



**MINISTRY OF FINANCE, TRADE AND ECONOMIC PLANNING**  
**POLICY STATEMENT - PROGRESSIVE INCOME TAX**

## **1 - OBJECTIVE OF STATEMENT**

To provide a comprehensive understanding of the Progressive Income Tax to be implemented as from 1<sup>st</sup> July 2018.

## **3 - LEGISLATIVE AMENDMENTS REQUIRED**

To allow for the implementation of Progressive Income Tax, amendments in the Income and Non-Monetary Benefit Tax Act, 2009 would be required

## **2 – INTENTION OF PROGRESSIVE INCOME TAX**

### **NEW TAX SYSTEM**

To address income inequality through fairer taxation of emoluments.

### **AIM**

Income inequality in the current tax system will be mitigated by introducing tax rates that would be used through the pay-roll system to calculate the tax liability for various income brackets.

The effective tax rates (rates that would appear on pay-slips) would be progressive.

## **4 – FRAMEWORK OF PROGRESSIVE INCOME TAX**

### **TAX RATES FOR THE VARIOUS INCOME BRACKETS**

The rates proposed are based on a monthly income derived.

The employers' obligation to withhold tax is a monthly obligation in line with the 'pay as you earn' principle through a withholding system.

Any amount to be withheld monthly will be taken into account as your monthly tax liability.

### **RATES THAT WOULD BE USED TO CALCULATE THE TAX LIABILITY THROUGH PAYROLL**

<b>Gross Monthly Income (SR)</b>		<b>Rates (%)</b>	
<b>From</b>	<b>To</b>	<b>Seychellois</b>	<b>Expatriates</b>
0	8,555.50	0	15
8,555.51	10,000	15	15
10,001	83,333	20	20
> 83,333		30	30

## EFFECTIVE TAX RATES FOR THE VARIOUS INCOME BRACKETS

Effective tax rate is the tax you actually pay on all your emoluments. It is the rate in which one “feels” or “see” on his/her pay-slip.

The table A below gives an overview of the effective tax rates which are progressive for **Seychellois**.

All Seychellois employees earning up to SR 35,667 will receive a benefit in taxes as per table A below.

Monthly Wage (SR)	Current Regime			Progressive Regime			Take home Difference	
	Effective Tax Rate	Tax liability	Take Home pay	Effective Tax Rate	Tax liability	Take Home pay	SR	%
<b>8,555.50</b>	<b>15%</b>	<b>1,283</b>	<b>7,272</b>	<b>0</b>	<b>0</b>	<b>8,556</b>	<b>1,283</b>	<b>17.6%</b>
10,000	14.4%	1,444	8,556	2%	217	9,783	1,227	15.1%
11,000	15%	1,650	9,350	4%	417	10,583	1,233	13.2%
12,000	15%	1,800	10,200	5%	617	11,383	1,183	11.6%
13,000	15%	1,950	11,050	6%	817	12,183	1,133	10.3%
14,000	15%	2,100	11,900	7%	1,017	12,983	1,083	9.1%
15,000	15%	2,250	12,750	8%	1,217	13,783	1,033	8.1%
16,000	15%	2,400	13,600	9%	1,417	14,583	983	7.2%
17,000	15%	2,550	14,450	10%	1,617	15,383	933	6.5%
18,000	15%	2,700	15,300	10%	1,817	16,183	883	5.8%
19,000	15%	2,850	16,150	11%	2,017	16,983	833	5.2%
20,000	15%	3,000	17,000	11%	2,217	17,783	783	4.6%
21,000	15%	3,150	17,850	12%	2,417	18,583	733	4.1%
22,000	15%	3,300	18,700	12%	2,617	19,383	683	3.7%
23,000	15%	3,450	19,550	12%	2,817	20,183	633	3.2%
24,000	15%	3,600	20,400	13%	3,017	20,983	583	2.9%
25,000	15%	3,750	21,250	13%	3,217	21,783	533	2.5%
26,000	15%	3,900	22,100	13%	3,417	22,583	483	2.2%
27,000	15%	4,050	22,950	13%	3,617	23,383	433	1.9%
28,000	15%	4,200	23,800	14%	3,817	24,183	383	1.6%
29,000	15%	4,350	24,650	14%	4,017	24,983	333	1.4%
30,000	15%	4,500	25,500	14%	4,217	25,783	283	1.1%
32,000	15%	4,800	27,200	14%	4,617	27,383	183	0.7%
34,000	15%	5,100	28,900	15%	5,017	28,983	83	0.3%
<b>35,667</b>	<b>15%</b>	<b>5,350</b>	<b>30,317</b>	<b>15%</b>	<b>5,350</b>	<b>30,317</b>	<b>(0)</b>	<b>0.0%</b>
40,000	15%	6,000	34,000	16%	6,217	33,783	(217)	-0.6%
50,000	15%	7,500	42,500	16%	8,217	41,783	(717)	-1.7%
60,000	15%	9,000	51,000	17%	10,217	49,783	(1,217)	-2.4%
70,000	15%	10,500	59,500	17%	12,217	57,783	(1,717)	-2.9%
80,000	15%	12,000	68,000	18%	14,217	65,783	(2,217)	-3.3%
90,000	15%	13,500	76,500	19%	16,883	73,117	(3,383)	-4.4%
100,000	15%	15,000	85,000	20%	19,883	80,117	(4,883)	-5.7%
150,000	15%	22,500	127,500	23%	34,883	115,117	(12,383)	-9.7%
200,000	15%	30,000	170,000	25%	49,883	150,117	(19,883)	-11.7%
300,000	15%	45,000	255,000	27%	79,883	220,117	(34,883)	-13.7%

The table B below gives an overview of the effective tax rates which are progressive for **Expatriates**.

Monthly Wage (SR)	Current Regime			Progressive Regime			Take home Difference	
	Effective Tax Rate	Tax liability	Take Home pay	Effective Tax Rate	Tax liability	Take Home pay	RS	%
8,555.50	15%	1,283	7,272	15%	1,283	7,272	-	0.0%
9,000	15%	1,350	7,650	15%	1,350	7,650	-	0.0%
9,500	15%	1,425	8,075	15%	1,425	8,075	-	0.0%
<b>10,000</b>	<b>15%</b>	<b>1,500</b>	<b>8,500</b>	<b>15%</b>	<b>1,500</b>	<b>8,500</b>	-	<b>0.0%</b>
11,000	15%	1,650	9,350	15%	1,700	9,300	(50)	-0.5%
12,000	15%	1,800	10,200	16%	1,900	10,100	(100)	-1.0%
13,000	15%	1,950	11,050	16%	2,100	10,900	(150)	-1.4%
14,000	15%	2,100	11,900	16%	2,300	11,700	(200)	-1.7%
15,000	15%	2,250	12,750	17%	2,500	12,500	(250)	-2.0%
16,000	15%	2,400	13,600	17%	2,700	13,300	(300)	-2.2%
17,000	15%	2,550	14,450	17%	2,900	14,100	(350)	-2.4%
18,000	15%	2,700	15,300	17%	3,100	14,900	(400)	-2.6%
19,000	15%	2,850	16,150	17%	3,300	15,700	(450)	-2.8%
20,000	15%	3,000	17,000	18%	3,500	16,500	(500)	-2.9%
21,000	15%	3,150	17,850	18%	3,700	17,300	(550)	-3.1%
22,000	15%	3,300	18,700	18%	3,900	18,100	(600)	-3.2%
23,000	15%	3,450	19,550	18%	4,100	18,900	(650)	-3.3%
24,000	15%	3,600	20,400	18%	4,300	19,700	(700)	-3.4%
25,000	15%	3,750	21,250	18%	4,500	20,500	(750)	-3.5%
26,000	15%	3,900	22,100	18%	4,700	21,300	(800)	-3.6%
27,000	15%	4,050	22,950	18%	4,900	22,100	(850)	-3.7%
28,000	15%	4,200	23,800	18%	5,100	22,900	(900)	-3.8%
29,000	15%	4,350	24,650	18%	5,300	23,700	(950)	-3.9%
30,000	15%	4,500	25,500	18%	5,500	24,500	(1,000)	-3.9%
32,000	15%	4,800	27,200	18%	5,900	26,100	(1,100)	-4.0%
34,000	15%	5,100	28,900	19%	6,300	27,700	(1,200)	-4.2%
35,667	15%	5,350	30,317	19%	6,633	29,034	(1,283)	-4.2%
40,000	15%	6,000	34,000	19%	7,500	32,500	(1,500)	-4.4%
50,000	15%	7,500	42,500	19%	9,500	40,500	(2,000)	-4.7%
60,000	15%	9,000	51,000	19%	11,500	48,500	(2,500)	-4.9%
70,000	15%	10,500	59,500	19%	13,500	56,500	(3,000)	-5.0%
80,000	15%	12,000	68,000	19%	15,500	64,500	(3,500)	-5.1%
90,000	15%	13,500	76,500	20%	18,167	71,833	(4,667)	-6.1%
100,000	15%	15,000	85,000	21%	21,167	78,833	(6,167)	-7.3%
150,000	15%	22,500	127,500	24%	36,167	113,833	(13,667)	-10.7%
200,000	15%	30,000	170,000	26%	51,167	148,833	(21,167)	-12.5%
300,000	15%	45,000	255,000	27%	81,167	218,833	(36,167)	-14.2%

## EXAMPLES

### 1 – A Seychellois employee earning SR 9,000

Current system	Progressive Income Tax system
SR 9,000 x 4.94% = SR 444.60	No Tax applicable on the first SR 8,555.50
	The Employee will pay 15% taxes on income from SR 8,555.51 to SR 9,000
	With an emolument of SR 9,000 :- SR 9,000 – SR 8,555.51 = SR 444.49 therefore SR 444.49 × 15% = <b>SR 66.67</b>
	Therefore an employee will have to pay only <b>SR 66.67</b> as its <b>effective tax rate</b>

Hence, for an employee earning SR 9,000, he/she will receive an additional amount of SR 377.93 per month under the Progressive Income Tax System

### 2 – A Seychellois employee earning SR 12,000

Current system	Progressive Income Tax system
SR 12,000 x 15% = SR 1,800	No Tax applicable on the first SR 8,555.50
	(i) The Employee will pay 15% taxes on income from SR 8,555.51 to SR 10,000 SR 10,000 – SR 8,555.51 = SR 1,444.50 therefore SR 1,444.50 × 15% = <b>SR 216.68</b>
	(ii) The Employee will pay 20% taxes on income from SR 10,001 to SR 12,000 SR 12,000 – SR 10,000 = SR 2,000 Therefore SR 2,000 x 20% = <b>SR 400</b>
	Therefore an employee will have to pay only <b>SR 216.68 + SR 400 = SR 616.68</b> as its <b>effective tax rate</b>

Hence, for an employee earning SR 12, 000, he/she will receive an additional amount of SR 1,183.32 per month under the Progressive Income Tax System.

### 3 – A Seychellois employee earning SR 15,000

Current system	Progressive Income Tax system
SR 15,000 x 15% = SR 2,250	No Tax applicable on the first SR 8,555.50
	(i) The Employee will pay 15% taxes on income from SR 8,555.51 to SR 10,000 SR 10,000 – SR 8,555.51 = SR 1,444.50 therefore SR 1,444.50 x 15% = <b>SR 216.68</b>
	(ii) The Employee will pay 20% taxes on income from SR 10,001 to SR 15,000 SR 15,000 – SR 10,000 = SR 5,000 Therefore SR 5,000 x 20% = <b>SR 1,000</b>
	Therefore an employee will have to pay only <b>SR 216.68 + SR 1,000 = SR 1,216.68</b> as its <b>effective tax rate</b>

Hence, for an employee earning SR 15, 000, he/she will receive an additional amount of SR 1,033.32 per month under the Progressive Income Tax System.

In addition on his/her 13<sup>th</sup> monthly pay and bonus, currently only the first SR 10,000 is tax free. The difference SR 5,000 he/she is paying 15% tax which is equivalent to SR 750. From January 2018, the entire SR 15,000 will be exempted from taxes, thus an additional savings of SR 750.

### 4 – A Seychellois employee earning SR 25,000

Current system	Progressive Income Tax system
SR 25,000 x 15% = SR 3,750	No Tax applicable on the first SR 8,555.50
	(i) The Employee will pay 15% taxes on income from SR 8,555.51 to SR 10,000 SR 10,000 – SR 8,555.51 = SR 1,444.50 therefore SR 1,444.50 x 15% = <b>SR 216.68</b>
	(ii) The Employee will pay 20% taxes on income from SR 10,001 to SR 25,000 SR 25,000 – SR 10,000 = SR 15,000 Therefore SR 15,000 x 20% = <b>SR 3,000</b>
	Therefore an employee will have to pay only <b>SR 216.68 + SR 3,000 = SR 3,216.68</b> as its <b>effective tax rate</b>

Hence, for an employee earning SR 25, 000, he/she will receive an additional amount of SR 533.32 per month under the Progressive Income Tax System.

## 5 - A Seychellois employee earning SR 40,000

Current system	Progressive Income Tax system
SR 40,000 x 15% = SR 6,000	No Tax applicable on the first SR 8,555.50
	(i) The Employee will pay 15% taxes on income from SR 8,555.51 to SR 10,000  SR 10,000 – SR 8,555.51 = SR 1,444.50  therefore SR 1,444.50 x 15% = <b>SR 216.68</b>
	(ii) The Employee will pay 20% taxes on income from SR 10,001 to SR 40,000  SR 40,000 – SR 10,000 = SR 30,000  Therefore SR 30,000 x 20% = <b>SR 6,000</b>
	Therefore an employee will have to pay only <b>SR 216.68 + SR 6,000 = SR 6,216.68</b> as its <b>effective tax rate</b>

Hence, for an employee earning SR 40,000, he/she will have to pay an additional amount of SR 216.68 per month under the progressive income tax system.

However, an employee earning SR 40,000 per month will be paying SR 217 additional tax monthly, which is SR 2,600.16 yearly. But since the employee will be receiving a 13th Month pay, he/she will benefit SR 4,500 in taxes. Thus, a net gain SR 1,900. In addition, the same employee will benefit more on his/her bonus and end of contract payments.

## 6 - A Seychellois employee earning SR 50,000

Current system	Progressive Income Tax system
SR 50,000 x 15% = SR 7,500	No Tax applicable on the first SR 8,555.50
	(i) The Employee will pay 15% taxes on income from SR 8,555.51 to SR 10,000 SR 10,000 – SR 8,555.51 = SR 1,444.50 therefore SR 1444.50 x 15% = <b>SR 216.68</b>
	(ii) The Employee will pay 20% taxes on income from SR 10,001 to SR 50,000 SR 50,000 – SR 10,000 = SR 40,000 Therefore SR 40,000 x 20% = <b>SR 8,000</b>
	Therefore an employee will have to pay only <b>SR 216.68 + SR 8,000 = SR 8,216.68</b> as its <b>effective tax rate</b>

Hence, for an employee earning SR 50, 000, he/she will have to pay an additional amount of SR 716.68 per month under the progressive income tax system.

However, an employee earning SR 50,000 per month will be paying SR 716.68 additional tax monthly, which is SR 8,600.16 yearly. But since the employee will be receiving a bonus, he/she will benefit SR 6,000 in taxes. Thus, a yearly net loss of SR 2,600.16.

If the same employee is receiving an end of contract payment of 15% of his/her total salary every two years:

- Total salary after two years = SR 50,000×12 months×2 years=SR 1,200,000
- 15% of end contract=15% of SR 1,200,000= SR 180,000
- Tax applicable currently at 15% of SR 180,000= SR 27,000

From January 2018, the end of contract payment will be exempted from Income tax thus a savings of SR 27,000

## 7 – A Seychellois employee earning SR 90,000

Current system	Progressive Income Tax system
SR 90,000 x 15% = SR 13,500	No Tax applicable on the first SR 8,555.50
	(i) The Employee will pay 15% taxes on income from SR 8,555.51 to SR 10,000 SR 10,000 – SR 8,555.51 = SR 1,444.50 therefore SR 1444.50 x 15% = <b>SR 216.68</b>
	(ii) The Employee will pay 20% taxes on income from SR 10,001 to SR 83,333 SR 83,333 – SR 10,000 = SR 73,333 Therefore SR 73,333 x 20% = <b>SR 14,666.60</b>
	(iii) The Employee will pay 30% taxes on income from SR 83,334 to SR 90,000 SR 90,000 – SR 83,333 = SR 6,667 Therefore SR 6,667 x 30% = <b>SR 2,000.10</b>
	Therefore an employee will have to pay only <b>SR 216.68 + SR 14,666.60 + SR 2,000.10 = SR 16,883.38</b> as its <b>effective tax rate</b>

Hence, for an employee earning SR 90, 000, he/she will have to pay an additional amount of SR 3,383.38 per month under the Progressive Income Tax System.

However, an employee earning SR 90,000 per month will be paying SR 3,383.38 additional tax monthly, which is SR 40,600.56 yearly. But since the employee will be receiving a bonus, he/she will benefit SR 12,000 in taxes. Thus, a yearly net loss of SR 28,600.56

If the same employee is receiving an end of contract payments of 15% of his/her total salary every two years:

- Total salary after two years = SR 90,000×12 months×2 years=SR 2,160,000
- 15% of end contract=15% of SR 2,160,000= SR 324,000
- Tax applicable currently at 15% of SR 324, 000 = SR 48,600

From January 2018, the end of contract payment will be exempted from Income tax thus a savings of SR 48,600



## 5 – BENEFIT OF THE PROGRESSIVE INCOME TAX

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Around **98%** of total Seychellois will benefit from the system. The workforce between the income ranges of SR 8,555.50 to SR 35,667 during the third phase of implementation will see an increase in their take home pay.

All income above SR 35, 667 will see an increase in tax liability.

## 6 – MORE THAN ONE EMPLOYMENT

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If an employed person has multiple sources of employment, the tax liability would be calculated **separately for each** of the emoluments.

## 7 – TAX COLLECTED

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All taxes collected should be remitted to the Seychelles Revenue Commission by the employer.

## 8 – EXEMPT EMOLUMENTS

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**Exempted emolument is not subject to Income Tax and is not included in any component of the withholding tax calculation in the payroll system. Only the taxable portions of emoluments are to be included in the calculation. The list below provides –**

1. an emolument derived by a person entitled to privileges under the Privileges and Immunities (Diplomatic, Consular and International Organisations) Act
2. an emolument being a reimbursement for the use of a motor vehicle provided to the employed person by the employer provided that a logbook is maintained by the employed person;
3. an emolument being a reimbursement by an employer of an employed person for the cost of using the employee's own motor vehicle for the benefit of the employer where the reimbursement does not exceed the amount as may be prescribed –  
*Explanation: for claiming exemption under this paragraph a log book is required to be kept.*
4. an emolument being a per diem paid to an employed person on overnight travels for lodging, means, taxi, ground transportation, fees and other incidental expenses for business purposes at the rate not exceeding an amount as may be prescribed;
5. an emolument being a uniform allowance
6. a compensation payment to the extent that –
  - (i) the compensation is paid pursuant to section 62A(b) of the Employment Act; (**resignation or retirement**)
  - (ii) the compensation is paid pursuant to section 51(2)(a) of the Employment Act; (**redundancy**)
  - (iii) the concessionary treatment of such compensation payment is capped pursuant to subparagraph 47(2)(b)(i) of the Employment Act; (**termination of contract**)
7. retirement pension provided under the Social Security Fund and the Seychelles Pension Fund or any other pension provided under any other legislation.
8. Gratuity payment
9. a bonus not exceeding an amount equal to 1/12<sup>th</sup> of the annual basic salary of the employed person and paid no more than once a year.
10. a 13<sup>th</sup> month salary to the condition that this 13<sup>th</sup> month salary is compulsory under section 46C. (8)( c) of the Employment Act.
11. an end of contract payment provided that it does not exceed 15% of the total basic salary of the employed person during the contract period.
12. a service charge distribution payment made under an approved service charge distribution scheme provided that the payment is distinguishable from any other emoluments on the employed person's pay slip and the employer payroll's system
13. an emolument being an overtime payment, provided that it is paid under regulation 6(1)(b) of the Condition of Employment Regulations, 1991.

## **9 – CONCLUSION**

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Despite the increased effort from all stakeholders required to implement the Progressive Income Tax, it is believed that these changes are necessary to achieve a fairer, more equitable Income Tax regime for Seychelles.

A new payroll template and income tax calculator have been developed by the Seychelles Revenue Commission to support employers in the implementation of the Progressive Income Tax.

A comprehensive education program has been designed; however this cannot be rolled out until the legislation is finalized.

The 6 months' time frame from January 2018 to end of June 2018 will allow proper dissemination and education program for the Progressive Income Tax System.

Moreover, it will allow employers to adjust payroll system for Progressive Income Tax.