

### I. COUNTRY REFORM PROGRESS

Progress in the tax policy module during FY2025 was limited due to a mission delay requested by the authorities. Initially scheduled for FY25, the mission's scope has been expanded to include a comprehensive assessment of the tax system and is now planned for August 2025. The authorities intend to introduce tax policy reforms aimed at diversifying the economy beyond tourism. As a result, the mission's coverage has been broadened beyond tax expenditure quantification.

### II. PROJECT DELIVERY HIGHLIGHTS

| Revenue Module I – Tax Policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
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| <p><b>Key Progress in FY25:</b> A capacity development (CD) mission by the IMF's Fiscal Affairs Department (FAD) planned for late FY25 is postponed at the request of the authorities to avoid conflict with missions by the IMF's African Department (AFR). Therefore, there is no progress to report for FY25.</p> <p><b>Previous Progress:</b> No FAD CD activities to Seychelles on tax policy issues took place under GPFP prior to FY25. Previous FAD CD on tax policy focused on strengthening VAT design and tax expenditure analysis and reporting.</p> <p><b>Next Steps:</b> The country is planning to implement policies aimed at fostering economic diversification beyond the tourism sector. A key area of intervention is tax policy. A mission is scheduled for early FY26 to assess the efficiency and fiscal cost of proposed business income tax incentives, and to identify additional policy reforms that could enhance the efficiency of other tax laws.</p> |

### III. LOGICAL FRAMEWORK

| Country – Seychelles                                                                                                        |                |                                                                                                                                                                                                                                                                                                 |
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| Objective – Strengthen Policy Monitoring, Evaluation, and Institutions - TPM                                                |                | Rating - 2                                                                                                                                                                                                                                                                                      |
| Outcome                                                                                                                     | Rating         | Narrative                                                                                                                                                                                                                                                                                       |
| Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis | 1 Not Achieved | The postponement of the first activity—at the request of the authorities, citing a scheduling conflict with an AFR mission—and the expansion of the scope of work mean that the initial CD mission will now take place in early FY26. As a result, there is no progress to report at this time. |

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| Improved transparency and outreach | 2 Partially Achieved | The draft consolidated tax expenditure report will be prepared by the authorities following the completion of all CD activities related to tax expenditure assessments. A substantial portion of the CD reports that will serve as inputs for the official publication has already been completed without GPFP funding. |
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#### IV. RISK ASSESSMENT

| Description                                                                                                                                                                                                           | Rating | Mitigation Measures                                                                                                                                                                                                                                                            |
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| <b>External Climate/Conditions</b>                                                                                                                                                                                    |        |                                                                                                                                                                                                                                                                                |
| Climate conditions unfavorable to conduct the missions                                                                                                                                                                | Low    | Ensure flexibility in the plan to accommodate short run disruptions.                                                                                                                                                                                                           |
| <b>Political Support</b>                                                                                                                                                                                              |        |                                                                                                                                                                                                                                                                                |
| Lack of political support for reforms.                                                                                                                                                                                | Medium | Keep close engagement with IMF area department team on country priorities and developments. And make sure that the engagements are in line with the objectives included in the IMF's Extended Credit Facility (ECF) and Resilience and Sustainability Facility (RSF) programs. |
| <b>Management and Technical Staff Support and Commitment</b>                                                                                                                                                          |        |                                                                                                                                                                                                                                                                                |
| Low commitment of management to follow-up the CDs and invest in the capacity of the staff.                                                                                                                            | Medium | Engage with senior management and technical staff pro-actively and explain the importance of the CD activities to achieving the overall macro-fiscal objective of the government.                                                                                              |
| <b>Resource Adequacy</b>                                                                                                                                                                                              |        |                                                                                                                                                                                                                                                                                |
| Insufficient technical capacity and human resources necessary to implement reforms, and to use new tools developed as part of the CD.                                                                                 | Medium | Ensure CD plans include sufficient capacity building and training elements and prioritize CD to priority or highest risk areas where resources are limited.                                                                                                                    |
| <b>Other Risks</b>                                                                                                                                                                                                    |        |                                                                                                                                                                                                                                                                                |
| Multiple donors are providing technical assistance on domestic resource mobilization (example: the World Bank provided support on transfer pricing) and inconsistent advice, gaps, or overlaps may arise as a result. | Medium | Take an active role in engaging with other donors to ensure support is well coordinated.                                                                                                                                                                                       |

#### V. PROJECT MANAGERS CONTACT INFORMATION

| Project Manager           | Module PM                 | E-mail                                                     |
|---------------------------|---------------------------|------------------------------------------------------------|
| Andualem Mengistu (FADT1) | Andualem Mengistu (FADT1) | <a href="mailto:AMengistu2@imf.org">AMengistu2@imf.org</a> |