting records relating to the years before 2022) and accounting records relating to the year 2022 for companies on the Register, accounting records relating to transactions or operations in the past 7 years to 31st December, 2021 must be kept in Seychelles by 6th February, 2022; and
- (d) 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.

### **Large companies & non-large non-holding companies – annual financial summary**

With effect from **6th February 2022**, a **large company** (i.e. with an annual turnover above Seychelles Rupees 50,000,000 (approx. US\$3,000,000 as of August 2021)) or a non-large company that is **not** a holding company (i.e. not a company which only holds interests in other companies or assets), 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 company's financial year** (section 175(1B) of the Act).

**Note:** For client companies that already prepare annual accounts (audited or unaudited), these will suffice to comply with the “annual financial summary” requirement, provided the annual accounts are sent to the registered agent in Seychelles for keeping at the company's registered office.

The company's financial year shall be the **calendar year** unless it is changed by a resolution of directors and notified to the company's registered agent within 14 days of the passing of the resolution (section 175(1C) of the Act). The Registrar may issue written guidelines regarding the implementation of the obligations relating to accounting records (section 175(1C) of the Act).

It shall be sufficient compliance with section 175(1A) and (1B) of the Act, if a copy of the accounting records and annual financial summary is kept at the company's registered office in **electronic form** (section 175(2) of the Act). Where a company keeps a copy of its accounting records (rather than the originals) at its registered office, the company shall inform its registered agent in writing of the physical address of the place where the original accounting records are kept (section 175(2A) of the Act).

Where the place at which a company's original accounting records are kept is changed, the company shall inform its registered agent in writing of the physical address of the new location of the records within 14 days of the change of location (section 175(3) of the Act). The company shall preserve the accounting records for at least seven years from the completion date of the transactions or operations they each relate to (section 175(4) of the Act).

The penalties for breach of the requirements relating to the location and preservation of a company's accounting records by the company and its directors in accordance with section 175 of the Act have been changed to a discretionary penalty fee not exceeding US\$10,000 (section 175(5) and (6) of the Act).

A company incorporated, continued or converted as a company under the Act before the commencement of the Amendment Act shall comply with the new provisions of section 175 of the Act (accounting record requirements), as amended by the Amendment Act, within **six months** from such commencement (section 60(3) of the Amendment Act), i.e. by **6th February 2022**.

For additional information contact us at [seychelles@icazalaw.com](mailto:seychelles@icazalaw.com) .

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