Asia-Pacific Investment and Tax Playbook (Selected Territories)

pwc

一带一路全景平台
Belt & Road United
分享｜共赢｜探索丝路新商机

Contents

Opening and leaders' note

Raymund Chao
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A changing business world demands changes in business.

In today's business world, companies are facing more opportunities yet increasing disruptions and challenges. Technology breakthrough and infrastructure improvement bring higher productivity and better connectivity, enabling business to operate in a larger space with less geographical limit. Government-led initiatives, such as Belt & Road Initiative, also aim to provide support from institutional level to facilitate international trade and cross-border investment. On the other hand, business is also impacted by a variety of changes, such as geopolitical development, trade relationships between major economies and regulations for tax transparency and anti-avoidance.

To assist business leaders better tap into the opportunities and make right decisions on transformations in this changing business world, we have prepared this Asia-Pacific Investment and Tax Playbook (Selected Territories) for you.

Gabriel Wong
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A vibrant region to accommodate your new thinking of the business.

As one of the world's top 10 largest economies*, ASEAN's economics progress has been largely powered by its people – a large population of labor force catering demands of manufacturing sector and an increasing number of middle class driving domestic consumption. ASEAN now attracts the second largest foreign direct investment (FDI) in Asia only after China**, and has become a major market for consumer products. The free trade agreements within ASEAN and with major economies in the world also facilitate regional and international trade.

The region has also achieved notable growth under the Belt & Road Initiative (BRI) since the initiative was announced, and become a key strategic location along the Belt & Road route. This growth is primarily driven by large capital projects and infrastructure investments as well as bilateral industrial cooperation with major economies such as China. The entire region demonstrated high support to BRI in the 2nd Belt and Road Forum in Beijing in 2019 and has committed to make more efforts to strengthen the economic tie with China for further sustainable growth in the future.

Furthermore, under the current global economic and trade environment, ASEAN has emerged to be a place that can be positioned for business to establish alternative facilities or multi-location operations as part of a supply chain transformation strategy.

This Asia-Pacific Investment and Tax Playbook (Selected Territories) by PwC summarizes the key investment considerations of all ASEAN countries, providing you with a regional view and a territory-by-territory comparison.

** Source of Information: GDP 2017, World Development Indicators database, World Bank, 25 April 2019.*
*** Source of Information: The Future of ASEAN Time to Act report, https://www.pwc.com/sg/en/publications/assets/healthcare-future-asean-2018.pdf*

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A regional network to help deliver your business strategy.

PwC's global network enables us to provide regional views with local practical insights. Our global network covers more than 150 countries or regions with over 100 member firms being located in the "Belt & Road" countries/regions, with both local talents and global experts working together to jointly deliver best value to the business community.

PwC Asia Pacific was established on 1 July 2017, and now comprises Mainland China, Hong Kong and Macau, Taiwan, Singapore, Japan, Australia, Malaysia, Vietnam, Thailand, New Zealand, Indonesia and Philippines.

Our Asia Pacific Tax Network helps organizations establish the most effective tax structures and solve tax issues from ideas to execution. Our regional team combines financial skills and tax specialists with those of economists, lawyers and in-house specialists to form the largest tax practice in the Asia Pacific region.

We have worked together to jointly present this Asia-Pacific Investment and Tax Playbook (Selected Territories) to you.

Jenny Chong
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Supply Chain Transformation Solutions Leader

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A one-stop solution to support your transformation journey.

For companies that would like to explore the full potential of this region for their new business strategy, PwC is right positioned to support. We have the methodology, skills and experience to help with your supply chain transformation. We have an integrated team with subject matter experts from management consulting, custom and tax, deals and corporate finance, legal, assurance and risk assurance, etc. We are also working beyond the boundaries by collaborating with our stakeholders in the business ecosystem and by leveraging our regional resources to get hold of international expertise.

There are senior level people from PwC China being based in major locations in Southeast Asia as the single Point-of-Local Contact to lead the regional supply chain transformation conversations. Please refer to this Asia-Pacific Investment and Tax Playbook (Selected Territories) for more information on how we have put together our resources for you.

Territory Fact Sheet

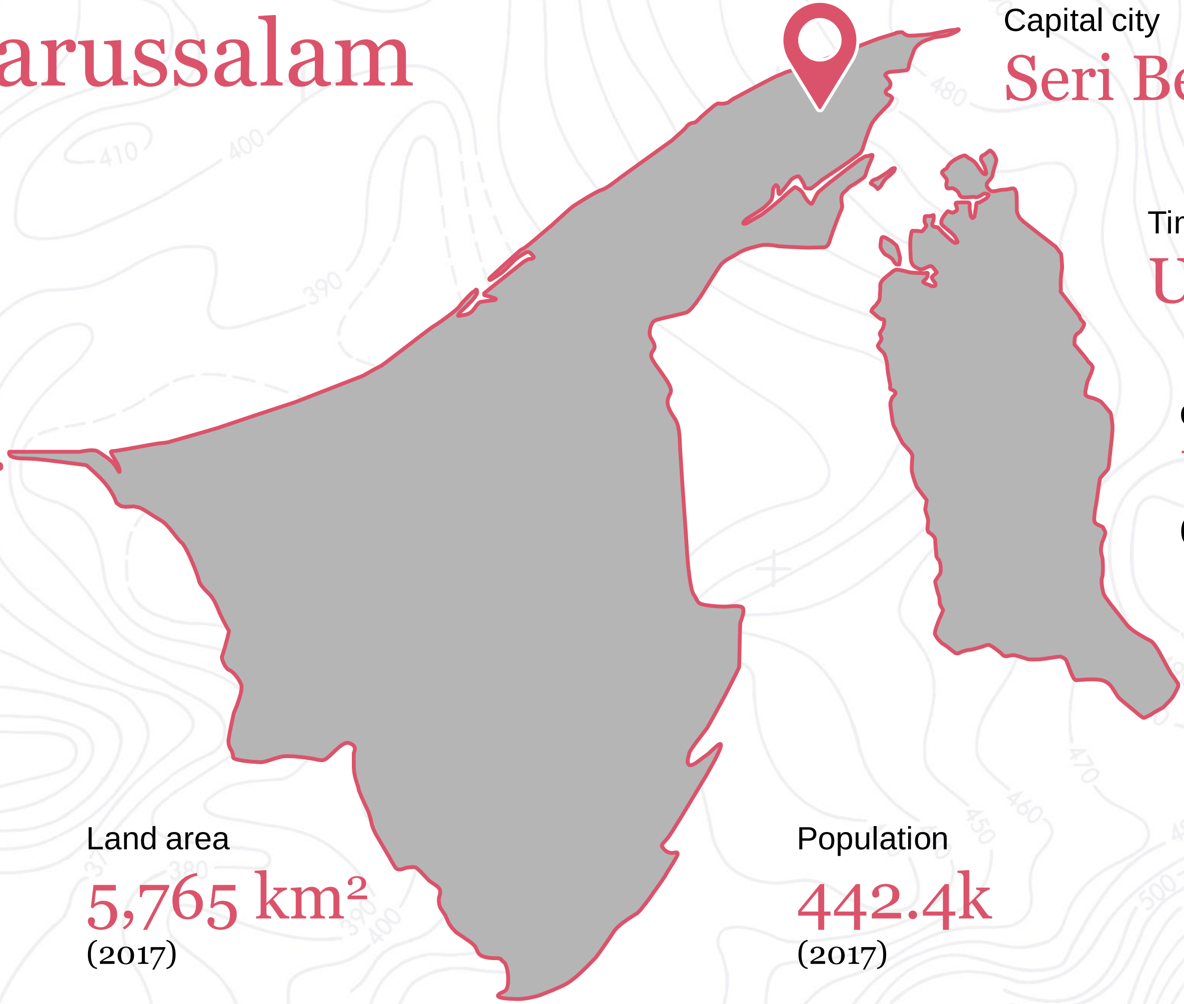
Cambodia

Thailand

Malaysia

Vietnam

Brunei Darussalam



Capital city
Seri Begawan

Official language
Malay

Time zone
UTC +8

Currency
Brunei Dollar

GDP
US$12,128 million
(2017)

Exchange rate per USD $1
1.36892
(May 2019)

Foreign exchange control
No

Land area
5,765 km²
(2017)

Population
442.4k
(2017)

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Key industries

Petrochemicals, Information and Communications, Pharmaceuticals

Major natural resources

Oil, Gas, Forests

Top FDI contributor (as of 2017)

Malaysia

Major investment locations

Sungai Liang, PMB Island, Salambigar, Rimba, Bukit Panggal, Telisai, BIC, Anggerek, SPARK Land, Pulau Muara Besar, Industrial Sites (Desa, Pekan Belait, Sungai Duhon, Sungai Bera, Salambigar, Serasa, Salar, Beribi), Lambak Kanan West Industrial Site

Industrial land

Leasehold for up to 25-30 years

Major ports

Seri Begawan Port, Malay Port, Seria Port, Lumut Port, Port of Kuala Belait and Port of Muara

Major airports

Brunei International Airport

Regulatory	
Legal forms for FDI	LLC, Branch, Partnership.
Foreign investment restrictions/local JV partner requirement	Yes
Approval authority for foreign investment	Brunei Economic Development Board (BEDB)
Finance and Tax	
Accounting standard	Brunei Darussalam Accounting Standards (BDAS), IFRS
Fiscal year	April 1 to March 31
Statutory audit	Yes
Corporate income tax rate	18.5%, 55% special rate applies to oil and gas companies
Number of income tax treaties (in force)	19 (as of May 2019)
Major indirect taxes	None
Non-resident capital gain tax and rate	None
Indirect transfer rule for non-resident shareholder	Generally no, unless tax avoidance
Import custom duty	0-30%
FTA partner territories	ASEAN, Australia, Chile, China, India, Japan, Korea, New Zealand
Thin-capitalisation rule	None
Transfer pricing rule	None. Transactions involving related resident and non-resident entities should be at arm's length.
Tax on dividend repatriation to foreign shareholder	None
Individual income tax	None
Social contribution	All employees (citizens and permanent residents) and every employer of such employees shall each pay a mandatory monthly contribution of 5% of the employees' basic salary to a fund called Tabung Amanah Pekerja (TAP) (Employee Trust Fund). Further, employees and their employer may also contribute 3.5% of the employee's salary to a Supplemental Contributory Pension Scheme (SCP).
Major tax incentives	Pioneer Status Companies – CIT exemption; custom duty exemption for imported materials and machines; the exemption period will be 5 years, 8 years or 11 years. Expansion of Established Enterprise – CIT exemption if capital expenditure is over 1 million BND, the tax exemption period is up to 11 years; Foreign Loans for Productive Equipment – Withholding tax exemption for the interest paid to foreign lenders.

Cambodia

Official language
Khmer

Currency
Riel

Exchange rate per USD $1
4073.34
(May 2019)

Foreign exchange control
No

Capital city
Phnom Penh

Time zone
UTC +7

GDP
US$22,158 million
(2017)

Population
16m
(2017)

Land area
181,035 km²
(2017)

Local Contact

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Key industries

Low-cost Manufacturing (esp. Garment and Footwear), Infrastructure, Real Estate, Banking and Finance, Agriculture, Tourism

Major natural resources

Forests, Waterways, Plants, Wildlife, Minerals, Energy and Extractives

Top FDI contributor (as of 2017)

China

Major investment locations

Phnom Penh, Sihanouk Province, Banteay Meanchey Province, Koh Kong Province, Siem Peap, Kampot Province, Kampong Cham Province

Industrial land

Leasehold for up to 50 years with options for extensions

Major ports

Sihanoukville Port, Phnom Penh Port and Koh Kong Port

Major airports

Phnom Penh International Airport (PPIA) and Siem Reap International Airport (SRIA)

Regulatory

Legal forms for FDI	LLC, Branch and Representative Office
Foreign investment restrictions/local JV partner requirement	No, except for land ownership
Approval authority for foreign investment	The Council for the Development of Cambodia(CDC), The Ministry of Commerce (MoC)

Finance and Tax

Accounting standard	IFRS, CIFRS
Fiscal year	Calendar year
Statutory audit	Yes
Corporate income tax rate	20%
Number of income tax treaties (in force)	6
Major indirect taxes	Value-Added Tax, 0% (Export) or 10%, Creditable
Non-resident capital gain tax and rate	Technically, the capital gain is taxed at 20%. Please consult Cambodian tax experts regarding its implementation status in practice.
Indirect transfer rule for non-resident shareholder	Yes, technically, the capital gain is taxed at 20% once the indirect transfer tax rule applied. Please consult Cambodian tax experts regarding its implementation status in practice.
Import custom duty	0-35%
FTA partner territories	ASEAN, Australia, China, India, Japan, Korea, New Zealand
Thin-capitalisation rule	No
Transfer pricing rule	Yes
Tax on dividend repatriation to foreign shareholder	14% (may be reduced by tax treaty)
Individual income tax	0% - 20%
Social contribution	Employers are responsible for 3.4% of average monthly wages. Currently there is no requirement for employees to contribute to the social contribution. The contribution is capped at a maximum amount of approximately USD11 per month per employee.
Major tax incentives	Qualified Investment Project – CIT exemption up to 6 years or special depreciation policy, custom duty exemption for imported materials and machines. Special industries' tax incentives, e.g. securities industry and agriculture – CIT, Value-added Tax or Minimum Tax exemption

Indonesia

Official language
Indonesian

Currency
Rupiah

Exchange rate per USD $1
14,431.04
(May 2019)

Capital city
Jakarta

Time zone
UTC +7

Foreign exchange control
No

Land area
1,916,862.2 km²
(2017)

Population
261.9m
(2017)

GDP
US$1,015,421 million
(2017)

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Key industries

Manufacturing, Wholesale & Retail Trading, Construction, Agriculture, Mining

Major natural resources

Crude Petroleum, Natural Gas, Geothermal, Coal, Iron Ore, Lignite

Top FDI contributor (as of 2018)

Singapore

Major investment locations

Java, Sumatera, Sulawesi

Industrial land

Leasehold for up to 50 years

Major ports

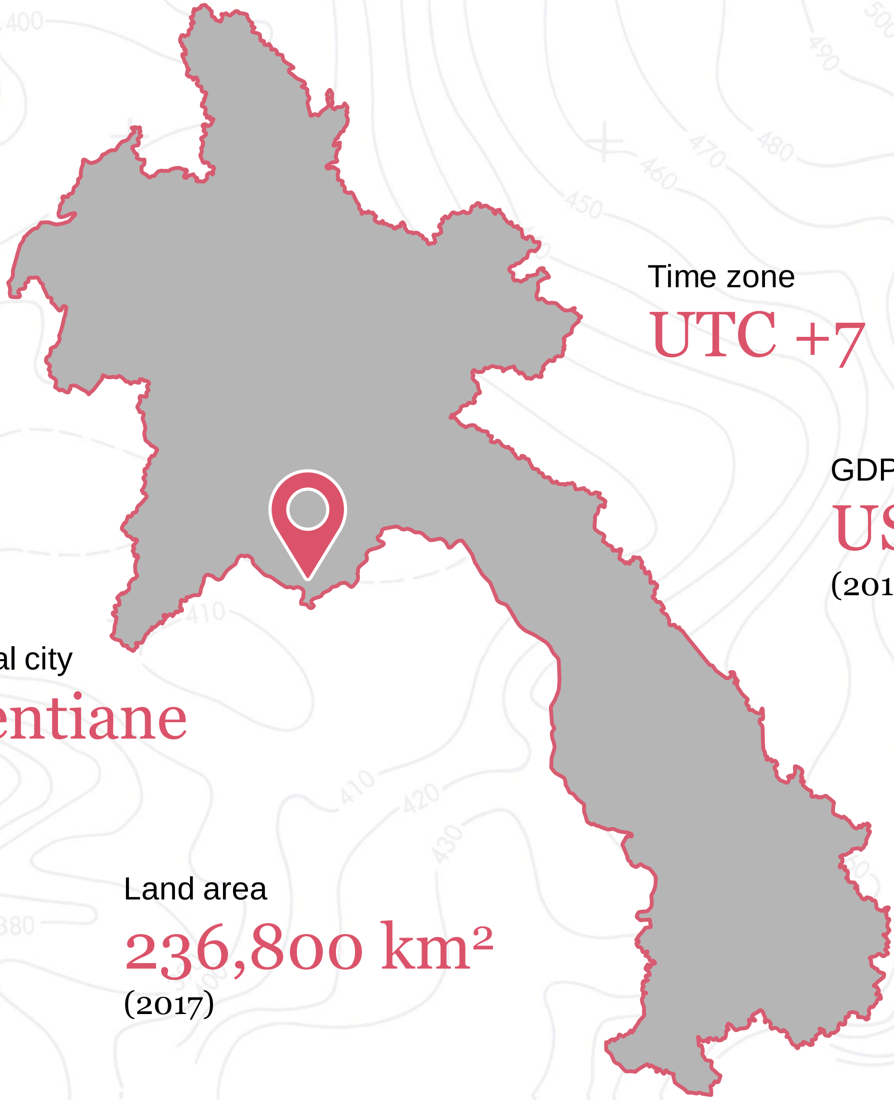
Tanjung Priok, Tanjung Perak

Major airports

Soekarno-Hatta International Airport

Regulatory	
Legal forms for FDI	PT-Perseroan Terbatas, Representative Office
Foreign investment restrictions/local JV partner requirement	Yes
Approval authority for foreign investment	Investment Coordinating Board (*Badan Koordinasi Penanaman Modal/BKPM*)
Finance and Tax	
Accounting standard	Indonesian Financial Accounting Standards
Fiscal year	Calendar year
Statutory audit	Yes
Corporate income tax rate	25%
Number of income tax treaties (in force)	69 (as of May 2019)
Major indirect taxes	Value-Added Tax, Excise, Import Duty
Non-resident capital gain tax and rate	Final income tax at 5%
Indirect transfer rule for non-resident shareholder	Yes
Import custom duty	0%-150%
FTA partner territories	ASEAN, Australia, Bangladesh, China, Egypt, India, Iran, Japan, Korea, Nigeria, New Zealand, Pakistan, Turkey
Thin-capitalisation rule	Debt to Equity ratio is 4:1
Transfer pricing rule	Yes
Tax on dividend repatriation to foreign shareholder	20% (may be reduced by tax treaty)
Individual income tax	5%-30%
Social contribution	0.24%-4%
Major tax incentives	Tax Holiday: The MoF may provide a tax holiday of 50% or 100% of CIT due for 5 to 20 years from the start of commercial production. After the end of the tax holiday, the companies will be provided with CIT reduction of 50% or 25% of CIT payable for the following two fiscal years. Tax Allowance: The MoF may provide tax concessions for investment in certain designated business areas or in certain designated regions: a. A reduction in net income of up to 30% of the amount invested, prorated at 5% for six years of the commercial production b. Accelerated depreciation and/or amortisation c. Extension of tax losses carry-forward for up to 10 years d. A reduction of the withholding tax rate on dividends paid to non-residents to 10% (or lower if treaty relief is available) Special Economic Zones (*Kawasan Ekonomi Khusus/KEKs*): Taxpayers conducting business in KEKs may enjoy tax facilities. The business should cover the main activities determined for each KEK. CIT reduction facility may be granted for new taxpayers with new capital investment in the production chain of main activities in a KEK. Free Trade Zones, Bonded Zones, Industrial Zones, Integrated Economic Development Zones: Companies conducting business in these areas may enjoy respective tax facilities.

Laos



Official language

Lao

Currency

KIP

Exchange rate per USD $1

8685.32

(May 2019)

Foreign exchange control

Yes

Capital city

Vientiane

Land area

236,800 km²

(2017)

Time zone

UTC +7

GDP

US$16,853 million

(2017)

Population

6.9m

(2017)

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Key industries

Infrastructure & Construction, Food & Beverages, Mining

Major natural resources

Minerals, Hydropower Resources, Forests

Top FDI contributor

China (as at 2014, latest from government)

Major investment locations

Vientiane Province, Ganmeng Province, Shawannaji Province

Industrial land

Leasehold for up to 50 years in general

Major ports

Vientiane Port, Savannakhet Port, Pakse Port

Major airports

Vientiane Wattay International Airport (VTE), Luang Prabang Airport (LPQ), Pakse Airport (PKZ)

Regulatory	
Legal forms for FDI	LLC, Representative office, Branch
Foreign investment restrictions/local JV partner requirement	Yes
Approval authority for foreign investment	Ministry of Planning and Investment
Finance and Tax	
Accounting standard	LFRS - LE (equivalent to IFRS-SMEs), LFRS for SMEs and IFRS for PIE.
Fiscal year	Calendar year
Statutory audit	Yes
Corporate income tax rate	24%
Number of income tax treaties (in force)	13 (11 are effective as of 2018)
Major indirect taxes	Value-Added Tax, 0% (Export) or 10%, Creditable
Non-resident capital gain tax and rate	2-10%
Indirect transfer rule for non-resident shareholder	Yes, 10% on transfer gain if deemed as taxable.
Import custom duty	0-40%
FTA partner territories	ASEAN, Australia, Bangladesh, China, Hong Kong, India, Japan, New Zealand, Sri Lanka
Thin-capitalisation rule	Generally no, debt to capital ratio shall not exceed 7:10 for concession investment activities.
Transfer pricing rule	No
Tax on dividend repatriation to foreign shareholder	10% (may be reduced by tax treaty)
Individual income tax	0% - 24% (progressive rate, no deductible expenses, and one-time payment)
Social contribution	Employers and employees are responsible for 6% and 5.5% of wages respectively. Maximum basis salary for calculation SSC is not over USD 530 (approximately).
Major tax incentives	Regional tax incentives – CIT exemption for 1~10 years according to location (mainly 3 zones) and business activities. Others - Exemption from profit tax if the net profit derived from business activities is used for business expansion, Custom Duty exemption for the imported raw material and equipment which are directly used for production, Export Duty exemption for the general exported goods and products and operating loss carry-forward up to three years.

Malaysia

Official language

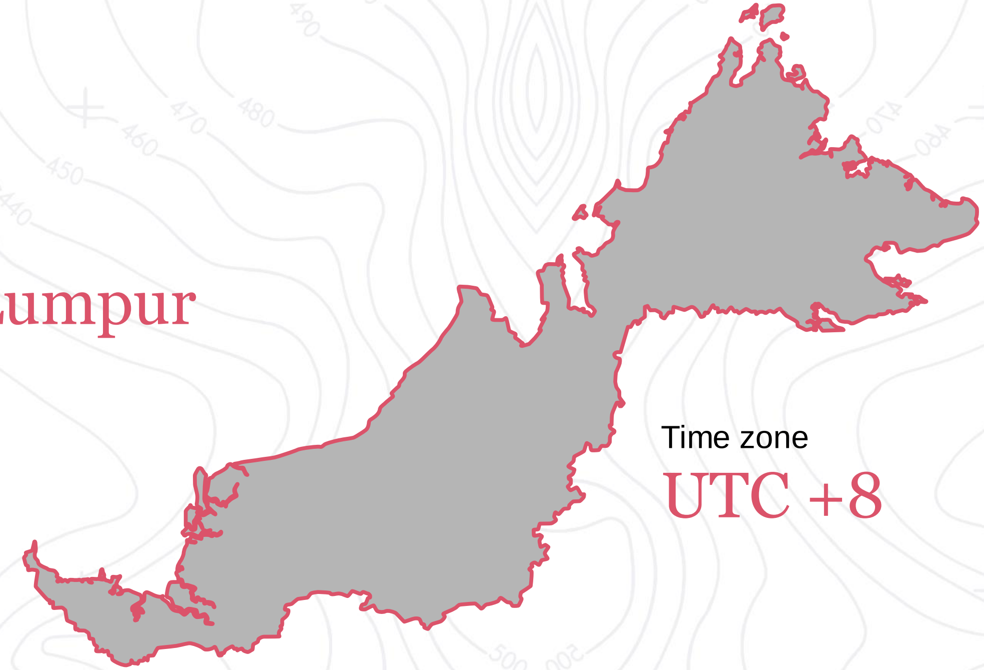
Bahasa Malaysia
English

Currency

Malaysia Ringgit (MYR)

Capital city

Kuala Lumpur



Time zone

UTC +8

Exchange rate per USD $1

4.17
(May 2019)

Land area

330,000 km²
(2018)

GDP

US$354,348 million
(2018)

Foreign exchange control

Liberal foreign exchange administration policy

Population

32.66m
(1st quarter 2019)

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Key industries

Wholesale and Retail Trade; Information and Communication; Finance and Insurance; Electrical and Electronics; Petroleum, Chemical, Rubber and Plastic; and Transport Equipment

Major natural resources

Petroleum, Liquefied Natural Gas, Palm Oil, Rubber, Timber

Top FDI contributor (as of 2018)

China (Manufacturing)

Major investment locations

Greater Kuala Lumpur, Penang, Iskandar Malaysia, Kuantan and East Malaysia (Sarawak and Sabah)

Regulatory	
Legal forms for FDI	Limited Liability Company (Sdn Bhd), Branch, Representative Office (prohibited from conducting business)
Foreign investment restrictions/local JV partner requirement	Yes, for certain strategic sectors / industries
Approval authority for foreign investment	Ministry of International Trade and Industry (MITI)

Finance and Tax	
Accounting standard	Malaysian Financial Reporting Standards (MFRS) or Malaysian Private Entities Reporting Standard (MPERS)
Fiscal year	Financial year
Statutory audit	Yes
Corporate income tax rate	24%
Number of income tax treaties (in force)	71
Major indirect taxes	Sales tax: 5% or 10% Service tax: 6% Non-creditable
Non-resident capital gain tax and rate	None, except Real Property Gains Tax
Indirect transfer rule for non-resident shareholder	No
Import custom duty	0%-60%
FTA partner territories	ASEAN, Australia, Bangladesh, Chile, China, Egypt, India, Iran, Japan, Korea, Nigeria, New Zealand, Pakistan, Turkey
Thin-capitalisation rule	None. Earning Stripping Rules (ESR) effective from tax year beginning on or after 1 July 2019; interest deductions will be limited to 20% of tax adjusted EBITDA.
Transfer pricing rule	Yes
Tax on dividend repatriation to foreign shareholder	No
Individual income tax	0% - 28% (tax resident); 28% (non-tax resident)
Social contribution	Employees' Provident Fund (EPF) – Employer portion: 12% - 13%; employee portion: 11%. EPF contribution is not applicable to foreign employees

Industrial land

Freehold or leasehold for up to 99 years

Major ports

Port Klang; Port of Tanjung Pelepas

Major airports

Kuala Lumpur International Airport; Kota Kinabalu International Airport; Penang International Airport

Finance and Tax

Major tax incentives	Malaysia offers a wide range of tax incentives to attract strategic investments into both manufacturing and service sectors. The promoted manufacturing sectors include high-technology, capital intensive and knowledge driven industries (eg advanced materials & electronics, alternative energy sources, biotechnology, aerospace, etc), resource-based industries as well as industries manufacturing intermediate goods. The promoted services sectors include regional establishments, ICT services, offshoring and outsourcing activities, research and development, education, healthcare, logistics, tourism including medical tourism, etc. The major tax incentives offered are generally in the form of tax holidays which may range from 70% to 100% income tax exemption for a period of 5 to 10 years, subject to meeting prescribed conditions as well as merits of each application. Where the project is of national and strategic importance, enhanced or pre-packaged incentives are also possible. Apart from the general tax incentives offered, enhanced incentives could also be available in undertaking promoted activities in our economic growth corridors, namely the East Coast Economic Region, Iskandar Malaysia, Northern Corridor Economic Region, Sabah Development Corridor and Sarawak Corridor of Renewable Energy. Below are just some examples of the attractive incentives available in Malaysia (non-exhaustive):- Malaysia-China Kuantan Industrial Park ("MCKIP") - 100% income tax exemption up to 15 years or 100% allowance on incurred for 5 years; 15% income tax rate for qualified knowledge workers; import duty and sales tax exemption for certain raw materials and plant and equipment; and stamp duty exemption on transfer or lease of land or building used for development. Principal Hub incentives - qualifying regional establishments could enjoy reduced income tax rates at 0%, 5% or 10% for 5 years (extendable for another 5 years). Multimedia Super Corridor (MSC) Malaysia incentives : 100% income tax exemption for 5 years (extendable for another 5 years) or ITA of 100% for 5 years.

Myanmar

Official language

Myanmar

Currency

Myanmar Kyat (MMK)

Exchange rate per USD $1

1,537

(May 2019)

Land area

676,000 km²

(2017)

Foreign exchange control

Yes

Population

53.3879m

(2017)

Capital city

Naypyidaw

Time zone

UTC +6:30

GDP

US$67,069 million

(2017)

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Key industries

Transport and Communication, Oil and Gas, Manufacturing, Power, Real Estate Development, Hotel and Tourism, Agricultural, Financial Services

Major natural resources

Natural Gas, Petroleum, Gold, Jades, Rubies and other Gemstones, Copper, Tin, Antimony, Lead, Zinc, Silver, Teak and other Timber

Top FDI contributor (as of 2017)

China

Major investment locations

Yangon, Mandalay

Industrial land

Foreign ownership of land and immoveable properties is prohibited. Foreign investors can lease (i) up to 70 years (i.e. 50 years with the options for two 10-years extensions) under the Myanmar Investment Law; or (ii) up to 75 years (i.e. 50 years with the option for 25-year extension) under the Special Economic Zones Law

Major ports

Yangon Port, Bassein Port, Moulmein Port

Major airports

Yangon International Airport, Mandalay International Airport, Naypyitaw International Airport, Bagan Nyaung Oo Airport
Bagan Nyaung Oo Airport

Regulatory	
Legal forms for FDI	Limited Liability Company, Branch of a company incorporated outside Myanmar, Joint Venture
Foreign investment restrictions/local JV partner requirement	May vary depending on the industry
Approval authority for foreign investment	Directorate of Companies and Administration (DICA), Myanmar Investment Commission (MIC), Special Economic Zones Management Committee and other relevant ministries (depending on the sector)
Finance and Tax	
Accounting standard	MAS and MFRS
Fiscal year	October 1 to September 30
Statutory audit	Yes with an exemption applies to small and medium companies subject to conditions
Corporate income tax rate	25%
Number of income tax treaties (in force)	8
Major indirect taxes	Commercial tax, 0% to 8% with the standard rate of 5% (creditable subject to conditions) Specific goods tax on a list of specific goods, 5%-80%,
Non-resident capital gain tax and rate	10% for resident and non-resident companies; 40%-50% for transfer of shares interest/shares in companies engaged in upstream oil and gas activities relating to exploration, drilling, and extraction or interest in production sharing contracts
Indirect transfer rule for non-resident shareholder	No specific indirect transfer rules in the Myanmar Income Tax Law (as of May 2019)
Import custom duty	0%-40%
FTA partner territories	ASEAN, Australia, China, Hong Kong, India, Japan, Korea, New Zealand
Thin-capitalisation rule	No
Transfer pricing rule	No
Tax on dividend repatriation to foreign shareholder	No
Individual income tax	1% - 25%
Social contribution	3% Social Security Contribution (SSC) for Employers (capped at MMK 9,000 per month) and 2% SSC for Employees (capped at MMK 6,000 per month)
Major tax incentives	Myanmar Foreign Investment Law – Income tax exemption for up to 7 years; exemption on customs duty and other internal taxes on imported machinery, equipment, etc. Special Economic Zones (SEZs) Law – Income tax holidays for first 5-7 years; exemption on customs duty and other taxes for imported machinery, equipment, etc.; carry forward of loss for 5 years.

Philippines

Official language
English, Filipino

Currency
Philippine Peso (PHP)

Exchange rate per USD $1
52.51
(May 2019)

Foreign exchange control
Yes

Land area
298,170 km²
(2017)

Time zone
UTC +8

Capital city
Manila

GDP
US$330,900 million
(2019)

Population
107.4m
(1st quarter 2019)

Local Contact

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Key industries

Construction, Manufacturing, Tourism, Real Estate, IT/Business Process Outsource (BPO)

Major natural resources

Copper, Gold, Silver, Chromium, Nickel, Petroleum, Forest Coverage, Aquatic Resources

Top FDI contributor (as of 2017)

Japan

Major investment locations

Metro Manila, Cebu, Davao

Industrial land

Leasehold up to 75 years

Major ports

Manila Port, Cebu Port, Davao Port, Iloilo Port

Major airports

Ninoy Aquino International Airport (Manila), Mactan International Airport (Cebu), Francisco Bangoy International Airport (Davao)

Regulatory	
Legal forms for FDI	Foreign-owned Subsidiary, Branch, Representative Office, Partnership, Regional Operating Headquarters (ROHQ)
Foreign investment restrictions/local JV partner requirement	Yes
Approval authority for foreign investment	Securities and Exchange Commission and Board of Investments
Finance and Tax	
Accounting standard	Philippine Financial Reporting Standards
Fiscal year	Calendar or fiscal
Statutory audit	Yes
Corporate income tax rate	30%
Number of income tax treaties (in force)	44
Major indirect taxes	Value-Added Tax (0% or 12%), Creditable
Non-resident capital gain tax and rate	5% - 10% for non-resident foreign corporations and 15% for non-resident alien individuals
Indirect transfer rule for non-resident shareholder	No
Import custom duty	0%-65%
FTA partner territories	ASEAN, Australia, China, Iceland, India, Japan, Korea, Liechstenstein, Norway, New Zealand, Switzerland
Thin-capitalisation rule	No
Transfer pricing rule	Yes
Tax on dividend repatriation to foreign shareholder	30% for corporations/25% for individuals (may be reduced by tax treaty)
Individual income tax	0% - 35%
Social contribution	Upper Limit: 2,200 Philippine Peso for Employers and 1,400 Philippine Peso for Employees per month
Major tax incentives	Export incentives – Income Tax Holiday (ITH) for 4-6 years from start of commercial operations; After the ITH period, 5% tax on gross income, in lieu of all national and local taxes; 0% Value-Added Tax on local purchases; Tax and duty-free importation of machineries, equipment, and spare parts ROHQ – Preferential income tax rate of 10%; Exemption from local taxes, fees, and charges; Tax and duty-free importation of equipment and materials for trainings and conferences needed for ROHQ functions *** Pending legislation may significantly affect the foregoing incentives.**

Singapore

Capital city

Singapore

Official language

English, Malay, Chinese

Currency

Singapore Dollar

Time zone

UTC +8

Exchange rate per USD $1

1.36866

(May 2019)

GDP

US$323,907 million

(2017)

Foreign exchange control

No

Land area

722.5 km²

(2017)

Population

5.64m

(2017)

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Key industries
Energy, Healthcare, Infrastructure

Major natural resources
Lack of Natural Resources

Top FDI contributor (as of 2017)
European Union

Major investment locations
Singapore City

Regulatory	
Legal forms for FDI	Pte Ltd., Branch, Representative Office, LP, LLP
Foreign investment restrictions/local JV partner requirement	No
Approval authority for foreign investment	Economic Development Board (EDB)

Finance and Tax	
Accounting standard	Singapore Financial Accounting
Fiscal year	April 1 to March 31
Statutory audit	Yes
Corporate income tax rate	17%
Number of income tax treaties (in force)	89 (as of 2018)
Major indirect taxes	Goods and Services Tax, 0% (Export) or 7%, Creditable
Non-resident capital gain tax and rate	No
Indirect transfer rule for non-resident shareholder	No
Import custom duty	Customs duty rates are only applicable to the imports of some alcoholic beverages. Rates are specific and depend on the alcohol content of the product.
FTA partner territories	ASEAN, Australia, Bahrain, Canada, Chile, China, Costa Rica, Hong Kong, Iceland, India, Japan, Jordan, Korea, Kuwait, Liechstenstein, Mexico, Norway, New Zealand, Oman, Panama, Peru, Qatar, Saudi Arabia, Sri Lanka, Switzerland, Turkey, UAE, USA
Thin-capitalisation rule	No
Transfer pricing rule	Yes
Tax on dividend repatriation to foreign shareholder	No
Individual income tax	0% - 22%
Social contribution	7.5%-17% for employer, 5%-20% for employee

Industrial land

Limited purchase; leasehold for up to 7 years

Major ports

Singapore Port, Jurong, Pulau Bukom, Sembawang, Tanjong Penjuru

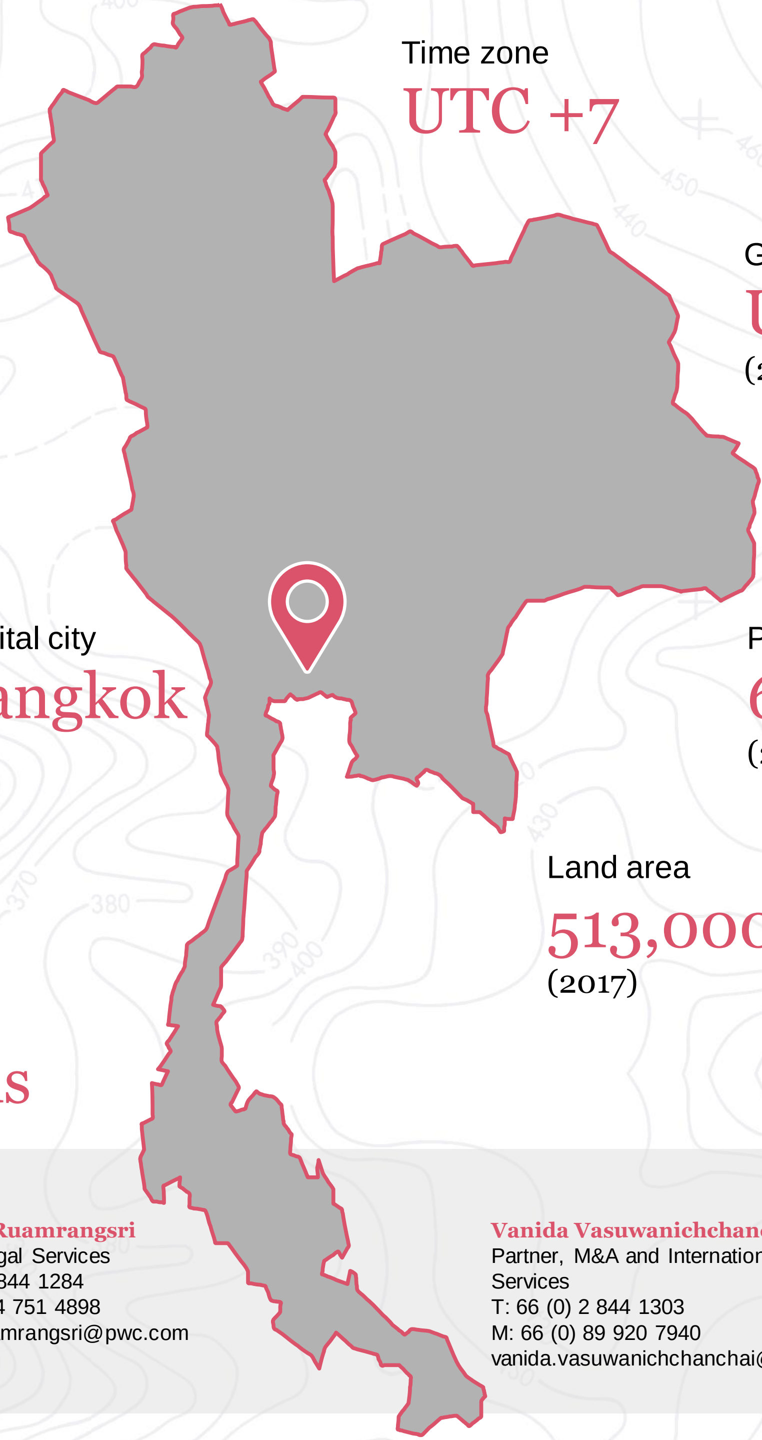
Major airports

Singapore Changi Airport

Finance and Tax

Major tax incentives	• Pioneer tax incentives: CIT exemption for 5-15 years • Development and Expansion Incentive (including International or Regional Headquarters): 5% or 10% preferential CIT rate on qualifying income. The incentive period is 5 years, but it is renewable subject to incremental economic commitments and approval of EDB. • International Growth scheme:10% preferential CIT rate for 5 years • Global Trader Programme: 5% or 10% preferential CIT rate on qualifying income for companies carrying on international trading. The incentive period is 5 years, but it is renewable subject to approval of Enterprise Singapore. • Finance and Treasury Center: 8% preferential CIT rate on qualifying income for 5 years • Intellectual Property Development Incentive: 5% or 10% preferential CIT rate on qualifying IP income. The incentive period is 5 years, but it is renewable subject to approval of EDB. • Fund management tax incentives (Section 13CA/13R/13X): Tax exemption on qualifying income derived by qualifying funds managed by a fund management company in Singapore. Once approved, the incentive applies for the life of the fund subject to conditions being met.

Thailand



Time zone

UTC +7

Official language

Thai language

GDP

US$455,303 million

(2017)

Currency

Thai baht

Exchange rate per USD $1

31.5103

(May 2019)

Capital city

Bangkok

Population

66.19m

(2017)

Foreign exchange control

Yes, but no restriction on investment funds

Land area

513,000 km²

(2017)

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Key industries

Food, Medical Devices, Tourism

Major natural resources

Potassium Salt, Tin, Tungsten, Antimony, Lead, Iron, Zinc, Copper, Molybdenum, Nickel

Top FDI contributor (as of 2017)

Japan

Major investment locations

Eastern Economic Corridor (EEC)

Industrial land

Freehold is generally prohibited and leasehold is up to 99 years (under option) for commercial and industrial purpose

Major ports

Khlong Toei Port/Bangkok Port, Laem Chabang Port, Chiang Saen Port, Chiang Khong Port

Major airports

Suvarnabhumi Airport, Don Mueang Airport

Regulatory	
Legal forms for FDI	Limited company, Public limited company, Sole proprietorship, Partnership, Branch, Representative office, Joint venture/Consortium,
Foreign investment restrictions/local JV partner requirement	Yes
Approval authority for foreign investment	Department of Business Development, the Ministry of Commerce, Thailand Board of Investment

Finance and Tax	
Accounting standard	Thai Financial Reporting Standard (TFRS)
Fiscal year	Financial year, which covers 12-month periods
Statutory audit	Yes
Corporate income tax rate	20%
Number of income tax treaties (in force)	61 (as of 2018)
Major indirect taxes	Value-Added Tax, 0% (Export) or 7%, Creditable
Non-resident capital gain tax and rate	15% (may be exempted by treaty)
Indirect transfer rule for non-resident shareholder	No
Import custom duty	0-80%
FTA partner territories	ASEAN, Australia, Chile, China, Hong Kong, India, Japan, Korea, New Zealand, Peru
Thin-capitalisation rule	No
Transfer pricing rule	Yes
Tax on dividend repatriation to foreign shareholder	10% (may be reduced by tax treaty)
Individual income tax	0% - 35%
Social contribution	5%
Major tax incentives	The exemption from CIT granted by Board of Investment (BOI) will be up to 13 years with no cap in total for Research and development (R&D), Targeted Core technology and etc. Eastern Economic Corridor (EEC): An EEC promoted company will be granted CIT exemption and/or reduction privileges according to the criteria prescribed by the EEC committee. BOI tax incentives: Under the 2018 BOI promotion scheme, tax incentives are under five categories (A+,A1 to A4) and non-tax incentives under two categories (B1 and B2) including land ownership and etc. Additional incentives based on the value of a project (merit-based incentives), such as 50% CIT reduction and double utility deduction. Thailand also has tax incentives for International Business Centre (IBC).

Vietnam

Capital city

Hanoi

Official language

Vietnamese

Time zone

UTC +7

Currency

Vietnamese Dong (VND)

GDP

US$223,780 million

(2017)

Exchange rate per USD $1

23,480

(May 2019)

Foreign exchange control

Yes

Land area

329,000 km²

(2017)

Population

93.7m

(2017)

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Key industries

Energy and Utilities, Pharmaceuticals and Healthcare, Retail and Consumer

Major natural resources

Coal, Petroleum, Natural Gas, Iron, Chromium, Aluminium, Copper, Nickel, Apatite, Sulphide Ore

Top FDI contributor (as of 2017)

Japan

Major investment locations

Hanoi, Ho Chi Minh City, Haiphong, Da Nang, Ha Long

Industrial land

Leasehold for up to 50 years

Major ports

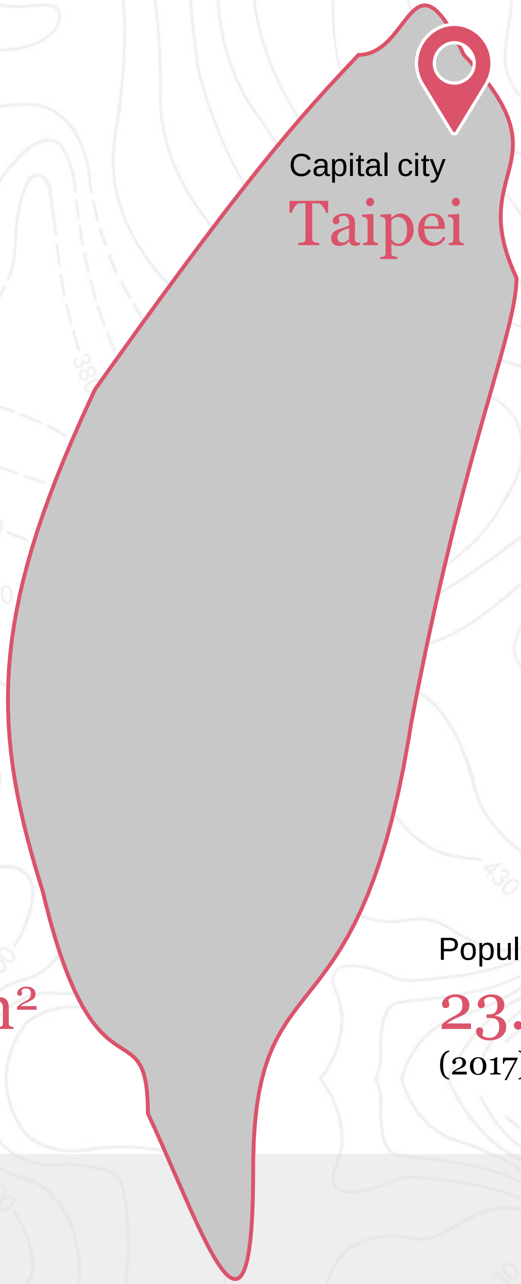
Haiphong Port, Da Nang Port and Ho Chi Minh Port

Major airports

Hanoi Noi Bai International Airport, Ho Chi Minh City Tan Son Nhat International Airport, Da Nang International Airport

Regulatory	
Legal forms for FDI	Representative office, Branch, Joint Stock Company, Limited Liability Company
Foreign investment restrictions/local JV partner requirement	Yes for certain sectors
Approval authority for foreign investment	Ministry of Planning and Investment, Department of Planning and Investment and other relevant competent authorities.
Finance and Tax	
Accounting standard	Vietnam Accounting System (VAS)
Fiscal year	Calendar year or end of each quarter
Statutory audit	Yes
Corporate income tax rate	20%
Number of income tax treaties (in force)	80 (as of 31 December 2018)
Major indirect taxes	Value-Added Tax, 0%-10%, Creditable/Refundable
Non-resident capital gain tax and rate	20%/0.1%
Indirect transfer rule for non-resident shareholder	Grey area with practical risks, suggest to seek professional tax advice in this matter
Import custom duty	0%-70%
FTA partner territories	ASEAN, Armenia, Australia, Belarus, Canada, Chile, China, Hong Kong, India, Japan, Kazakhstan, Korea, Kyrgystan, Mexico, New Zealand, Russia
Thin-capitalisation rule	No Deductible interest: cap of 20% of EBITDA
Transfer pricing rule	Yes
Tax on dividend repatriation to foreign shareholder	0% for corporations; 5% for individuals
Individual income tax	Tax residents: 5% - 35% for employment income Non-tax residents: 20% for employment income
Social contribution	17.5% for Employers and 8% for Employees. Income subject to social insurance contribution includes salary, certain allowances and other regular payments.
Major tax incentives	For investment in encouraged sectors/ locations, e.g. high-tech, industrial supportive products, remote areas: • Preferential tax rate of 10% or 17% for number of years • Tax Holidays – Exemption from income tax for a certain period and 50% reduced income tax rate for a further period.

Taiwan



Capital city
Taipei

Official language
Mandarin

Currency
New Taiwan Dollar (NT$)

Exchange rate per USD $1
31.8
(May 2019)

Time zone
UTC +8

GDP
US$573,200 million
(2017)

Foreign exchange control
Yes

Land area
36,000 km²
(2018)

Population
23.57m
(2017)

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Key industries

Semiconductor in the north, Precision Machinery in central region, Petrochemicals and Heavy Industry in the south.

Major natural resources

Natural Gas, Marble (not significant)

Top FDI contributor (as of 2017)

Netherlands

Major investment locations

Taipei, Hsinchu, Taichung, Tainan, Kaohsiung

Regulatory	
Legal forms for FDI	Limited Company, Company Limited by Shares, Branch, Representative office
Foreign investment restrictions/local JV partner requirement	Foreign investors are subject to the negative list for foreign investment by foreign nationals while the investments by investors directly/indirectly invested/controlled by Mainland Chinese entity or individual are subject to the Chinese investment regulations and positive list for investment which varies by industries.
Approval authority for foreign investment	Investment Commission of the Ministry of Economic Affairs (ICMOEA)
Finance and Tax	
Accounting standard	IFRS, Enterprise Accounting Standards (EAS)
Fiscal year	Calendar year (non-calendar year can be adopted with prior approval)
Statutory audit	Yes
Corporate income tax rate	20%
Number of income tax treaties (in force)	32
Major indirect taxes	Value-Added Tax, 0%-5%, Creditable
Non-resident capital gain tax and rate	Yes, 20%
Indirect transfer rule for non-resident shareholder	No, except for indirect transfer of foreign entity which holds real estate in Taiwan exceeding various thresholds
Import custom duty	Generally within 0%-45%
FTA partner territories	Mainland China, El Salvador, Eswatini, Honduras, Nicaragua, New Zealand, Panama, Paraguay, Singapore
Thin-capitalisation rule	Yes
Transfer pricing rule	Yes
Tax on dividend repatriation to foreign shareholder	21% (may be reduced by tax treaty)
Individual income tax	5%~40%
Social contribution	6% of insured salary range for pension contribution; 4.69% of insured salary range for national health insurance contribution; 10% of insured salary range for labor insurance contribution

Industrial land

Limited Purchase

Major ports

Keelung Port, Kaohsiung Port, Hualien Port

Major airports

Taoyuan International Airport, Taipei Songshan Airport, Kaohsiung International Airport

Finance and Tax	
Major tax incentives	Up till 31 December 2019, a company can either credit up to 15% of qualified R&D expenditures against its CIT payable in the current year, capped at 30% of its tax payable for that year, or credit up to 10% of qualified R&D expenditures against its CIT payable in the current year, with unutilised R&D tax credits carried forward for two ensuing years if the 30% cap of current year CIT payable is exceeded. Draft amendments are being discussed to extend the incentive to 31 December 2029.

PwC integrated solution for supply chain transformation

Making sustainable change – Transforming your business to achieve tax, financial, legal and operational alignment

Domestic and multinational corporations' supply chains and other business operations are increasingly spread across regions. They are impacted by rapidly changing government and environmental regulations, trade policies and shifting customer demands. China's Belt & Road (B&R) initiative has played a major part in transforming connectivity along trade routes, reshaping supply chains and creating opportunities for companies in participating B&R countries. Businesses look to reconfigure operating models in their search for value and growth. Failure to align operating models, tax, legal and financing structures with business goals can mean a loss of operational efficiencies and unnecessary costs. This then acts as a brake on competing and winning.

Aligning all these elements during a change in business operations or diversification of supply chain locations will allow businesses to optimise profitability, increase efficiency and create a solid foundation for sustainable growth. Supply Chain Transformation can enable businesses to overcome challenges and compete successfully in complex business environments.

At PwC, the journey of optimising business processes and systems to achieve financial, tax, legal and operational alignment to deliver profitability, increase efficiency and create a solid foundation for sustainable growth is called Supply Chain Transformation (SCT).

PwC's SCT services offer an integrated portfolio of tax & legal, consulting, risk assurance and corporate finance services. These can be deployed to support our clients to align and optimise their business, financing, tax and legal operating models to deliver sustainable financial benefits, both above and below the line, during SCT.

Optimising your business processes and systems to deliver competitive customer service can be a major challenge - parameters such as technology, labour mobility and legislation vary across jurisdictions, and can be in constant flux.

SCT projects are driven by aligning strategic, operational and financial needs. We seek to help our clients improve their business models while relocating or redesigning activities. We do this through a coordinated approach of professional advice and implementation know-how.

We journey with you to create sustainable change

Identifying the right location

- Understanding your current supply chain needs and priorities
- Assessing suitable locations for fit and cost-benefit
  - Overall policy and governmental environment, including availability of preferential regulatory/tax policies and incentives
  - Accessibility and reliability of key supply chain players
  - Logistical connectivity and efficiency
  - Accessibility and reliability of supportive infrastructure, including transportation, warehousing, labour supply

Legal and tax restructuring

- Assisting you to obtain adequate understanding of local regulatory environment
- Evaluating your obligations regarding local environmental laws
- Designing holding structures and operational models, and reviewing contracts to optimize tax positions – both onshore and offshore
- Assessing your eligibility for local tax or other regulatory incentives and helping you in negotiations with local government
- Providing tax compliance, ad hoc tax consulting and tax training services to optimise your ongoing tax positions

Reconfiguring your supply chain

- Helping you develop and implement a strategic plan for reconfiguring your supply chain in a new location
  - Sourcing key local partner or supplier relationships
  - Redesign of local production model
  - Logistics localisation and integration
  - Regional operating model design and integration
  - Intellectual Property rights and manufacturing know-how protections
- Assisting you to source new partners and suppliers, as well as implementing new supply chain operating model

Human resources; corporate governance; AML compliance; internal control & reporting; data relocation

- Helping you to access the local workforce – for frontline / supervisory / specialist functions
- Clarifying your obligations regarding local labour laws and AML compliance requirements
- Assessing cost of relocating existing staff to new location
- Assisting you to ensure sufficient corporate governance and internal controls are in place for new location, with adequate reporting procedures to headquarters
- Supporting you with data relocation

Financing and fundraising

- Assisting to structure and arrange replacement working capital/trade financing to support your new supply chain
- Arranging bridge financing to support your supply chain relocation
- Helping you to raise long term corporate financing with local and offshore lenders
- Assisting to structure and arrange capital equipment financing for manufacturing facilities
- Assisting you in fund raising via new local investors and partners

Our integrated SCT service offerings

Corporate Finance
Introduction to local JV partners or investors; assist you in arranging financing for your new supply chain.

Legal
Advise on corporate formation and structuring for tax and duty efficiency. Understand and advise on local compliance matters, and implement the planned structure with properly drafted agreements.

Risk Assurance
Assist in assessing compliance, set up risk management systems as well as internal control requirements. Use data analysis tool for our clients to deal with the problems in supply chain transformation.

Consulting
Assist in formulating and implementing new supply chain strategy.

Tax
Assist in tax planning and implementation to mitigate tax risks and boost your after-tax return.

We provide you with business solutions that are holistic, driven by business change, and forward-looking. We work to understand what drives value in your organisation to tailor an optimised global or regional structure that delivers value and responds to future commercial and operational challenges.

We support your operational model by creating a streamlined cost and tax efficient structure that increases shareholder value and cash flows, as well as a legal framework that ensures compliance with domestic and international requirements. We assist you in your supply chain expansion and transformation by sourcing and structuring financing solutions and investment partnerships that is tailored to growth and development. We help you adopt a risk management approach to reconfiguring your business processes and internal controls.

SCT delivers competitive advantage. As a result, you will see a number of business improvements including:

- a rationalised supply chain in line with recent policy changes;
- sustainable structural tax improvements;
- identification of potential synergies within the operating structure;
- greater flexibility to accommodate future business changes and growth;
- better management of pricing and clearer transparency;
- improved access to local financing and business partners to support your development

The next step

PwC operates in more than 150 countries or regions. As a world-leading professional services provider, we are ideally placed to work directly with you on your SCT journey, to understand your requirements and to tailor practical solutions to suit your strategic and operational goals.

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Abbreviations

Abbreviation	Full Name
ASEAN	the Association of Southeast Asian Nations
BRI	Belt & Road Initiative
CIT	Corporate Income Tax
EBITDA	Earnings before interest, taxes, depreciation, and amortization
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IFRS	International Financial Reporting Standards
JV	Joint Venture
LLC	Limited Liability Company
MoF	Ministry of Finance
SCT	Supply Chain Transformation
SME	Small and Medium Enterprise
SSC	Social Security Contribution