

SRC implements new performance appraisal system

In 2012 SRC management approved for the implementation of a new appraisal system known as the Performance Management System. The new system aims to place emphasis and reinforce on better and mentoring of staff performance in terms of duties they perform. Thus SRC in conjunction with SIM personnel's started the first phase of the implementation process through a sensitisation program of all Managers and Directors on the system itself. The aim of the training was to equip the staff with the tools to better understand how to administer and champion the implementation and development PMS within SRC.

A working committee was set up under the guidance of Mrs. Shella Mohideen (SIM) who worked closely with Human Resource Manager- Ms. Tamara Rousseau (SRC) by conducting sessions with staff in all respective units and sections within SRC. These meetings served as eye opener as it brought on how to improve the system and also to clear doubts on the implementation and monitoring stage of the PMS.

All managers followed sessions conducted by SIM personnel's so as to better understand how PMS works and what their roles and responsibilities as managers were in the implementation process of the system.

By the last week of December 2012 most of SRC staff had signed their respective performance contract, which was negotiated with their immediate supervisor. The new PMS came into force effective 1 January 2013.

A group of SRC staff properly trained by SIM is now monitoring the implementation of the PMS.

SRC launches its Internal Communication Centre (Intranet)



SRC has launched its Internal Communication Centre commonly known as the Intranet. What started as an idea on how to improve the exchange of information within SRC has now become a reality. With its pursuit to improve communication amongst staff within the organisation it was found necessary to have such a system to increase staff interaction as it fast tracks the exchange and dissemination of information within a very limited time span.

Whilst the SRC's website is for passing on information to its clients and the public in general, the intranet services caters for the needs of staff of the SRC; it is its own personal internet service. As such, the intranet aims at keeping all SRC staff updated on what is going on within the organisation and hence encourage them to collaborate and participate in all activities.

The intranet also benefits all staff through providing updated information as and when it happens, sharing strategic objectives so that staff can make their own contribution and collaborate in the organisation's projects and finally be used as a platform for developing and encouraging support so that we work as a team.

SRC's poster competition on Integrity and Anti-corruption

As part of its aim to sensitize the staff and its stakeholders on the subject of integrity and anti-corruption, the Seychelles Revenue Commission (SRC) organized a poster competition amongst its staff. The competition was launched in September 2012 and participants had to design posters which deliver a strong message against corruption and which promote integrity in the workplace.

The competition was open to SRC staff only, and the posters had to be creative, original and with no usage of cartoon, computer graphics or clipart. As the competition is part of the project to fight corruption, with funding from the United Nations Development Programme (UNDP), the panel of judges was made up of members of the working Committee of the UNDP project and other representatives of UNDP.

The posters were judged on their artistry, creativity, originality and their ability to communicate a clear and positive message to anti-corruption and the importance of integrity in the workplace.

Prizes for the winners were given during the SRC's End of the Year Staff Lunch which took place on Friday 28th December 2012. The winner of the first prize of SR5000 was Ms. Elma Athanase, second prize of SR3000 went to Mr. Steven Rose and third prize of SR 2000 was awarded to Miss. Prisca Brown. SRC will be using the winning poster in its future integrity educational and sensitization campaign.

SRC congratulates all the winners and thanks all those who participated and contributed, including the UNDP, to make this competition a success.



The winning poster of Ms Elma Athanase

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LATEST NEWS & UPDATES

VAT in operation since 1 January 2013

The Value Added Tax (VAT) Act 2010 came into operation on 1 January 2013 replacing the Goods and Services Tax (GST), which had been in operation since 2001. VAT is a broad based tax on consumption and it applies to almost all goods and services that are imported, bought and sold for use or consumption in the Seychelles. It is charged as a percentage of the price and is borne ultimately by the final consumer. There are two VAT rates: the standard VAT rate of 15%, which applies on most goods and services unless specifically exempted; and 0% (zero-rate), which applies mostly to exporters.

Goods exempted under VAT include goods of first necessity which include those that were exempted under GST previously such as rice, lentil, edible oil, infant formulae, baby juice etc and on certain services including education, government health, dental care and financial services to name a few. For the complete exemption list please visit the SRC's website.

It is important to note that VAT on the sale of goods and services can only be charged by VAT registered businesses. These are businesses whose annual turnover fall within the VAT threshold of SR5 million (compulsory) and those which despite having a turnover below the VAT threshold opt to be registered on a voluntary basis. Businesses not registered for VAT cannot charge VAT on any of their goods or services, even if they were liable for GST previously.

Since the VAT Act was endorsed by the National Assembly in 2010, SRC has conducted a total of 30 workshops and over 18 one to one sessions with stakeholders on Mahe, Praslin and La Digue. This covers 69% of the VAT taxpayer population. SRC has also published numerous VAT documents and newspaper articles addressing specific VAT issues/topics.

SRC also organised a VAT exhibition to give both the general public and businesses the opportunity to discuss VAT issues on a one to one with SRC officers. The aim was to educate and prepare businesses and consumers about the implementation of VAT and to clarify any concerns that they may have.

So far a total of 579 businesses have

registered for VAT, out of which 416 have registered on a compulsory basis and 163 on voluntary basis. To ensure that VAT registered businesses are easily identifiable SRC issued all VAT registered businesses with a VAT Certificate and VAT stickers that they are required to display in a prominent area at their business location where their customers can see.

Since the launching of VAT, staff of the Seychelles Revenue Commission has been fully mobilized to conduct advisory visits to VAT registered businesses. A number of issues have been recorded by SRC since then, which are mainly:

- Shops displaying VAT exclusive prices on their shelves and adding VAT at the cashiers till when customers are paying;
- Receipts not showing the full VAT details as required;
- VAT charged not being displayed at all on the receipt;
- VAT being charged on exempted goods.

A hike in the price of commodities in the shops was also observed and merchants were telling customers without cause that it is as a result of VAT. Whilst SRC acknowledge that in certain areas there will be some price increase, in other areas e.g. on exempted commodities prices should either remain the same or go down in some instances. To try and address all these issues meetings were organized with retailers and the concerned authorities to ensure that they are not misleading consumers and the public.

Whilst SRC will continue with its sensitisation and educational program to ensure that VAT is being correctly applied, it is also the responsibility of businesses to be honest in their dealings. Where they need clarification it is important that they contact SRC.

VAT is beneficial to businesses in view of its credit mechanism and SRC hopes that businesses take this credit into considerations when pricing their goods and services so that some of the benefits can be passed on to their consumers.

Foreword

As we begin this New Year 2013, it is an opportune time to look back at the achievements of Seychelles Revenue Commission (SRC). As part of our modernisation path, in 2012 there was a review of our Strategic Plan in line with the reforms that are being undertaken. The new three-year Strategic Plan covers the period between 2012 and 2014 and with it there has been the adoption of a new vision and mission.

Our new vision is "To be a modern, fair and effective customer-oriented revenue administration" and our new mission is "Optimize revenue collection and facilitate trade to improve the socio-economic well-being of Seychelles."

In line with that we also launched our own logo that illustrates what we do and what we are striving to achieve and maintain in our day to day activity. Furthermore to provide taxpayers with clearer and simpler statements of their basic rights and obligations, our Taxpayers Charter was revised which clearly defines our commitment towards our clients. Although we expect an improvement in compliance as taxpayers have a greater understanding of their rights and obligations, we have taken additional measures to improve the overall level of taxpayers' compliance with the development of our comprehensive Compliance Management Strategy. In general, we have managed to achieve our targets despite the many challenges we have faced. This has been partly due to the good working relationship we have established with our stakeholders and not forgetting our hard working and devoted staff. I would like to take this opportunity to thank all our collaborating partners and stakeholders, and look forward to the continuation of this good co-operation for the New Year. May I take this opportunity to once again wish you a prosperous 2013.

Jennifer Morel, Revenue Commissioner

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New Tax measures introduced as of January 2013

In addition to the Value Added Tax which came into operation on 1 January 2013, the Minister of Finance, Trade and Investment, Mr. Pierre Laporte, in the 2013 Budget Speech, announced a number of new tax measures, which took effect 1 January 2013:

- Reduction in business tax rate from 33% to 30% for businesses which are making a profit of over SR 1 million except commercial banks, telecommunication companies, insurance companies (but not brokers and agents, alcohol and cigarette manufacturers). A further reduction to 25% for the same group of businesses that are listed on the Seychelles Searines Market;
- 125% allowable deduction from business tax liability for businesses engaging/employing artists and musicians;
- A simplified small taxpayer regime (the presumptive tax) for small businesses making an annual turnover of less than SR 1 million, with an option to remain in the normal business tax regime;
- The introduction of a Corporate Social Responsibility Tax of 0.5% on gross turnover for businesses with an annual turnover of more than SR 1 million;
- The introduction of a Tourism Marketing Levy of 0.5% on gross turnover for businesses making an annual turnover of more than SR 1 million in the following sectors: all tourism operators currently under TIA, banks, insurance companies (excluding brokers and agents) and telecom companies.

In addition to what the Minister announced, effective 1 January 2013, only the following specified businesses are liable to the Pay As You Go (PAYG) - Deduction At Source (DAS) system where they had to use the DAS book each time they received a payment for their service and the recipient of these services had to deduct 5% from the payment of the service:

- Building contractor;
- Maintenance Contractors;
- Mechanics (either motor vehicle, marine or refrigeration);
- Hirers or operators of plant and equipment including sea vessels;
- Motor vehicle for transportation of goods or for towing; and
- Hirers of Public Omnibus.

No VAT on residential rent

Since January 2008, the Seychelles Revenue Commission (SRC) has been collecting Goods and Services Tax (GST) on rent of residential dwelling at the rate of 15%. Although GST has been replaced by VAT effective 1 January 2013, there is no VAT on residential rent (rental income). Instead as of 1 January 2013 the tax liability on residential rent has been transferred to the Seventh Schedule of the Business Tax Act, 2009 (Special Provisions for Special Entities). Therefore, residential rental income is now liable to Withholding Tax at the rate of 15%, which is the same rate as that of the GST previously. The 15% is payable on the gross rental income. Unlike the normal business tax regime where there is a requirement to lodge a business tax return at the end of each year, there is no such requirement for businesses engaged in the rental of residential dwelling. However the landlords will continue to remit 15% of the total rent received to SRC on the 21st of each month using the Business Activity Statement (BAS).

By the end of 2012 there were 1348 registered taxpayers paying GST on residential dwelling and it is expected that this figure will increase further in 2013 in view of an ongoing exercise being undertaken by SRC to ensure that all residential rental income earners are registered for tax purposes.

A Simplified Tax Regime for small businesses

The presumptive tax, which aims to make compliance easier and cheaper, applies to small businesses that: make an annual turnover of less than SR 1 million; is not registered for VAT; and report on a cash basis. The presumptive tax rate is 1.5% of the business' annual turnover. E.g. If a business makes an annual turnover of SR 750 000, the tax payable will be RS 11 250 (750 000 x 1.5%).

One of the main benefits of presumptive tax is that it reduces the taxpayer compliance burden.

- Easy to fill - The presumptive tax return is a simplified one-page return compared to the four-page Business Tax Return that other businesses have to submit along with their Profit & Loss Account and certified accounts if a company;
- Only one return - Small businesses are only required to file one single return per year. Due date is the 31 March;
- Only one payment - Small businesses are only required to make one payment per year, when they file their presumptive tax return. Due day is 31 March;
- Cheaper - No certification of account is required, unless the small business is a company;
- Simpler - The record keeping requirements are less burdensome for small businesses. Presumptive tax regime is based on cash accounting rules.
- Small businesses (other than ones mentioned earlier) no longer have to pay the Pay As You Go (PAYG) - Deduction At Source.

Despite all the benefits some small businesses may opt to remain in the normal business tax system, by formally making a request to the Seychelles Revenue Commissioner. However they will be liable to the normal rate of tax of 15% on their taxable income of between SR150,000 to SR 1 million and will continue to pay PAYG (Instalment) on a monthly basis based on forecasted revenue each year, lodge a self assessed business tax return by 31 March of each year together with Profit & Loss Account and have their accounts audited in the case of companies.

The first presumptive tax is due by 31 March 2014. This is also the date on which the presumptive tax return has to be filed.

Obligations of a VAT registered business

A VAT registered business has an obligation to meet the requirements and regulations of the VAT Act 2010. The following are the obligations of a VAT registered businesses:

- Register for VAT if they fall within the VAT threshold;
- Correctly apply VAT on their sales and remit the right amount of VAT to SRC;
- Issue all their customers with a proper VAT invoice/receipt clearly showing all the required information;
- File their VAT returns and make their payment on time (by 21st of each month for compulsory registrants and 21 of April, July, October and January of any year for voluntary registrants);
- Keep all necessary information (including books and records) and maintain all necessary accounts or balances;
- Disclose all information that SRC requires in a timely and useful way;
- Co-operate with SRC as required under the Revenue Administration Act 2009 and the Value Added Tax 2010; and
- Comply with any other specific tax obligations.

Failure to comply with the law may result in application of a penalties.

VAT on importation

Any imported good to the Seychelles is treated as a taxable transaction under the VAT Act 2010, regardless of the status of the importer, be it a business (VAT registered or not) or an individual and the nature of the transaction (commercial or personal importation) unless specifically exempted as per the First Schedule (parts 1 and 2) of the Value Added Tax Act 2010 (Refer to the SRC's website for the list of exemption). An importation of goods occurs on the date the goods enter the country for home use (i.e. for the domestic market) under the Customs Legislation or on the date the goods are brought into the Seychelles whichever comes last. It is at this point that VAT is collected at Customs. VAT on imported goods is applied on the value of import (Customs value) which is the CIF (Cost, Insurance, and Freight) + Customs Duties/Taxes (where applicable). Note that levy is not included in the VAT base.

VAT on Warehouse goods

Goods entering a Bonded Warehouse are not subject to VAT. The VAT is due when the same goods leave the Bonded Warehouse as Customs warehousing delays the payment of import duties including VAT until the goods are released for home use. VAT is therefore payable together with other Customs duties / taxes at the time of release of the goods. Bonded goods released for home use are liable to VAT at the standard rate of 15% (unless exempted) whilst bonded goods released for exportation are subject to VAT at 0%, as exports are zero-rated.

VAT on re-imported goods

There are instances whereby goods imported have to be exported for repair, renovation or improvement and then re-imported into Seychelles. In these instances VAT will apply on the amount of the increase in value of the goods provided the re-imported goods have not undergone any physical changes in form or character and have not changed ownership during the process.

VAT on temporary importation

Temporary importation is exempted from VAT provided the Revenue Commissioner is satisfied that the goods will be re-exported within a specific time, usually a maximum of 12 months from the date of importation.

VAT on goods brought in the country when traveling

Every passenger traveling with their purchases in their luggage (accompanied goods) are entitled to a tax free allowance (which covers VAT as well) which was previously the case under the GST regime (please refer to the SRC's website for the tax free allowance). However, if a passenger brings accompanied goods in their luggage in excess of the tax free allowance, it is very important to note that the 15% VAT will become liable on the excess goods. Passengers, engaged in a licensed business activity, who carry goods for commercial purposes in their luggage will be liable to the standard rate of 15% VAT and the other applicable taxes/ duties, (unless the goods are exempted) even if those goods fall within the tax free allowance as the passenger allowance is for goods for personal use only.

VAT on goods imported by courier/post

All goods (excluding alcohol and tobacco) imported for the personal and exclusive consumption of the consignee through the post or other courier services of a value not exceeding a CIF value R3,000, is not subject to VAT. Other goods (low value consignment for a business purpose other than alcohol and tobacco) of a CIF value of up to SR 500 is also exempted from VAT.

The switch to ASYCUDA World postponed to March 2013

ASYCUDA World which was planned to replace ASYCUDA ++ on 1 January 2013, as was announced previously, has now been postponed to 1 March 2013. This follows concerns from importers and their clearing agents that the timing was not right as the last and first months of the year are very busy time for them. The Switch to ASYCUDA World is a project funded under a tripartite agreement between the Government of Seychelles, the Common Market for Eastern and Southern Africa (COMESA) and the United Nations Conference on Trade and Development (UNCTAD). Two experts are in the country assisting Customs with the switch to ASYCUDA World.

VAT on exportation

Exporters are zero-rated under the VAT Act, which means that their suppliers (the goods for export) attract VAT at 0%. The benefit for exporters is that VAT charged on inputs relating to the making of zero-rated supplies (e.g. exports) can be claimed as input tax. Exporters can claim input tax on VAT incurred on purchases made locally (be it on services or goods), imported goods and investment (equipment, materials and machinery).

Since businesses which are purely in the export business is likely to be in a credit situation they will be entitled to a VAT refund on a monthly basis.

So it is to the advantage of exporters to register for VAT even if their annual turnover is less than SR5. 0million. If they choose not to register the VAT incurred on their local purchases and import will be a cost to them as they will be able to claim an input tax credit.

VAT registered businesses benefit from Deferred Payment Facility on importation

With the introduction of VAT, businesses registered for VAT can benefit from the Deferred Payment Facility which is designed to prevent potential cash flow problems for businesses. Deferred Payment Facility enables VAT registered businesses, under certain conditions, not to pay VAT on importation of certain capital goods at the point of entry, but to report it on the next VAT return. Capital goods meaning any tangible item, not being construction materials, which would normally be treated as an asset on the balance sheet of a business and have a useful life expectancy of 2 years or more.

To qualify for the deferred payment facility, the capital good must have a CIF value of SR 100,000 or more individually or as a group purchase, under the same HS code on the same Bill of Entry, amounting to SR 100,000 or more. If a capital good is imported with some accessories, priced and invoiced as one item under the same HS code, it is considered as an individual purchase.

In order to benefit from this facility the VAT registered business must submit a written application to the Revenue Commissioner at least 2 weeks in advance using a prescribed form each time they import. The form is available on the SRC's website and from the SRC's offices. Businesses can also request from SRC for a copy to be sent by e-mail. For more information refer to the VAT Manual 2013 available on our website: www.src.gov.sc

Customs migrates to HS 2007

Since 1 January 2013, Seychelles has migrated from the 2002 version of the World Customs Organisation (WCO) Harmonized Commodity Description and Coding System (HS 2002) to HS 2007.

The migration is part of SRC's effort to benchmark its Customs procedures with international norms and satisfy the country's international commitments especially in the implementation of the Interim Economic Partnership Agreement (EPA).

The revised tariff is expected to facilitate both national and international trade by resolving classification problems that traders were encountering and improve collection of statistics amongst others.