



Circular No. 9 of 2021

Date: 20th August, 2021

Implementation of Accounting Records Keeping Obligations

The Financial Services Authority ("FSA") would like to draw the attention of all International Business Companies ("IBCs"), Foundations, Limited Partnerships and Trusts (together referred herein to as "legal persons and legal arrangements") on the new obligations relating to the keeping of accounting records brought about under the following new legislations ("2021 amendments") enacted on 06th August 2021:

- (a) International Business Companies (Amendment) Act, 2021
- (b) Foundations (Amendment) Act, 2021
- (c) Limited Partnerships (Amendment) Act, 2021
- (d) Trusts Act, 2021

The International Business Companies Act, Foundations Act, Limited Partnerships Act and Trusts Act require every legal person and legal arrangement to keep reliable accounting records that are sufficient to show and explain the legal person's or legal arrangement's transactions, enable the financial position of the legal person or legal arrangement to be determined with reasonable accuracy at any time and allow for financial statements of the legal person or legal arrangement to be prepared. For such purposes, accounting records shall be deemed not to be kept if they do not give a true and fair view of the legal person's and legal arrangement's financial position and explain its transactions.

In terms of the preservation of records, every legal person and legal arrangement shall preserve its accounting records for at least 7 years from the date of completion of the transactions or operations to which they each relate.

"Accounting records", in relation to a legal person or legal arrangement, is defined as documents in respect of the legal person's or legal arrangement's assets and liabilities, the receipts and expenditure of the legal person and legal arrangement and the sales, purchases and other transactions to which the legal person and legal arrangement is a party to. Following this definition, it implies that accounting records (including the underlying documents), can take on many forms and includes:

- (a) Bank statements
- (b) Receipts
- (c) Invoices
- (d) Vouchers
- (e) Title documents
- (f) Contracts and agreements
- (g) Ledgers

- (h) Any other documentation underpinning a transaction

The 2021 amendments require every legal person and legal arrangement to lodge their accounting records at their registered office in Seychelles, or in the case of a trust, at its trustee's principal place of business in Seychelles. The accounting records may either be kept in their original form or in electronic form. However, where a legal person and legal arrangement's original accounting records are kept at a place other than in Seychelles, the legal person and legal arrangement must inform its Registered Agent in writing of the physical address of that place. It is important to note that the Seychelles' authorities maintain the right to request for the original records.

In view that the majority of legal persons and legal arrangements operate outside of Seychelles, the 2021 amendments provide that the accounting records should be lodged at the registered office in Seychelles on not less than a bi-annual basis, that is, at an interval of at least 2 times per year. In enforcing compliance with the accounting records keeping requirement, the Registrar will allow a delay for the records to be kept in Seychelles as follows:

- (a) 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
- (b) 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

For clarity purposes, the following will apply in respect of existing accounting records (i.e. accounting records relating to the years prior to year 2022) and accounting records relating to year 2022 for companies on the Register:

- (a) 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
- (b) Accounting records relating to transactions or operations in the first half (January to June) of 2022 must be kept in Seychelles by July 2022
- (c) Accounting records relating to transactions or operations in the second half (July to December) of 2022 must be kept in Seychelles by January 2023

Although the 2021 Amendments require a legal person or legal arrangement to lodge its accounting records in Seychelles at least 2 times per year, it is important to note that the law requires a legal person or legal arrangement to keep its accounting records on a continuous basis (i.e. at all times) and therefore, any accounting record, either being kept in Seychelles or yet to be kept in Seychelles, should be provided to the Seychelles' authorities upon request.

A legal person or legal arrangement that is struck-off, 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.

Financial Summary

The 2021 Amendments also require certain legal persons and legal arrangements (i.e. except IBCs which are small (non-large) holding companies) to annually prepare a Financial Summary to be kept in Seychelles (together with the other accounting records and underlying documents) within 6 months from the financial year end of the legal person or legal arrangement. The financial year is defined as

the calendar year, unless it is changed by the legal person or legal arrangement. The FSA will be providing further guidance as to the content of the Financial Summary.

Grace Period

The Act provides a grace period for every legal person and legal arrangement to lodge their accounting records in Seychelles within 6 months from the date of enactment of the 2021 Amendments (i.e. by 6th February 2022). It is important to note that this grace period applies only in relation to the location of where the accounting records are to be kept (i.e. section 175) and not in relation to the obligation to keep accounting records (i.e. section 174). Therefore, during the grace period, the Registrar may still request for the accounting records for compliance inspection purposes and if the accounting records are not provided, the Registrar will take enforcement action against the legal person and legal arrangement. Similarly, a competent authority (e.g. Seychelles Revenue Commission) may request for the accounting records to be provided by the legal person and legal arrangement during the grace period and if the legal person or legal arrangement fails to comply, the relevant enforcement action may be taken by the competent authority against the legal person or legal arrangement.

Compliance Inspections

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

Review of Guidelines

The FSA will also be reviewing the Guidelines applicable to the respective legal person and legal arrangement with regards to the new accounting records keeping requirements and other amendments brought about in the 2021 Amendments.

The FSA hereby reiterates that all legal persons and legal arrangements are required to adhere to their respective legislative requirements described above.

Financial Services Authority