

Foreign Currency Permits Act

The Foreign Currency Permits Act ('FCP Act') was passed in December 2018, with a commencement date of 1 January, 2019.

The FCP Act follows the passage of the IBC Repeal Act, which repealed the International Business Companies Act ('the IBC Act'). The SRL (Amendment) Act was also passed shortly after the FCP Act and amended the Societies with Restricted Liability Act ('the SRL Act'), by abolishing the licensing of new International SRLs (ISRLs).

Application for a Foreign Currency Permit ('FCP')

A company, firm or society which earns 100% of its income in foreign currency, may apply to the Director of International Business ('the Director') for the grant of an FCP by providing the following:

- applicable fee
- completed application form
- in the case of an initial application, a declaration in the prescribed form certifying that the entity intends to earn 100% of its income in foreign currency and in the case of an FCP renewal, an executed declaration certifying that 100% of the applicant's income for the relevant financial year was earned in foreign currency based on its audited financial statements for the preceding year.

An FCP remains valid for 12 months unless cancelled or revoked by the Director.

Conversion to Foreign Currency Permit Entity

Entities which have been established under the IBC Act or the SRL Act as IBCs and ISRLs, and are eligible to be grandfathered, can elect to be grandfathered or can alternatively opt to convert permanently to a Foreign Currency Permit Entity ('FCP Entity'). This conversion may occur at any time prior to 30 June, 2021. All grandfathered entities will automatically convert to FCP entities on that date.

Benefits of the Foreign Currency Permit Company

The following is a summary of the tax rates and benefits attendant to FCP entities as compared with those provided to grandfathered entities.

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Foreign Currency Permit (FCP) regime – effective 1 January, 2019			Grandfathering to 30 June, 2021 – IBCs and ISRLs	
Tax Rates	Taxable Income US\$	Rate	Taxable Income US\$	Rate
	Less than \$500,000	5.5%	Less than \$5,000,000	2.5%
	More than \$500,000 but less than \$10,000,000	3.0%	More than \$5,000,000 but less than \$10,000,000	2%
	More than \$10,000,000 but less than \$15,000,000	2.5%	More than \$10,000,000 but less than \$15,000,000	1.5%
	More than \$15,000,000	1.0%	More than \$15,000,000 (effective 1 January, 2019 this rate increased from 0.25% to 1%)	1.0%
Exchange control exemptions	Yes		Yes	
Exemptions from property transfer taxes on transfers of shares or quotas	Yes		Yes	
Stamp duties on transfers of shares or quotas	Nominal		Nominal	
Annual renewal fee and filing	Yes		Yes	
Income tax concessions for specially qualified individuals as employees	Yes		Yes	
Income tax concessions for specially qualified individuals as employees	Yes		Yes	
Annual corporate income tax returns	Yes		Yes	
Audited financial statements	Yes – provided that the threshold is met		Yes – provided that the threshold is met	

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