

# **1**

## **Overview of key economic and tax challenges**

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This chapter provides an overview of Seychelles' main economic and tax challenges. It starts by looking at Seychelles' macroeconomic performance in recent years and identifies the most significant economic and social challenges that Seychelles will need to address in the near to medium future. The chapter then examines Seychelles' tax revenues, looking at their overall level and their composition over time. This first chapter is intended to provide useful background to the tax policy assessment and recommendations presented in the following chapters.

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## Macroeconomic performance

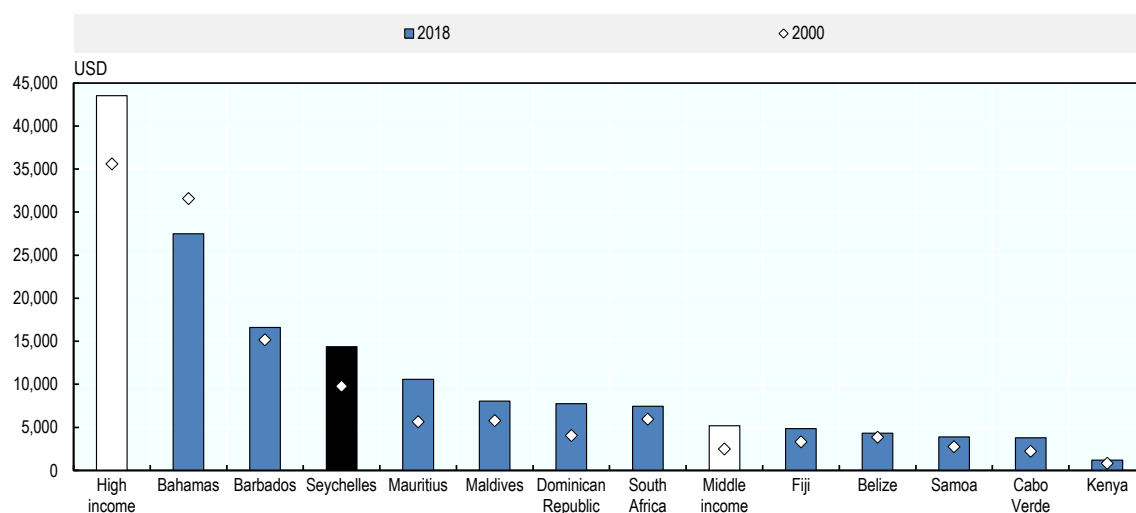
**Seychelles is one of the smallest countries in the world, both in terms of population and land size.**

Seychelles' total population was 95 843 in 2017. While the country is made up of 115 islands, the vast majority of the population lives on the island of Mahé (around 86% of the population), and the islands of Praslin and La Digue, which together account for 11% of the population (World Bank, 2017<sup>[1]</sup>). The land surface of Seychelles is very small in absolute terms (about 500 km<sup>2</sup>) and the ratio of arable land per person is among the lowest in the world. On the other hand, Seychelles controls a very large body of water, with an exclusive economic zone (EEZ) of approximately 1.4 million km<sup>2</sup> (World Bank, 2017<sup>[1]</sup>).

**Seychelles has a comparatively high level of GDP per capita.** At USD 14 385 (in constant 2010 USD) in 2018, Seychelles' GDP per capita was above GDP per capita levels in most of the comparator countries<sup>1</sup> shown in Figure 1.1. In 2016, Seychelles also had the highest GDP per capita in Africa<sup>2</sup>. As a result of its good performance, Seychelles reached “high-income” status according to World Bank standards<sup>3</sup> in 2015, becoming the second African country to be included in that category. Nevertheless, Seychelles' GDP per capita remains low in comparison to more advanced economies and GDP per capita alone is an insufficient indicator of a country's economic health, particularly for an island state with a small population and a high vulnerability to external shocks (see below).

**Figure 1.1. Seychelles has a comparatively high GDP per capita**

GDP per capita, constant 2010 USD

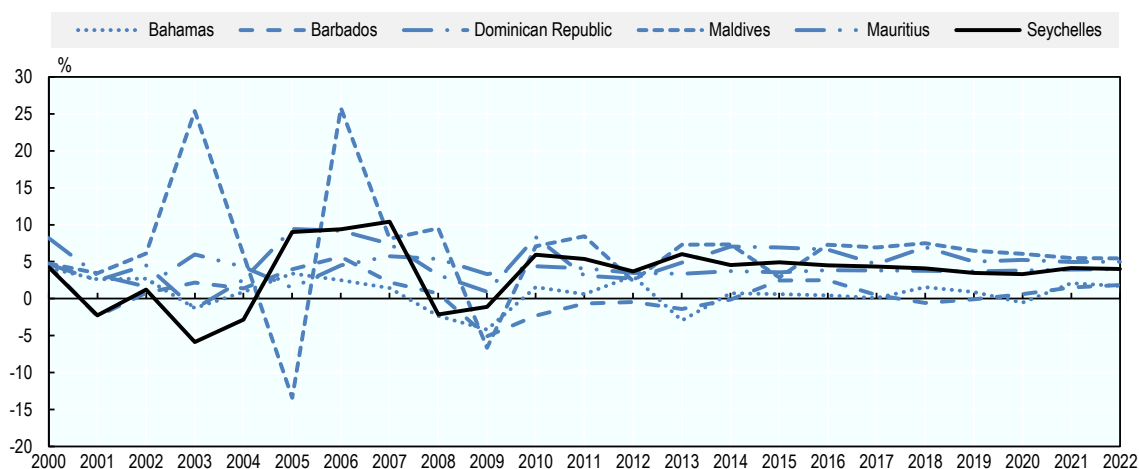


Source: World Bank Development Indicators.

**In recent years, growth has been relatively robust and stable.** Real GDP growth was estimated at 4.1% in 2018, against 4.3% in 2017 (IMF, 2019<sup>[2]</sup>). Growth in recent years has been driven primarily by the service sector – reflecting in particular greater earnings from tourism – and by increased output from the fishing industry (IMF, 2019<sup>[2]</sup>). Prudent fiscal and monetary policies have also helped contain inflation and consolidate macroeconomic stability (African Development Bank, 2019<sup>[3]</sup>). In comparison to other small island states, GDP growth in Seychelles has been close to the average in recent years and is expected to remain so over the next few years (Figure 1.2).

**Figure 1.2. GDP growth in Seychelles has been relatively stable in recent years and close to the average in small island states**

GDP growth (year-on-year percentage change)



Note: Projections after 2018.

Source: IMF World Economic Outlook Database.

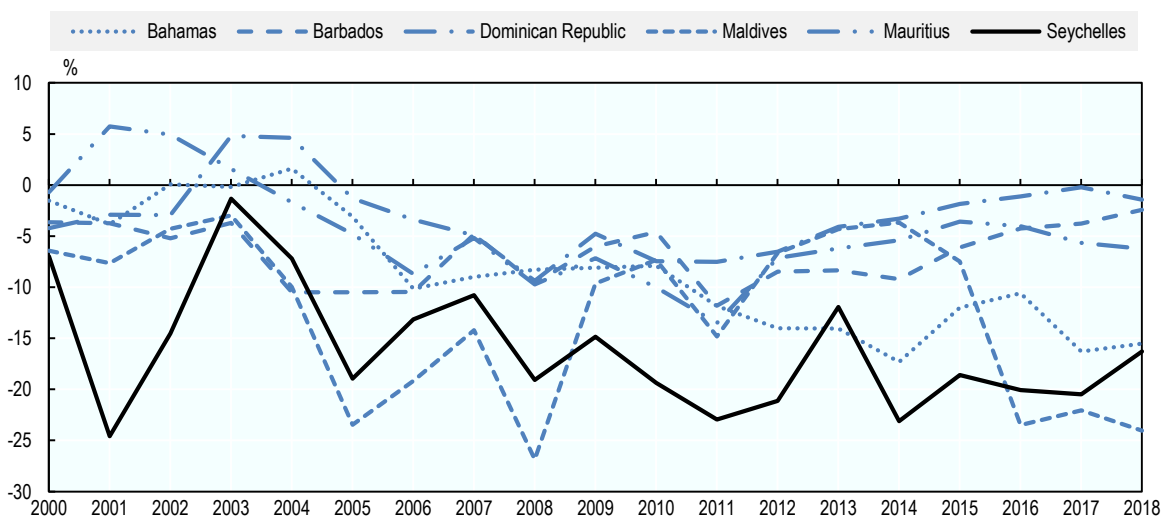
**Seychelles' good economic performance in recent years has followed a period of significant instability, which culminated in the 2008 economic crisis and debt default.** Seychelles defaulted on its sovereign debt in 2008, against the backdrop of severe macroeconomic imbalances, including large public budget deficits and a rapid escalation of the debt-to-GDP ratio to unsustainable levels, severe balance-of-payments constraints, and depleted international reserves. In response to the crisis, Seychelles turned to the IMF for emergency support and major reforms were initiated starting in late 2008. The economy started recovering in 2010–11 (Figure 1.2).

**Regarding its external sector, Seychelles has recorded large current account deficits** (Figure 1.3). Structurally, Seychelles is a net importing country. Its tourism industry requires significant levels of imports, while its domestic production and export capacity are constrained by land scarcity and high input costs. Seychelles' current account deficit is therefore high, at 17.6% of GDP in 2018 (African Development Bank, 2019<sup>[3]</sup>). Seychelles' main trading partners, including both EU and Middle Eastern countries (primarily the United Arab Emirates), account for more than 60% of its total imports and exports (African Development Bank, 2019<sup>[3]</sup>).

**Seychelles' current account deficits have largely been financed by foreign direct investment (FDI).** FDI flows as a share of GDP have been high in comparison to peer countries (Figure 1.4, Panel A). New hotel developments have largely driven annual FDI inflows in recent years (World Bank, 2017<sup>[1]</sup>). Mauritius is by far the main source of FDI, representing more than 40% of inward foreign investment projects in 2018, followed by China and the United Arab Emirates (Figure 1.4, Panel B). The very high share of FDI inflows from Mauritius may suggest that a number of investments are routed through Mauritius to benefit from preferential double tax agreements (DTAs, see section 2.4). Seychelles also exhibits comparatively high levels of fixed capital investment (e.g. land improvements, plant, machinery, buildings) as a share of GDP compared to similar economies (Figure 1.5).

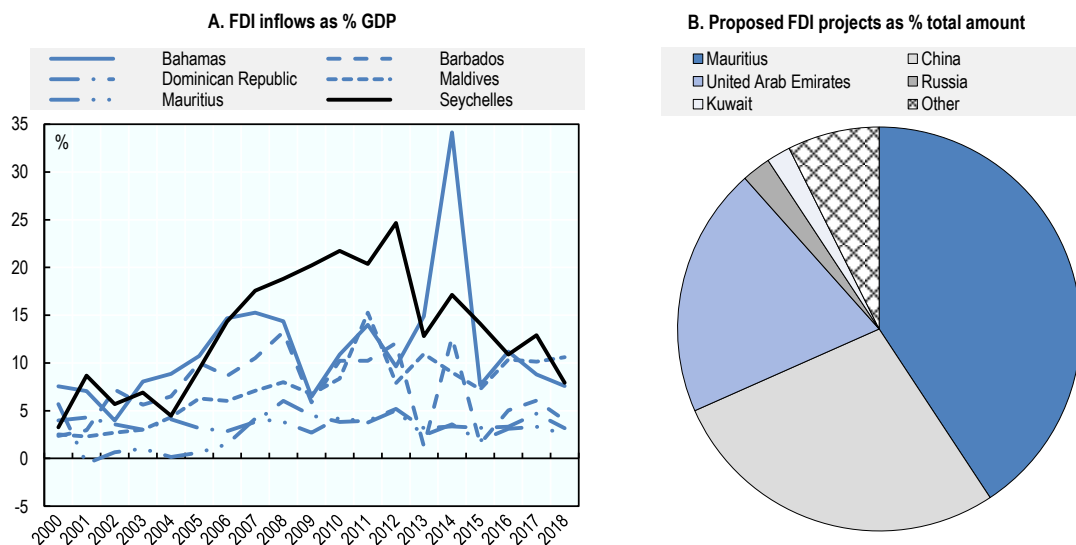
**Figure 1.3. Seychelles records a large but narrowing current account deficit**

Current account balances as a share of GDP in selected countries



Source: IMF World Economic Outlook Database.

**Figure 1.4. Seychelles has received high levels of foreign investment, in particular from Mauritius**

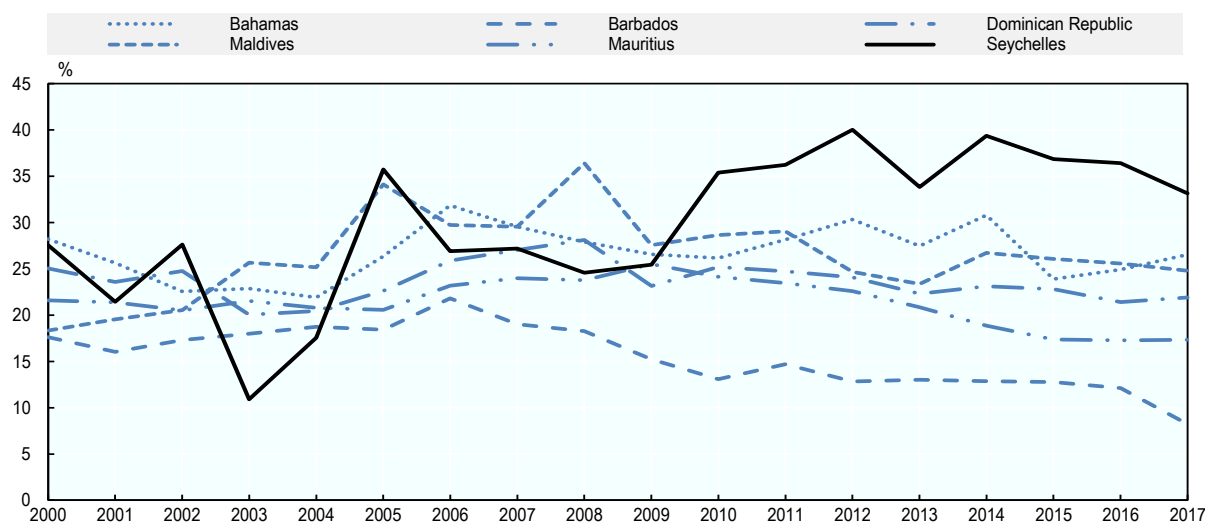


Note: The bulk of foreign investment to Mauritius is in the form of investment flows through special purpose entities or “global business companies” (GBCs) routed to third countries through Mauritius. As such, these flows are not recorded as FDI.

Source: UNCTAD and Seychelles Investment Bureau.

**Figure 1.5. The level of fixed investment in Seychelles has been comparatively high**

Gross fixed capital formation as a share of GDP



Source: UNCTAD.

**Economic projections for the coming years are positive, but growth is expected to slow and Seychelles faces potential downward risks.** Economic growth is projected to be around 3.3% in 2019 and 2020, with services remaining the main engine of growth. On the demand side, growth is expected to continue being underpinned by robust investment, projected to reach 34.6% of GDP in 2019 and 36.1% in 2020 (African Development Bank, 2019<sup>[3]</sup>). However, Seychelles is facing a number of downwards risks. Domestically, the recent expansionary fiscal measures could contribute to inflationary pressures (African Development Bank, 2019<sup>[3]</sup>). A slowdown in the construction sector, resulting from the moratorium on large hotels (projected to remain in place until the end of 2020), may also negatively affect FDI and growth. External downward risks include Seychelles' vulnerability to economic uncertainties in the Eurozone, its main source of tourism, as well as the rising trend in international fuel prices (African Development Bank, 2019<sup>[3]</sup>). As an island state, Seychelles is also exposed to climate-related risks. All these potential risks come on top of more structural factors of vulnerability, including Seychelles' small size, relative isolation and limited natural resources.

## Challenges ahead

### *Seychelles will need to innovate and diversify its economy*

**Tourism and fisheries are by far the two main sectors of the economy.** Tourism, including accommodation and food services as well as other services, accounts directly for about a quarter of total GDP and employment (Figure 1.6, Panels A and C) and indirectly for significantly more (World Bank, 2017<sup>[1]</sup>). Seychelles has experienced strong growth in the tourism sector, with the doubling of the number of tourists since 2008 and tourist arrivals exceeding 300 000 for the first time in 2016 (World Bank, 2017<sup>[1]</sup>). Fisheries are the second major pillar of the Seychelles economy, with canned tuna accounting for 92% of total exports (Figure 1.6, Panel B). However, there is limited value added domestically as canned tuna is a low-value product processed in a Free Trade Zone. There are also limited links between international operators and artisanal fishing operators usually involved in short value-chains (World Bank, 2017<sup>[1]</sup>).

**While tourism and fisheries have experienced sustained growth in recent years, innovation has been limited.** Growth has been primarily factor-driven, in particular thanks to high levels of investment

(see above) and an influx of foreign labour. Productivity improvements, on the other hand, have been limited. Such factor-driven growth will be difficult to sustain at similar rates in the future, calling for a shift towards more productivity-led growth (World Bank, 2017<sup>[1]</sup>). A transition towards growth driven by productivity gains will require policies to promote innovation, skills development and greater links between foreign and local operators, which could ultimately lead to the generation of greater value-added in tourism and fisheries.

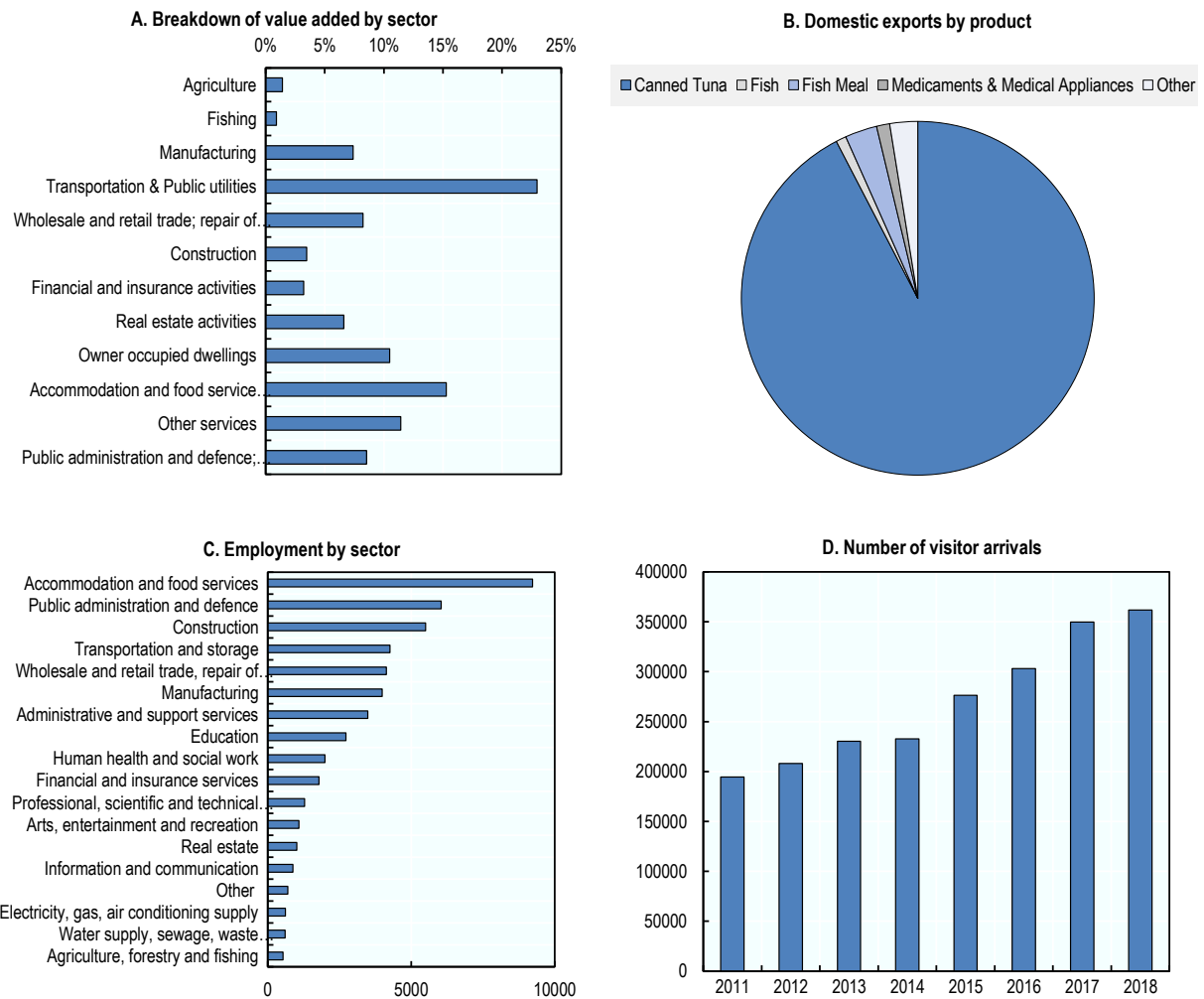
**Excessive dependence on tourism and fisheries also exposes the country to economic and environmental risks.** As mentioned above, Seychelles is vulnerable to economic uncertainties in Europe, which constitutes the main source market for its tourism sector. Tourism and fisheries also have detrimental environmental consequences, which may not entail risks in the short-term but may make Seychelles more vulnerable in the long run. There are sustainability concerns in the fisheries sector, with some evidence in particular of overfishing and declining catch rates for some species of fish (World Bank, 2017<sup>[1]</sup>). In the tourism sector, a moratorium on new large hotels has been introduced until 2020, reflecting concerns about the environmental footprint of the sector (World Bank, 2017<sup>[1]</sup>).

**Economic diversification would contribute to reducing vulnerability and supporting growth.** Other sectors may have potential in Seychelles, including the sustainable management and use of the “blue economy” given the marine ecosystem and brand name of Seychelles (World Bank, 2017<sup>[1]</sup>). The government has embarked on an ambitious “blue economy” agenda, which is in line with UN Sustainable Development Goals. Other sectors, in particular those with limited needs for a large physical presence, due to the scarcity of land, may also have potential. Previous assessments have highlighted that there is significant scope for further developing the ICT sector, for instance (World Bank, 2017<sup>[1]</sup>).

### ***Despite significant efforts, public debt levels remain relatively high***

**Seychelles has seen a drastic reduction in its public debt in the last decade.** As mentioned previously, the sovereign default of 2008 occurred in a context of severe macroeconomic imbalances, exacerbated in 2007-08 by the rise in global fuel and food prices, which led to an increase in imports costs and inflation. The authorities missed their payments on commercial foreign debt and the sovereign credit rating of the country was downgraded to selected default by Standard and Poor's (World Bank, 2017<sup>[1]</sup>). The government sought a significant restructuring of its debt and embarked on an IMF-supported economic and financial programme. Since then, the country has followed contractionary fiscal policies and recorded primary budget surpluses (Figure 1.8). Overall, the country's gross public debt-to-GDP ratio has been reduced drastically from 190% in 2008 to an estimated 60% for 2018 (Figure 1.7). The increase in domestic resource mobilisation and improvements in public budgets were achieved in large part through new taxes.

Figure 1.6. Seychelles relies heavily on tourism and fisheries



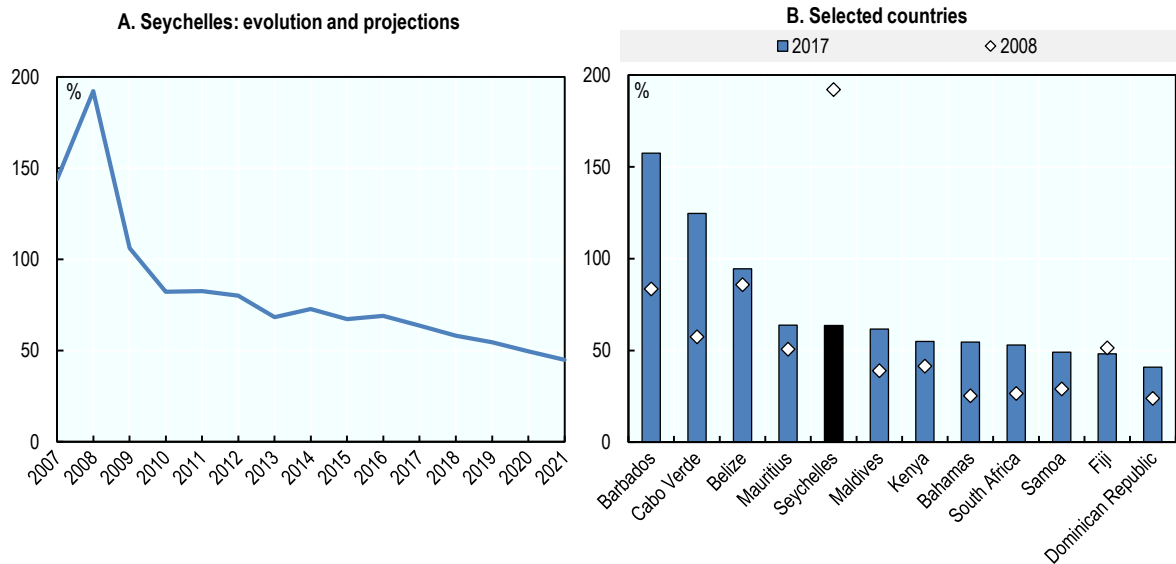
Note: 2017 data in Panel A, 2015 data in Panel B, 2018 data in Panel C, and 2019 data in Panel D.

Source: Seychelles Central Bank and National Bureau of Statistics.

**Seychelles' current public debt levels remain high, however, and the government is pursuing efforts to reduce its debt-to-GDP ratio.** While comparable countries often present similar or higher levels of public debt-to-GDP ratios, Seychelles' current debt burden remains high: the country spent about 8% of its expenditure outlays (or about 10% of its tax revenue) on interest payments in 2018 (IMF, 2019<sup>[2]</sup>). The government's objective is to bring the debt-to-GDP ratio below 50% by 2021.

**Figure 1.7. Seychelles' public debt-to-GDP ratio has been significantly reduced and is now much closer to levels in peer countries**

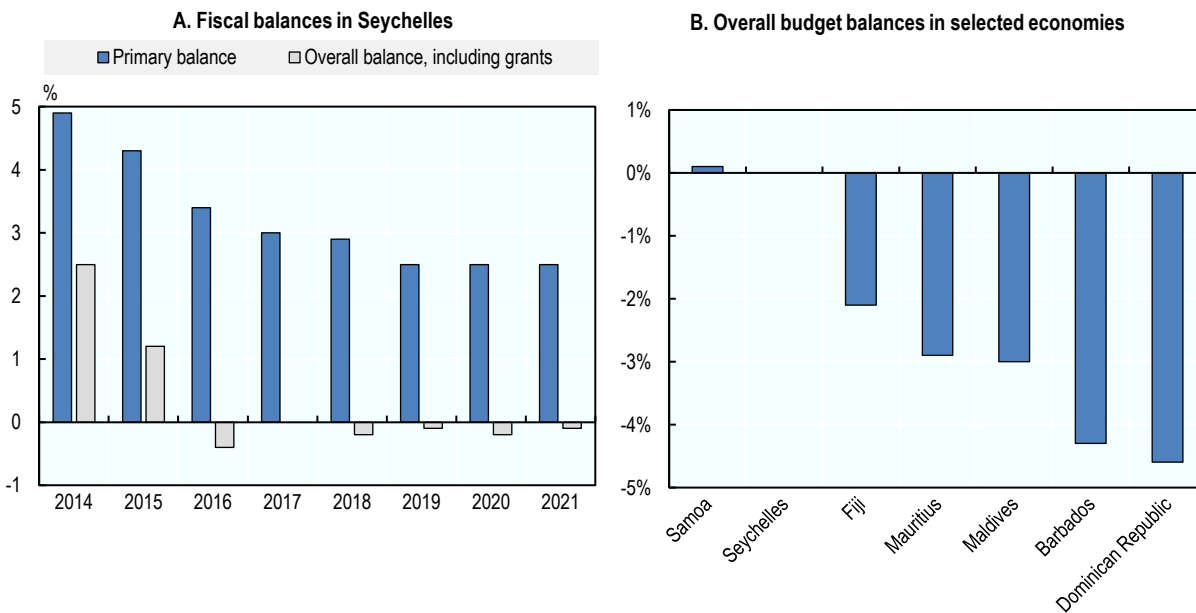
Gross general government debt as a share of GDP



Note: IMF projections from 2018.  
Source: IMF World Economic Outlook Database.

**Figure 1.8. Seychelles has maintained fiscal discipline in recent years**

Fiscal balances as a share of GDP



Note: Primary balances refer to government net borrowing or net lending, excluding interest payments on consolidated government liabilities.  
Source: IMF World Economic Outlook Database and Article IV reviews.



## ***Seychelles is vulnerable to climate change and other environmental risks***

**Seychelles is vulnerable to climate change, particularly to the effects of rising temperatures and sea levels.** Rising sea levels are already affecting Seychelles. Indeed, sea levels are estimated to rise by 2.3 mm every year, which leads to coastal erosion and flooding, impacting roads and tourism-related infrastructure. Rising sea levels are also expected to increase salination and reduce fresh water supply (IMF, 2017<sup>[4]</sup>). The increases in temperature have also led to coral bleaching and more extreme rainfall has caused significant crop losses in the last decade (IMF, 2017<sup>[4]</sup>).

**While Seychelles has made clear efforts towards enhancing its resilience to climate risks, further measures and investments will be needed, which will in turn put pressure on public finances.** Seychelles has made more progress towards climate change preparedness than most other small island states (IMF, 2017<sup>[4]</sup>). In particular, its Nationally Determined Contribution (NDC) submission under the Paris Agreement involved a “balanced mitigation and adaptation strategy, accompanied by costed investment plans” (IMF, 2017<sup>[4]</sup>). Nevertheless, the financing required for the planned investments is substantial and there is no clear timeline for the implementation of these projects.

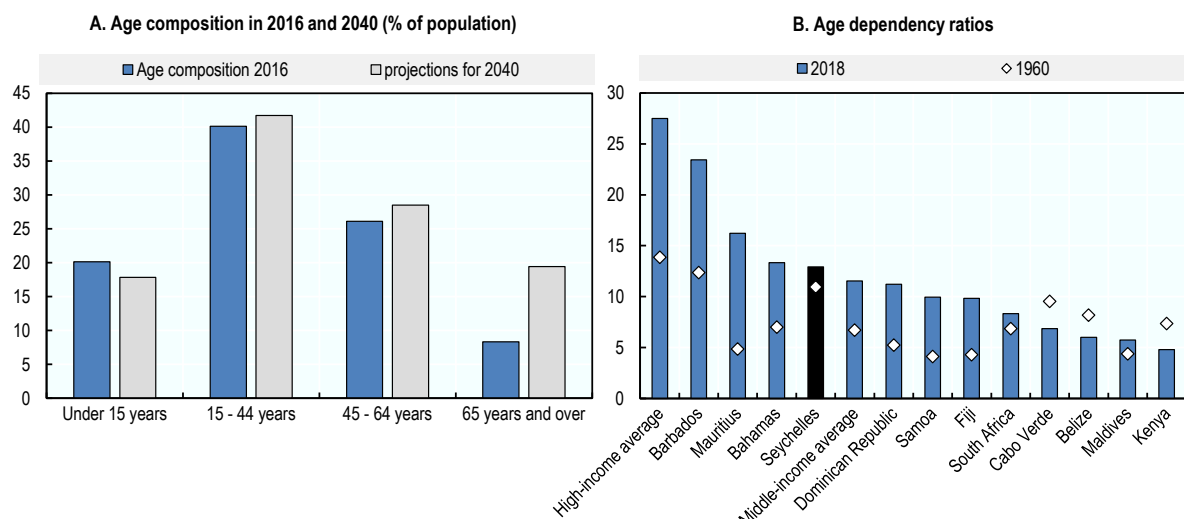
**As mentioned as well, Seychelles faces other environmental challenges,** in part linked to the environmental footprint of its main sectors. In the fishing sector, there are signs of overexploitation of certain species (see above). There have also been concerns about the impact of rapid developments in the tourism sector (see above).

## ***Seychelles will have to adapt its policies to population ageing***

**Seychelles’ demographic transition is relatively advanced.** This results from the combination of a decline in the fertility rate, which started in the 1960s and stood at 2.2 in 2016, and an increase in life expectancy to 74.3 years. The number of people aged 65 and older has increased from just over 2 000 in 1960 to over 10 000 in 2010 (Ministry of Health and Social Affairs, 2016<sup>[5]</sup>). The ageing of Seychelles’ population is projected to accelerate further over the next few decades, with a continuing decrease in the fertility rate and an increase in life expectancy. In particular, the share of the population aged 65 and older is expected to increase from 8.8% in 2016 to 18.4% in 2050 (Figure 1.9, Panel A) and the share of the elderly above 80 years old is expected to rise from 1.8% to 6% by 2050. In international comparison, Seychelles age-dependency ratio, which shows the ratio of older dependents (people older than 64) to the working-age population, is relatively high compared to comparable countries, but far below the average ratio for high-income countries (Figure 1.9, Panel B).

**Population ageing will create direct pressure on public finances.** On the one hand, population ageing will generate an increase in public expenditure on pensions, health and long-term care. On the other hand, it is likely to have a negative impact on tax revenues, particularly from taxes that bear on labour income (personal income tax and social contributions to the Seychelles Pension Fund). The government will have to assess and reinforce the sustainability of its tax and welfare system to the pressures caused by population ageing. Discussions about raising the retirement age from 63 to 65 are already ongoing (and the possibility for early retirement at 60 has already been eliminated), but additional measures are likely to be necessary.

Figure 1.9. Seychelles' demographic transition is relatively advanced



Note: In Panel B, data are shown as the proportion of dependents per 100 working-age population.

Source: Seychelles National Bureau of Statistics (Panel A) and World Development Indicators (Panel B).

### ***Addressing the informal economy remains a significant challenge***

**The informal sector still represents a big share of the economy.** Following a narrow definition of informal employment, the informal sector in the Seychelles is estimated to employ about 16% of the total labour force (Bhorat, Ewinyu and Yu, 2017<sup>[6]</sup>). However, anecdotal evidence points to more prevalent informal employment. As described in Box 1.1, addressing informality should be a priority as a large informal sector can have significant negative economic, fiscal and social consequences.

**Informality is particularly high in agriculture and fisheries, as well as in manufacturing and construction.** Workers in the informal sector are disproportionately classified as unskilled or semi-skilled. While the formal workforce exhibits a relatively even gender balance, the informal sector is largely skewed towards men, with women accounting for less than 30% of informal workers. The average informal sector worker is slightly older than the average formal sector worker (41 years old, compared to 37). By sector, informal workers are predominantly employed in the primary and secondary sectors (namely agriculture and fisheries, as well as manufacturing and construction) (Bhorat, Ewinyu and Yu, 2017<sup>[6]</sup>).

### ***Poverty levels are relatively low but inequality is high***

**Poverty levels are low relative to other countries.** Poverty, as defined for international comparison purposes, is low in Seychelles. The poverty headcount ratio at USD 5.50 a day is around 5%, far below poverty levels in Mauritius, Maldives and Dominican Republic (Figure 1.10, Panel A). The poverty rate using the poverty line of USD 3.10 per day is 2.5% (2011 Purchasing Power Parity, PPP). However, even though absolute poverty is low, relative poverty measured by the national poverty rate is significant (39.3% in 2013). This results from a much higher national poverty line, equivalent to about USD 13 per person per day (in 2011 PPP dollars). Other human development indicators point to Seychelles' relatively good performance. For instance, Seychelles ranked 63<sup>rd</sup> out of 188 countries on the Human Development Index, with a score of 0.782 in 2015 (World Bank, 2017<sup>[11]</sup>).

### Box 1.1. The consequences of informality

Informality can take different forms including informal self-employment, informal workers employed by firms, informal production by firms (i.e. “off-the-books” activities), or “envelope wages” (i.e. employers declaring the minimum wage as the taxable wage and providing the rest of their employees’ wages in cash). While the literature has long debated whether informality was the result of “exclusion”, meaning that informality is involuntary or a voluntary choice to “exit” the formal sector (Perry et al., 2007<sup>[7]</sup>), both voluntary and involuntary forms of informality usually coexist. The varying forms of informality and its hidden nature make estimations of the phenomenon difficult.

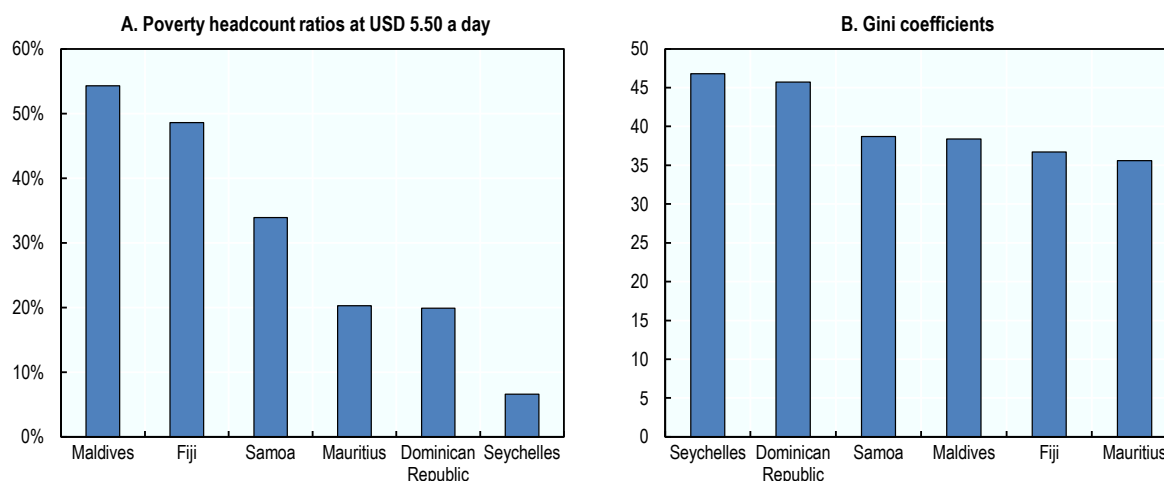
High levels of informality can have significant negative consequences for the economy. First, workers employed in the informal sector have limited access to social protection, inadequate contracts, comparatively lower wages, and are highly vulnerable when they lose their job or when they retire. High levels of informality may also reduce workers’ access to training, exacerbating skills shortages. This ultimately generates greater inequalities.

The informal sector also affects productivity and growth. Production in the informal sector often generates inefficiencies, either because firms limit their size below their optimal efficiency scale to avoid being detected or because they use outdated production technologies (Andrews, Caldera Sánchez and Johansson, 2011<sup>[8]</sup>). The relative cost advantages enjoyed by informal firms may allow them to stay in business even if they are not productive (Andrews, Caldera Sánchez and Johansson, 2011<sup>[8]</sup>). Firms operating in the informal sector also have a more limited access to finance which constrains investment and access to qualified labour.

A significant level of informal economic activity also has significant negative fiscal consequences. High levels of informality reduce the amount of tax revenue received by the government. Many informal workers may also be recipients of social benefits, adding to the fiscal burden on the state. This is not so clear-cut, however: it can be argued that taxing the informal sector has limited revenue potential because informal workers and businesses tend to generate limited income, but would entail high tax collection costs.

Finally, high levels of informality can result in an erosion of trust in public institutions and result in lower tax morale, which may lower revenues through other channels. Importantly, the larger the informal sector, the more incentives people have to remain or become informal (e.g. the larger the informal sector, the lower the fear of being sanctioned and the higher the impression that the informal sector is tolerated).

Figure 1.10. Seychelles' poverty levels are comparatively low, but income inequality is high



Note: For each country, the latest year with available data is used.

Source: World Bank.

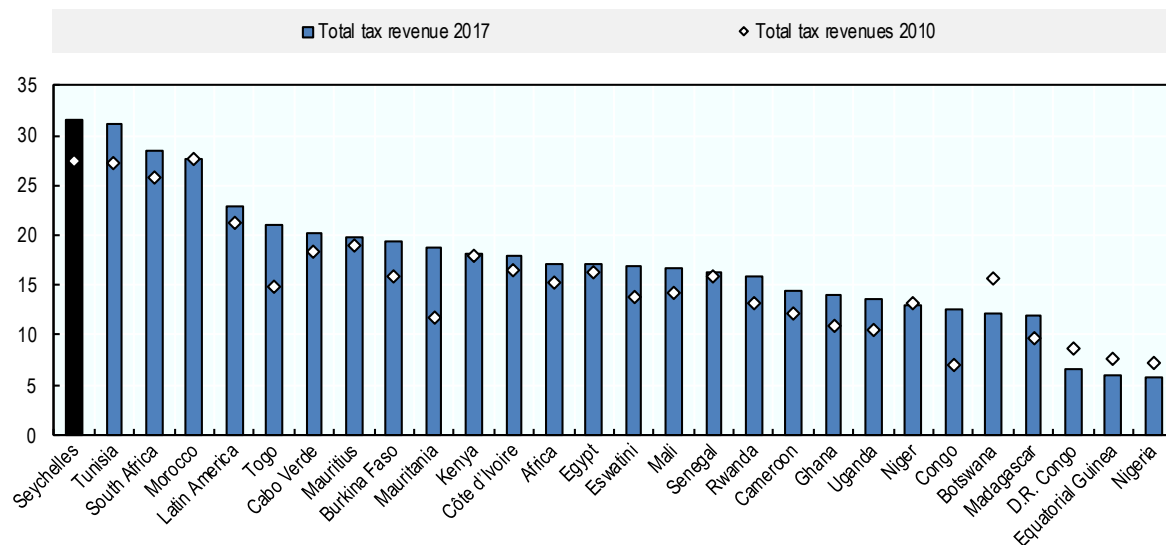
**However, inequality remains a concern.** Seychelles' Gini coefficient, which is a standard measure of income inequality that ranges from zero (when everybody has identical incomes) to 1 (when all the income goes to only one person), stood at 0.47 in 2012. While cross-country comparisons of inequality are difficult, Seychelles' Gini coefficient was higher than in most comparator countries, suggesting higher income inequality levels than in Mauritius or Maldives, for instance (Figure 1.10, Panel B).

### Seychelles' tax-to-GDP ratio

**Seychelles has a high tax-to-GDP ratio compared to similar countries.** At 31.5% of GDP, Seychelles has the highest tax-to-GDP ratio among the African countries covered in the OECD Global Revenue Statistics Database (Figure 1.11). Seychelles also collects high tax revenues as a share of GDP in comparison to other small island economies that are highly dependent upon tourism. Figure 1.12 shows that Barbados is the only country among the selected small island states that collected more tax revenues as a share of GDP than Seychelles in 2017.

**Figure 1.11. Seychelles has the highest tax-to-GDP ratio in Africa**

Tax revenues as a share of GDP in 2010 and 2017

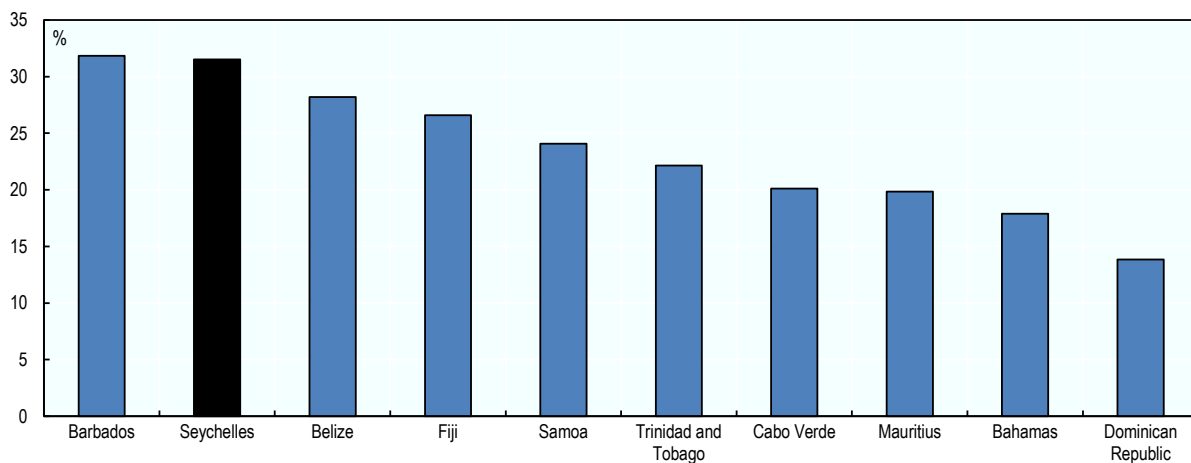


Note: The African countries that are not included in the figure are not covered by the OECD Global Revenue Statistics Database.

Source: OECD Global Revenue Statistics Database, [https://stats.oecd.org/Index.aspx?datasetcode=RS\\_GBL](https://stats.oecd.org/Index.aspx?datasetcode=RS_GBL).

**Figure 1.12. Seychelles collects high tax revenues in comparison to other small island states**

Tax revenues as a share of GDP in 2017 in selected small island states



Source: OECD Global Revenue Statistics Database, [https://stats.oecd.org/Index.aspx?datasetcode=RS\\_GBL](https://stats.oecd.org/Index.aspx?datasetcode=RS_GBL).

**Tax revenues as a share of GDP have increased in the last decade.** Tax revenues as a share of GDP have increased from 27.5% in 2010 to 31.5% in 2017. This reflects to a large extent the government's efforts to mobilise additional domestic resources, in particular through the adoption of significant tax reforms (Box 1.2) to consolidate public budgets. The increase in the collection of tax revenues in 2017 was above expectations, largely thanks to strong growth in business tax revenues (from 5.5% to 6.7% of GDP between 2016 and 2017). Key factors behind this significant growth in business tax revenues included higher profits in major companies (such as SEYPEC), as well as a lower level of refunds (Budget strategy and outlook 2018). Recent reforms are expected to further boost tax revenues and to offset an anticipated

decline in business tax receipts due to the payments of tax arrears in 2018. These reforms include the reduction in fuel tax exemptions for the fishing and tourism sectors, the introduction of a sugar tax on beverages and the planned introduction of a property tax on residential property owned by non-residents.

### Box 1.2. Seychelles introduced major tax reforms in the last decade

#### 2009:

- Introduction of progressive business tax rates and of a 15% withholding tax on interest and dividend income

#### 2010:

- Introduction of a flat-rate personal income tax, replacing social security contributions
- Revision of import tax rates and introduction of an excise tax regime

#### 2013:

- Introduction of a value-added tax (VAT), replacing the Goods and Services Tax (a sales tax)
- Introduction of a presumptive tax on turnover
- Introduction of the Tourism Marketing Tax and the Corporate Social Responsibility Tax

#### 2017:

- Introduction of progressivity in the personal income tax (implemented in 2018)

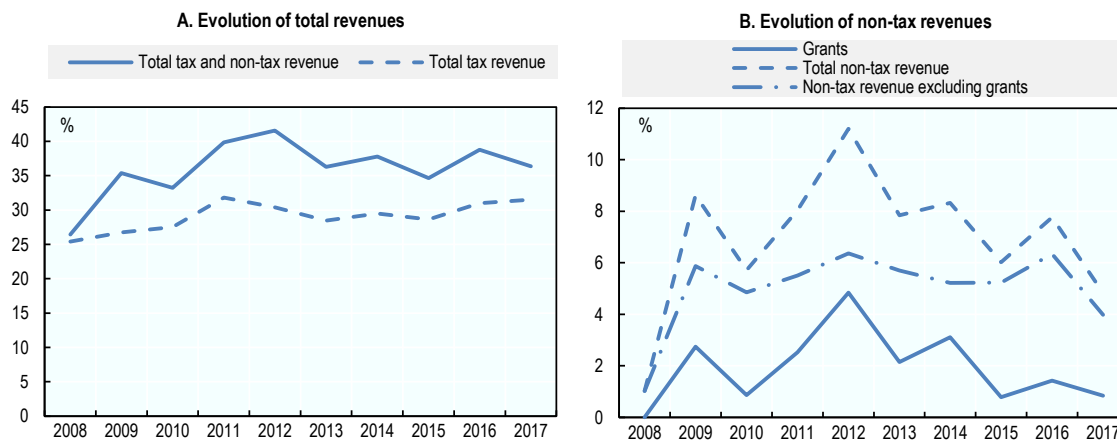
#### 2018:

- Revision of preferential tax regimes, to align them with the minimum standard on countering harmful practices (Action 5) of the OECD/G20 Base Erosion and Profiting Shifting project.

**In the future, the tax-to-GDP ratio may need to increase further.** As mentioned above, the government of Seychelles has committed to further reducing its public debt to 50% of GDP by 2021. In addition, the government has announced major public investment plans to enhance infrastructure and strengthen resilience to climate change. According to the IMF (2019), financing these projects will require a 2.5% of GDP primary budget surplus, public-private partnerships, and access to external grants. However, access to grants from development banks and donor countries might be more difficult than in the past, especially given Seychelles' recent graduation to "high-income" country status. Indeed, Figure 1.13 Panel B shows a sharp decrease in grants since 2012. This may suggest that a greater share of funding for these projects may have to come from taxation.

**Figure 1.13. Seychelles' total revenues have increased in the last decade, but revenues from grants have declined sharply since 2012**

Evolution of total tax revenues as a share of GDP (Panel A) and evolution of non-tax revenues (Panel B)



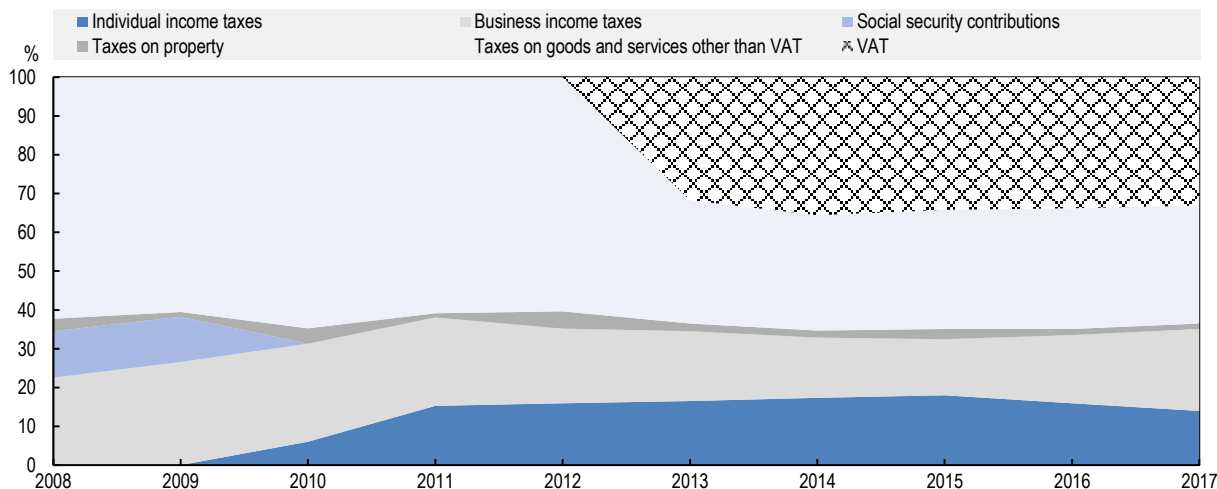
Source: OECD Global Revenue Statistics Database, [https://stats.oecd.org/Index.aspx?datasetcode=RS\\_GBL](https://stats.oecd.org/Index.aspx?datasetcode=RS_GBL).

## The composition of Seychelles' tax revenues

**Seychelles' tax revenues predominantly come from indirect taxes and the business tax.** VAT is the largest source of tax revenues, accounting for a third of total tax revenues in 2017. Other indirect taxes play a major role too, accounting for 30% of the tax revenues raised by Seychelles. The third largest source of tax revenues is the business tax, making up 21% of Seychelles' total tax take. Personal income tax accounts for about 14% of total revenues. Property taxes, on the other hand, represent only a very small share (just over 1%) of total taxes raised.

**Figure 1.14. The evolution of the composition of tax revenues reflects major reforms in Seychelles' tax system**

Tax revenues from each type of tax expressed as share of total tax revenues



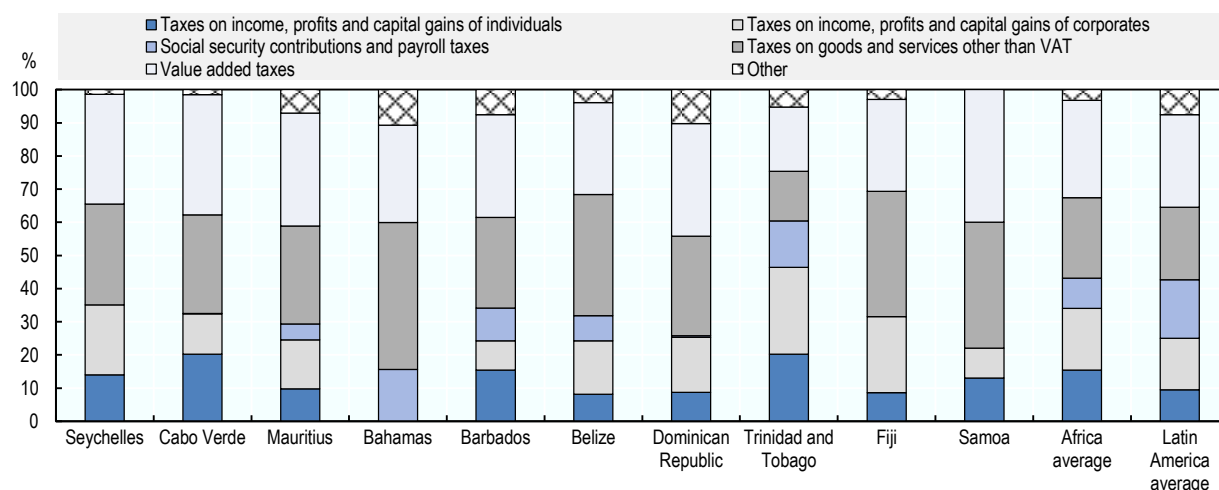
Source: OECD Global Revenue Statistics, [https://stats.oecd.org/Index.aspx?datasetcode=RS\\_GBL](https://stats.oecd.org/Index.aspx?datasetcode=RS_GBL).

The significant changes in the composition of Seychelles' tax revenues reflect the complete overhaul of the tax system over the last decade. Figure 1.14 clearly shows the introduction of the personal income tax in 2010, replacing social security contributions, as well as the introduction of VAT, replacing GST and becoming the largest source of tax revenues in Seychelles. Business tax revenues have remained relatively stable, with their share decreasing only slightly from 23% to 21% of total tax revenues between 2008 and 2017. Property tax revenues have also stayed relatively stable at a very low level throughout the period.

Despite Seychelles' high-income status, its tax structure is much closer to that of low or middle-income countries. Figure 1.15 shows that Seychelles' tax revenue mix is relatively similar to tax structures in low and middle-income countries and in other small island states, with a predominance of indirect taxes and corporate income tax. On the other hand, the composition of its tax revenues differs from that of more advanced countries, where personal income taxes and social security contributions typically play a major role.

**Figure 1.15. Despite its high-income status, the composition of Seychelles' tax revenues is relatively similar to that of other small island states**

Tax revenues from each type of tax expressed as a share of total tax revenues for selected small island states and regional country groupings in 2017



Source: OECD Global Revenue Statistics Database, [https://stats.oecd.org/Index.aspx?datasetcode=RS\\_GBL](https://stats.oecd.org/Index.aspx?datasetcode=RS_GBL).

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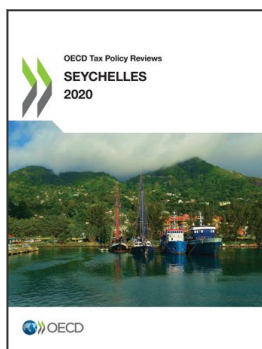
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## Notes

<sup>1</sup> Many of the figures in the report compare Seychelles with a number of relatively similar small-island states that are highly dependent upon tourism as well as a few African countries.

<sup>2</sup> <https://www.worldbank.org/en/country/seychelles/overview>.

<sup>3</sup> The World Bank classifies the world's economies into four income groups — high, upper-middle, lower-middle, and low, based on Gross National Income (GNI) per capita (current USD).



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